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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in **Skyfame Realty (Holdings) Limited**, you should at once hand this circular and the form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**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)**

**(1) VERY SUBSTANTIAL DISPOSAL  
AND CONNECTED TRANSACTION:  
PROPOSED DISPOSAL OF 73.73% EQUITY INTEREST IN  
A NON-WHOLLY OWNED SUBSIDIARY;  
AND  
(2) NOTICE OF SPECIAL GENERAL MEETING**

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A letter from the Board is set out on pages 4 to 12 of this circular.

A notice convening the SGM to be held at Unit 1401, 14/F, Capital Centre, 151 Gloucester Road, Wanchai, Hong Kong, at 11:00 a.m. on Tuesday, 16 May 2023 is set out on pages SGM-1 to SGM-2 of this circular. Whether or not you are able to attend the SGM in person, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch registrar and transfer office in Hong Kong, Tricor Abacus Limited, located at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for the holding of the SGM (or any adjournment thereof).

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following words and expressions shall have the following meanings:*

“Board”	the board of Directors
“Chongqing Hesheng”	重慶核盛房地產開發有限公司(Chongqing Hesheng Property Development Co., Ltd.*), a limited liability company incorporated in the PRC and an indirectly 97.02% owned subsidiary of the Company holding 60% equity interest of the Project Company
“Chongqing Skyfame Linxifu Project”	a property development project in Bishan District, Chongqing, the PRC
“Company”	Skyfame Realty (Holdings) Limited (天譽置業(控股)有限公司), a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the main board of the Stock Exchange (stock code: 59)
“Completion”	the completion of the Disposal
“Datang Group”	Datang Group Holding Co., Ltd. (大唐集團控股有限公司), a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the main board of the Stock Exchange (stock code: 2117)
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of an aggregate of 80% equity interest in the Project Company by the Vendors according to the terms and conditions under the Disposal Agreement
“Disposal Agreement”	the conditional equity transfer agreement dated 30 December 2022 entered into between the Purchaser, the Vendors and the Project Company in relation to the conditional sale and purchase of an aggregate of 80% equity interest in the Project Company
“GFA”	gross floor area
“Group”	the Company and its subsidiaries
“Guangxi Zhongqing”	廣西眾擎易舉投資有限公司 (Guangxi Zhongqing Yiju Investment Co., Ltd.*), an indirect subsidiary of the Company

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## DEFINITIONS

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“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“JPLs”	Joel Edwards of EY Bermuda Limited in Bermuda, So Kit Yee Anita and Lau Wun Man, both of Ernst & Young Transactions Limited in Hong Kong appointed by the Bermuda Court as the joint provisional liquidators of the Company on a “light touch” approach with limited powers for restructuring purposes
“Latest Practicable Date”	20 April 2023, being the latest practicable date prior to the printing of this circular for ascertaining information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Project Company”	重慶之遠地產有限公司 (Chongqing Zhiyuan Property Co., Ltd.*), a limited liability company incorporated in the PRC and directly owned as to an aggregate of 80% by the Vendors
“PRC”	the People’s Republic of China
“PUD”	properties under development
“Purchaser” or “Chongqing Tangcheng”	重慶唐承房地產開發有限公司 (Chongqing Tangcheng Property Development Company Limited*), a limited liability company incorporated in the PRC holding 20% equity interest in the Project Company and an indirect wholly owned subsidiary of Datang Group
“RMB”	Renminbi, the lawful currency in the PRC
“SGM”	the special general meeting of the Company to be convened to consider, if thought fit, the approval of, among other things, the Disposal Agreement and transactions contemplated thereunder
“Share(s)”	ordinary share(s) of one third Hong Kong cent each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“sq. m.”	square meter
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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## DEFINITIONS

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“Tianyu Jurong”                      南寧天譽巨榮置業有限公司 (Nanning Tianyu Jurong Realty Company Limited\*), a limited liability company incorporated in the PRC and an indirectly 77.6% owned subsidiary of the Company holding 20% equity interest of the Project Company

“Vendors”                              Chongqing Hesheng and Tianyu Jurong

“%”                                        percentage or per centum

\*    *for identification purpose only*

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LETTER FROM THE BOARD

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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)

*Executive Directors:*

Mr. Yu Pan (*Chairman*)

Mr. Jin Zhifeng (*Chief Executive Officer*)

Mr. Wang Chenghua

*Registered office:*

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

*Non-executive Director:*

Ms. Wang Kailing

*Head office and principal place of*

*Business in the PRC:*

32nd to 33rd Floors of HNA Tower

8 Linhe Zhong Road, Tianhe District

Guangzhou, Guangdong Province, the PRC

*Independent non-executive Directors:*

Mr. Wen Xiaojing

Mr. Cui Yuan

Ms. Tang Yu

*Principal Place of Business in Hong Kong:*

Unit 1401, 14th Floor

Capital Centre

151 Gloucester Road

Wanchai

Hong Kong

*To the Shareholders*

21 April 2023

Dear Sir or Madam,

**VERY SUBSTANTIAL DISPOSAL  
AND CONNECTED TRANSACTION –  
PROPOSED DISPOSAL OF AN EFFECTIVE EQUITY INTEREST  
OF 73.73% IN A NON-WHOLLY OWNED SUBSIDIARY**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 30 December 2022 with respect to the Disposal.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with, amongst other things, (i) details of the Disposal Agreement; (ii) further information of the Project Company; (iii) financial information of the Project Company; (iv) pro forma financial information in relation to the Disposal; (v) valuation report on the PUD held by the Project Company; and (vi) a notice of the SGM to be convened for the purpose of considering and approving the Disposal Agreement and the transactions contemplated thereunder.

### THE DISPOSAL AGREEMENT

On 30 December 2022, the Vendors, the Purchaser and the Project Company entered into the Disposal Agreement, pursuant to which the Vendors conditionally agreed to sell, and the Purchaser conditionally agreed to acquire, an aggregate of 80% equity interest in the Project Company. The key terms of the Disposal Agreement are set out as follows:

#### Date

30 December 2022 (after trading hours)

#### Parties

- (i) Chongqing Hesheng and Tianyu Jurong as the Vendors
- (ii) Chongqing Tangcheng as the Purchaser
- (iii) the Project Company (the subject company of the Disposal)

#### Subject assets to be disposed of

The asset to be disposed of by the Vendors to the Purchaser pursuant to the Disposal Agreement is an aggregate of 80% equity interest in the Project Company.

#### Consideration

The consideration for the Disposal is approximately RMB542.1 million.

Such consideration was arrived at after arm's length negotiations between the parties to the Disposal Agreement and are on normal commercial terms, with reference to the preliminary valuation as at 30 September 2022 of RMB1,059 million regarding the PUD held by the Project Company as at 30 September 2022 determined by Cushman & Wakefield International Properties Advisers (Guangzhou) Co., Ltd (the "Valuer"), an independent valuer, with market comparison approach. For details of the market valuation as appraised by the Valuer, please refer to the valuation report as set out in Appendix V to this circular. Based on the unaudited management accounts of the Project Company as at 30 September 2022, the net asset value of the Project Company was approximately RMB554.49 million which included the book value of the PUD held by the Project Company as at 30 September 2022 of approximately RMB1,058.95 million. There was only an insignificant increase of approximately RMB54,000 in the market value of the PUD held by the Project Company as compared to its book value as at 30 September

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## LETTER FROM THE BOARD

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2022. Based on the aforesaid market value and book value of the PUD held by the Project Company as at 30 September 2022, the adjusted net asset value of the Project Company as at 30 September 2022 was approximately RMB554.54 million (the “**Adjusted NAV**”). After deducting the non-controlling interest attributable to 20% equity interest of the Project Company of approximately RMB65.32 million, the consideration for the Disposal of approximately RMB542.1 million represents a premium of approximately 10.8% to the Adjusted NAV attributable to 80% equity interest of the Project Company of approximately RMB489.22 million.

As set out in the Disposal Agreement, (i) the Vendors have an aggregate amount due to the Project Company of approximately RMB262.1 million (the “**Liability**”) which will be assumed by the Purchaser upon Completion; and (ii) Chongqing Hesheng (i.e. one of the Vendors) has an amount of RMB280.0 million due to the Purchaser. The Liability mainly arised from the daily operating expenses paid by the Project Company on behalf of the Vendors while the amount due to the Purchaser arised from financing advanced to Chongqing Hesheng by the Purchaser.

The consideration for the Disposal of approximately RMB542.1 million will be settled/applied as follows:

- (i) approximately RMB262.1 million to offset the consideration for the Purchaser to assume the Liability; and
- (ii) RMB280.0 million to offset the equivalent amount due by Chongqing Hesheng to the Purchaser.

### **Conditions precedent**

Completion of the Disposal Agreement is conditional upon the Shareholders’ approval at the SGM in relation to the Disposal Agreement and the transactions contemplated thereunder. Such condition is not capable of being waived.

### **Completion**

Completion is conditional upon the satisfaction of the condition precedent set out in the Disposal Agreement. Within one day from the date of fulfilment of the condition precedent, the Purchaser shall be responsible for the industrial and commercial registration modification of the Project Company in relation to the Disposal, and the Vendors shall provide necessary assistance. The date of Completion shall be the date of completion of the industrial and commercial registration modification of the Project Company. In any case, Completion shall take place by 30 June 2023, or the Disposal Agreement shall be terminated and lapsed.

Upon completion of the Disposal, the Company will cease to have any equity interest in the Project Company and the Project Company will cease to be a subsidiary of the Company.

The JLPs will liaise with the creditors of the Company in connection with the Disposal.



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## LETTER FROM THE BOARD

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### INFORMATION OF THE PROJECT COMPANY

The Project Company is a limited liability company incorporated in PRC and is mainly engaged in property development business in the PRC. As at the Latest Practicable Date, the Project Company has a registered and paid up capital of RMB100,000,000 and is owned as to 60% by Chongqing Hesheng (an indirect 97.02% owned subsidiary of the Company), 20% by Tianyu Jurong (an indirect 77.6% owned subsidiary of the Company) and 20% by the Purchaser. The Company's aggregate effective equity interest in the Project Company is approximately 73.73%.

As at the Latest Practicable Date, the Project Company's major asset is the Chongqing Skyfame Linxifu Project. The project site is located at Bishan District, Chongqing, the PRC which is the gateway of Chongqing in the west. The land will be developed into residential and ancillary commercial properties of GFA of 448,000 sq. m. (saleable GFA of 347,000 sq. m.). Construction and pre-sale has been commenced and it is expected to be completed by around 2024.

As of 30 November 2022, an aggregate GFA of 127,000 sq. m. of the Chongqing Skyfame Linxifu Project has been sold. The first phase of the Chongqing Skyfame Linxifu Project is in the final stage of project acceptance and in preparation for delivery. The second and third phases of the Chongqing Skyfame Linxifu Project are in the middle stage of the construction while the fourth phase of the Chongqing Skyfame Linxifu Project is in preliminary stage of construction. The project still needs further financial resources to ensure timely deliveries of presold homes.

Set out below is the financial summary of the Project Company for the two financial years ended 31 December 2022:

	<b>Financial year ended</b>	
	<b>31 December</b>	
	<b>2021</b>	<b>2022</b>
	(unaudited)	(unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Net loss before taxation	(45,953)	(41,850)
Net loss after taxation	(38,367)	(39,626)

Based on the unaudited management accounts of the Project Company as at 31 December 2022, the total assets, total liabilities and net assets of the Project Company were approximately RMB1,525.24 million, RMB985.61 million and RMB539.63 million respectively. The total assets of the Project Company as at 31 December 2022 mainly comprised the PUD held by it of approximately RMB1,059 million and amount due from fellow subsidiaries of approximately RMB319.48 million. The total liabilities of the Project Company as at 31 December 2022 mainly comprised contract liabilities of approximately RMB791.89 million and other payables and accruals of approximately RMB162.87 million.

For details of the financial information of the Project Company, please refer to Appendix II to this circular.

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## LETTER FROM THE BOARD

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### INFORMATION OF THE PARTIES

#### *The Group*

The Group is principally engaged in the property development, property investment, property management and commercial operations.

The Group focuses on the development of a wide range of property types including residential and commercial properties, offices, serviced apartments and hotels in the PRC as well as property investment and property management. Rooted in Guangzhou, the Group explores into cities in the mainland with high growth potential with particular focus on the development of community projects tailored-made for young home buyers. Currently, the Group holds a portfolio of development projects and land reserves covering Guangzhou, Zhongshan, Zhuhai, Shenzhen and Huizhou in the Greater Bay Area; Nanning and Guilin in the southern region; Xuzhou and Nanchang in the eastern region; and Chongqing, Kunming and Guizhou in the southwest region.

#### *Chongqing Hesheng*

Chongqing Hesheng is a limited liability company incorporated in the PRC and is 97.02% indirectly owned by the Company. Chongqing Hesheng is principally engaged in property development in the PRC. As at the Latest Practicable Date, Chongqing Hesheng directly owned 60% of the equity interests of the Project Company.

#### *Tianyu Jurong*

Tianyu Jurong is a limited liability company incorporated in the PRC which is indirectly owned as to 77.6% by the Company. Tianyu Jurong is principally engaged in property development in the PRC. As at the Latest Practicable Date, Tianyu Jurong directly owned 20% of the equity interests of the Project Company.

#### *The Purchaser*

Chongqing Tangcheng is a limited liability company incorporated in the PRC and is indirectly wholly owned by Datang Group, a company listed on the Main Board of the Stock Exchange (stock code: 2117). Chongqing Tangcheng is principally engaged in property development.

Datang Group indirectly holds 30% equity interest of Guangxi Zhongqing, an indirect subsidiary of the Company.

To the best of the directors' knowledge, information and belief having made all reasonable enquiry, save for the Purchaser's 20% interests in the Project Company and Datang Group's 30% interest in Guangxi Zhongqing, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and connected persons of the Company. Therefore, the Purchaser is a connected person of the Company at subsidiary level.

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## LETTER FROM THE BOARD

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### REASONS FOR ENTERING INTO THE DISPOSAL AGREEMENT

As disclosed in the annual results announcement of the Company for the year ended 31 December 2022 (the “**Annual Results Announcement**”), during the year 2022, the macro environment of the PRC’s real estate industry has undergone tremendous downturn. As a result, the Group experienced a sharp decline in property sales in the year of 2022. The Group’s access to new financing has also been hampered. Since late June 2022, the Group encountered financial difficulties in meeting its liabilities falling due. Pursuant to an order granted by the Bermuda Court on 15 August 2022, the JPLs were appointed on a “light touch” approach with limited powers for restructuring purposes. As disclosed in the Company’s announcement dated 12 October 2022, a creditor of the Company has filed a winding-up petition (the “**HK Petition**”) against the Company at the High Court of Hong Kong. On 10 November 2022, the Company made an application to the High Court of Hong Kong for striking out or dismissing the HK Petition. The Company is working closely with the JPLs and its advisers to formulate a viable restructuring plan aimed at addressing the current liquidity constraints and protecting the interests of all stakeholders. For details, please refer to the Company’s announcements dated 5 July 2022, 7 July 2022, 12 July 2022, 25 July 2022, 5 August 2022, 15 August 2022, 16 August 2022, 1 September 2022, 12 October 2022, 31 October 2022, 14 December 2022, 19 December 2022, 5 January 2023 and 6 February 2023. As disclosed in the Annual Results Announcement, the Chief Justice of the Commercial Court of the Supreme Court Bermuda adjourned the hearing of the Petition to Friday, 28 April 2023 (Bermuda time).

The management believes it takes time to restore the confidence of creditors and home buyers. In the short term, the pressure of deleveraging inventories still exists and the suppressed buying sentiments will take time to recover.

Delivery of properties on time is the priority target of the Group at this stage. The Group adopts the strategies of geographic focus in the Guangdong-Hong Kong-Macao Greater Bay Area centered in Guangzhou, enhancing project operation efficiency, accelerating the construction of Guangzhou urban renewal projects, strict control of costs and expenses, resolutely taking measures to execute non-core asset disposal and downsizing the business to optimal scale to enable a successful debts restructuring with creditors. The Group believes the above strategies will enhance its resilience to overcome the difficulties.

The Board considers that the Disposal is in line with the Group’s strategy to focus on the Guangdong-Hong Kong-Macao Greater Bay Area centered in Guangzhou. Furthermore, the Board is of the view that the Disposal represents a good opportunity for the Company to (i) improve the Group’s financial position and gearing; (ii) realise its investment in the Chongqing Skyfame Linxifu Project in a timely manner; and (iii) saving precious financial resources which can be redistributed to the rest of Group’s projects to help to ensure timely deliveries of presold homes.

The terms of the Disposal Agreement (including the consideration which was determined with reference to the preliminary valuation as at 30 September 2022 of the PUD held by the Project Company) were arrived at after arm’s length commercial negotiation amongst the Vendors and the Purchaser. In view of the above, in particular the fact that the consideration represents a premium of approximately 10.8% to the Adjusted NAV attributable to 80% equity interest of the Project Company, the Directors (including the independent non-executive Directors) are of the opinion that the terms and conditions of the Disposal Agreement (including the consideration) are on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### FINANCIAL EFFECTS OF THE DISPOSAL AGREEMENT TO THE GROUP

#### Earnings

Based on the unaudited pro forma financial information of the Remaining Group as set out in Appendix IV to this circular, based on the unaudited accounts of the Project Company as at 31 December 2022 and assuming the Disposal has been completed on 1 January 2022, a gain of approximately RMB103.7 million would have arisen, which is calculated with reference to the consideration for the Disposal less the relevant costs of the Disposal and 73.73% of net assets of the Project Company as at 31 December 2022.

Shareholders and investors should note that the exact amount of gain on the Disposal may be different from the above calculation and is to be determined with reference to the net assets value of the Project Company.

#### Assets and liabilities

Based on the unaudited pro forma financial information of the Remaining Group as set out in Appendix IV to this circular, assuming the Disposal has been completed on 1 January 2022, the total assets of the Group would have decreased by approximately RMB1,525 million to RMB24,439 million while the total liabilities of the Group would have decreased by RMB1,527 million to RMB22,731 million.

#### General

Shareholders should note that the financial impact set out above is for illustrative purpose only, which will have to be ascertained at the time of preparation of the Company's consolidated financial statements, and is subject to audit.

### LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, the Purchaser holds 20% equity interest in the Project Company and its holding company, Datang Group, indirectly holds 30% of Guangxi Zhongqing, which is an indirect subsidiary of the Company. Therefore, the Purchaser is a connected person of the Company at the subsidiary level. Accordingly, the Disposal constitutes a connected transaction of the Company. Pursuant to Rule 14A.101, given that (i) the Board has approved the Disposal Agreement; and (ii) the Directors (including all the independent non-executive Directors) have confirmed that the Disposal Agreement is on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, the entering into of the Disposal Agreement is subject to the reporting and announcement requirements but exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

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## LETTER FROM THE BOARD

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As one or more percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal is more than 75%, the entering into of the Disposal Agreement also constitutes a very substantial disposal for the Company and is subject to the reporting, announcement, circular and the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Disposal Agreement and the Disposal contemplated thereunder and therefore, no Shareholder is required to abstain from voting at the SGM for the relevant resolutions.

### **THE SGM**

Set out on pages SGM-1 to SGM-2 of this circular is a notice convening the SGM to be held at Unit 1401, 14/F, Capital Centre, 151 Gloucester Road, Wanchai, Hong Kong, at 11:00 a.m. on Tuesday, 16 May 2023 at which an ordinary resolution will be proposed for the purpose of considering, and, if thought fit, to approve, among others, the Disposal Agreement and the transactions contemplated thereunder.

The record date for determining the entitlement of the Shareholders to attend and vote at the SGM will be Tuesday, 9 May 2023. All transfers of Shares accompanied by the relevant share certificates must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Abacus Limited, located at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 9 May 2023.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same with the Company's branch share registrar in Hong Kong, Tricor Abacus Limited, located at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish. Voting on the proposed resolution at the SGM will be taken by poll.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

The Directors consider that the terms of the Disposal Agreement are fair and reasonable and on normal commercial terms, and the Disposal Agreement is in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Disposal Agreement and the transactions contemplated thereunder.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendices to this circular.

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

**1. CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP**

The consolidated financial statements of the Group, together with the accompanying notes, for each of the three years ended 31 December 2020, 2021 and 2022 are disclosed in the annual reports of the Company for the financial years ended 31 December 2020 (pages 95 to 199), 31 December 2021 (pages 97 to 205)), and the annual results announcement of the Company for the year ended 31 December 2022 (page 2 to 24) respectively, and are incorporated by reference into this circular.

The said annual reports and annual results announcement of the Company are available on the Company's website at <http://www.skyfame.com.cn> and website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) through the links below:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0426/2021042601308.pdf>

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0419/2022041901295.pdf>

[www1.hkexnews.hk/listedco/listconews/sehk/2023/0331/2023033101047.pdf](http://www1.hkexnews.hk/listedco/listconews/sehk/2023/0331/2023033101047.pdf)

**2. INDEBTEDNESS STATEMENT**

At the close of business on 28 February 2023, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the indebtedness of the Group was as follows:

**(i) Bank and other borrowings**

As at the close of business on 28 February 2023, being the latest practicable date for the purpose of preparing this indebtedness statement, the Group had outstanding principal amount of bank and other borrowings (including current and non-current portions) of approximately RMB10,871.6 million.

	<i>Note</i>	<b>As at 28 February 2023</b> <i>RMB'million</i> (Unaudited)
Bank borrowings		
– Secured	<i>(a)</i>	3,639.1
Notes/bonds		
– Secured	<i>(a, b)</i>	1,650.6
– Unsecured		<u>3,756.6</u>
		5,407.2
Other borrowings		
– Secured	<i>(a)</i>	1,604.3
– Unsecured		<u>221.0</u>
		<u>1,825.3</u>
Total bank and other borrowings		<u><u>10,871.6</u></u>

(a) As at 28 February 2023, the Group's secured bank borrowings of approximately RMB3,639.1 million were secured by:

- Buildings, right-of-use assets, investment properties, properties under development, properties held for sale and deposits;
- Shares in certain subsidiaries of the Company;
- Corporate guarantee provided by the Company or/and together with fellow subsidiaries;
- Personal guarantee provided by Mr. Yu Pan or together with his spouse.



As at 28 February 2023, the Group's secured bonds of approximately RMB139.3 million were secured by:

- Properties held for sale;
- Shares in certain subsidiaries of the Company;
- Corporate guarantee provided by a fellow subsidiary;

As at 28 February 2023, the Group's other secured borrowings of approximately RMB1,604.3 million were secured by:

- Investment properties and properties under development, properties held for sale;
- Shares in certain subsidiaries of the Company;
- Corporate guarantee provided by the Company or/and together with fellow subsidiaries;
- Personal guarantee provided by Mr. Yu Pan or together with his spouse.

(b) As at 28 February 2023, the secured notes of RMB1,511.3 million are secured by a pledge of the entire equity interest in Winprofit Investment Enterprises Limited, a subsidiary of the Group, for which the noteholders will be entitled to a first priority lien on the security.

(c) Breach of loan agreement by the Company

As disclosed in the announcements of the Company dated 26 June 2022 and 5 July 2022, the Company has a secured loan (the “**Loan**”) from a financial institution (the “**Lender**”) in Hong Kong with an outstanding principal of HK\$340 million. As the Lender finally did not approve the extension of the Loan after the grace period on 24 June 2022, the Company was unable to repay the outstanding principal of the secured Loan together with the accrued but unpaid interest thereon which has triggered the cross-default of all offshore debts of the Group. If the relevant creditors of the other offshore financing arrangements of the Group choose to accelerate the payment in accordance with the terms of such financing arrangements, such financing arrangements may become due and payable immediately.

**(ii) Financial guarantee contracts**

	<b>As at</b>
	<b>28 February</b>
	<b>2023</b>
<i>Note</i>	<i>RMB'million</i>
	<i>(Unaudited)</i>
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	<u><u>2,782.9</u></u>

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

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. The directors of the Company consider that the likelihood of default in payments by purchasers is minimal and in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore the ECL of these financial guarantees is immaterial.

**(iii) Commitments**

As at the close of business on 28 February 2023, being the latest practicable date for the purpose of preparing this indebtedness statement, the Group had commitments contracted but not provided for in respect of the property development costs of approximately RMB6,477.4 million.

**(iv) Contingent liabilities**

As at 28 February 2023, the Group has been involved in several lawsuits, 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 and none of these is expected to have a significant effect on the consolidated financial statements of the Group. Except for the outstanding claims and litigations as described in the note (c) above and described in note 6 with heading "LITIGATION" in the Appendix IV to this circular, in which the Directors are of the opinion that none is expected to have a significant effect on the consolidated financial statements of the Group. The Group has no other significant contingent liabilities as at the Latest Practicable Date.

Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables in the normal course of business, at the close of business on 28 February 2023, the Group did not have any other loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

### **3. MATERIAL ADVERSE CHANGE**

The Directors confirmed that there were no material adverse changes in the financial or trading position or prospects of the Group since 31 December 2022 (being the date which the latest published audited consolidated financial statements of the Group had been made up) up to the Latest Practicable Date.

### **4. WORKING CAPITAL STATEMENT**

The Directors, after due and careful enquiry, are of the opinion that, after taking into account the anticipated cash flows to be generated from the Group's operations as well as the successful and favourable outcomes of the plans and measures being undertaken by the Group, and the effect of Disposal, the Group will have sufficient working capital to satisfy its requirements for at least the next twelve months following the date of this circular. The Company has obtained the relevant letter as required under Rule 14.66(12) of the Listing Rules.

### **5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP**

Although local governments of many cities provide supporting policies on the demand side to boost buying sentiment and gradually loosen the supply side restrictions, the management believes it takes time to restore the confidence of creditors and home buyers. In the short term, the pressure of deleveraging inventories still exists and the suppressed buying sentiments will take time to recover.

Delivery of properties on time is the priority target of the Group at this stage. The Group adopts the strategies of geographic focus in the Guangdong-Hong Kong-Macao Greater Bay Area centered in Guangzhou, enhancing project operation efficiency, accelerating the construction of Guangzhou urban renewal projects, strict control costs and expenses, resolutely taking measures to execute non-core asset disposal and downsize the business to optimal scale to enable a successful debts restructuring with creditors. The Group believes the above strategies will enhance its resilience to overcome the difficulties.

As mentioned under the section headed "Reasons for entering into the Disposal Agreement", pursuant to an order granted by the Bermuda Court on 15 August 2022, the JPLs were appointed on a "light touch" approach with limited powers for restructuring purposes. As disclosed in the Company's announcement dated 12 October 2022, a creditor of the Company has filed a winding-up petition against the Company at the High Court of Hong Kong, which the Company intended to oppose vigorously. The Company is working closely with the JPLs and its advisers to formulate a viable restructuring plan aimed at addressing the current liquidity constraints and protecting the interests of all stakeholders.

**6. VALUATION RECONCILIATION STATEMENT**

Reconciliation between book value of the PUD held by the Project Company as at 31 December 2022 to the fair value of the PUD held by the Project Company as at 31 March 2023:

	<b>PUD</b> <i>RMB'million</i>
Carrying value of the PUD as at 31 December 2022	1,059
<i>Add: Valuation surplus of the PUD as at 31 March 2023</i>	<u>38</u>
Property valuation of the PUD as at 31 March 2023	<u><u>1,097</u></u>

*The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountant, Moore Stephens CPA Limited, Certified Public Accountants, Hong Kong:*



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**REPORT ON HISTORICAL FINANCIAL INFORMATION OF CHONGQING ZHIYUAN PROPERTY COMPANY LIMITED (incorporated in People's Republic of China with limited liability)**

**TO THE DIRECTORS OF SKYFAME REALTY (HOLDINGS) LIMITED**

**Introduction**

We have reviewed the unaudited historical financial information set out on pages II-3 to II-13 which comprise the statements of financial position of Chongqing Zhiyuan Property Company Limited (the “Disposal Company”) as at 31 December 2020, 2021 and 2022, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the years ended 31 December 2020, 2021 and 2022 and explanatory notes (the “Historical Financial Information”). The Historical Financial Information has been prepared by the directors of the Company solely for the purpose of inclusion in the circular to be issued by Skyfame Realty (Holdings) Limited (the “Company”) in connection with the disposal of the entire equity interest in the Disposal Company in accordance with paragraph 14.68(2)(a)(i)(A) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rule”).

The directors of the Company are responsible for the preparation and presentation of the Historical Financial Information of the Disposal Company in accordance with the basis of preparation set out in note 2 to the Historical Financial Information and paragraph 14.68(2)(a)(i) of the Listing Rule. The directors of the Company are also responsible for such internal control as management determines is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error. Our responsibility is to express a conclusion on the Historical Financial Information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

**Scope of Review**

We were engaged to conduct our review in accordance with Hong Kong Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, and with reference to Practice Note 750, Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). A review of the Historical Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Basis of disclaimer opinion**

We draw attention to Note 2 to the Historical Financial Information which mentions that the Disposal Company incurred net losses of approximately RMB6,601,000, RMB38,367,000 and RMB39,626,000 for the years ended 31 December 2020, 2021 and 2022, respectively. In addition, the Disposal Company’s cash and cash equivalents amounted to approximately RMB8,123,000 as at 31 December 2022 whilst the Disposal Company’s construction cost payables and commitment on property construction and development costs amounted to approximately RMB86,816,000 and RMB602,265,000 respectively. The above situations indicate the existence of material uncertainties which may cast significant doubt about the Disposal Company’s ability to continue as a going concern.

The Historical Financial Information has been prepared on a going concern basis, the validity of which is dependent on the successful outcomes of the plans being undertaken by the management of the Disposal Company, which are subject to uncertainties including: (i) successful negotiation with banks for obtaining loan facility; and (ii) successful implementation of the plans to accelerate the pre-sales and sales of properties under development and timely collection of the relevant sales proceeds and control the administrative costs and capital expenditures.

The Historical Financial Information does not include any adjustments that would result from the failure of the above plans. We consider that the material uncertainty has been adequately disclosed in the Historical Financial Information. However, in view of the assumptions are not adequately supported, we disclaim our conclusion in respect of the material uncertainty relating to the going concern basis.

**Moore Stephens CPA Limited**  
*Certified Public Accountants*

**Hung, Wan Fong Joanne**  
Practising Certificate Number: P05419  
Hong Kong, 21 April 2023

**I. THE HISTORICAL FINANCIAL INFORMATION**

The following is the text extracted from a report we received from Moore Stephens CPA Limited, regarding the Historical Financial Information for the purpose of inclusion in this circular.

**Unaudited Statements of Comprehensive Income**

	<i>Note</i>	<b>Year ended 31 December</b>		
		<b>2020</b>	<b>2021</b>	<b>2022</b>
		<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Revenue		–	–	–
Cost of services		–	–	–
		<u>–</u>	<u>–</u>	<u>–</u>
<b>Gross profit</b>		–	–	–
Impairment loss of properties under development	3	–	–	(12,093)
(Provision for)/reversal of impairment loss on amounts due from related parties		–	(14,000)	14,000
Other gains/(losses) - net		–	98	(136)
Selling and marketing expenses		(3,163)	(18,967)	(30,953)
Administrative expenses		(3,483)	(13,440)	(12,950)
		<u>(6,646)</u>	<u>(46,309)</u>	<u>(42,132)</u>
<b>Operating loss</b>		(6,646)	(46,309)	(42,132)
Finance income		45	356	282
		<u>45</u>	<u>356</u>	<u>282</u>
<b>Loss before income tax</b>		(6,601)	(45,953)	(41,850)
Income tax credit		–	7,586	2,224
		<u>–</u>	<u>7,586</u>	<u>2,224</u>
<b>Loss and total comprehensive loss for the year</b>		<u>(6,601)</u>	<u>(38,367)</u>	<u>(39,626)</u>

## Unaudited Statements of Financial Position

	<i>Notes</i>	As at 31 December		
		2020 <i>RMB'000</i>	2021 <i>RMB'000</i>	2022 <i>RMB'000</i>
<b>ASSETS AND LIABILITIES</b>				
<b>Non-current assets</b>				
Deferred tax assets		–	7,586	9,810
<b>Total non-current assets</b>		–	7,586	9,810
<b>Current assets</b>				
Properties under development	3	628,779	833,493	1,059,000
Financial assets at fair value through profit or loss		–	3,000	–
Deposits, prepayments and other receivables		35,430	44,176	60,307
Contract costs		2,583	40,607	49,955
Amounts due from related companies		–	253,708	319,477
Prepaid corporate income tax		–	678	678
Prepaid land appreciation tax		–	5,251	7,771
Restricted cash	4	6,947	39,218	10,118
Cash and cash equivalents	4	8,815	135,129	8,123
<b>Total current assets</b>		682,554	1,355,260	1,515,429
<b>Current liabilities</b>				
Other payables and accruals		50,879	135,732	162,870
Amounts due to related companies		37,870	2,990	30,849
Contract liabilities	5	18,800	644,866	791,888
<b>Total current liabilities</b>		107,549	783,588	985,607
<b>Net current assets</b>		575,005	571,672	529,822
<b>Net assets</b>		575,005	579,258	539,632
<b>CAPITAL AND RESERVES</b>				
Share capital		–	40,820	40,820
Share premium		581,655	583,455	583,455
Accumulated losses		(6,650)	(45,017)	(84,643)
<b>Total equity</b>		575,005	579,258	539,632



**Unaudited Statements of Changes in Equity**

	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	Total equity <i>RMB'000</i>
Balance as at 1 January 2020	–	581,655	(49)	581,606
Loss and total comprehensive loss for the year	<u>–</u>	<u>–</u>	<u>(6,601)</u>	<u>(6,601)</u>
Balance as at 31 December 2020 and 1 January 2021	–	581,655	(6,650)	575,005
Transaction with owners:				
Capital injection from a shareholder	40,820	1,800	–	42,620
Loss and total comprehensive loss for the year	<u>–</u>	<u>–</u>	<u>(38,367)</u>	<u>(38,367)</u>
Balance as at 31 December 2021 and 1 January 2022	40,820	583,455	(45,017)	579,258
Loss and total comprehensive loss for the year	<u>–</u>	<u>–</u>	<u>(39,626)</u>	<u>(39,626)</u>
Balance as at 31 December 2022	<u><u>40,820</u></u>	<u><u>583,455</u></u>	<u><u>(84,643)</u></u>	<u><u>539,632</u></u>

## Unaudited Statements of Cash Flows

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
<b>Loss before income tax</b>	(6,601)	(31,953)	(55,850)
Adjustments for:			
Interest income	(45)	(356)	(282)
Provision for/(reversal of) impairment loss on amounts due from related companies	–	14,000	(14,000)
Impairment loss of properties under development	–	–	12,093
Fair value changes in financial assets at fair value through profit or loss	–	–	263
Operating loss before working capital changes	(6,616)	(18,309)	(57,776)
Increase in properties under development	(74,822)	(204,714)	(237,600)
Increase in deposits, prepayments and other receivables	(7,731)	(8,746)	(16,131)
Increase in contract costs	(2,583)	(38,024)	(9,348)
(Increase)/decrease in restricted cash	(6,947)	(32,271)	29,100
Increase in other payables and accruals	50,829	84,853	27,138
Increase in contract liabilities	18,800	626,066	147,022
Cash (used in)/generated from operation	(29,100)	408,855	(117,595)
Income tax paid	–	(678)	–
Land appreciation tax paid	–	(5,251)	(2,520)
<b>Net cash (used in)/generated from operating activities</b>	<b>(29,100)</b>	<b>402,926</b>	<b>(120,115)</b>
<b>Cash flows from investing activities:</b>			
Interest received	45	356	282
(Purchase)/disposal of financial assets at fair value through profit or loss	–	(3,000)	2,737
Advance to related companies	–	(281,708)	(37,769)
<b>Net cash generated from/(used in) investing activities</b>	<b>45</b>	<b>(284,352)</b>	<b>(34,750)</b>
<b>Cash flows from financing activities:</b>			
Advance from/(Repayment to) related parties	17,870	(34,880)	27,859
Capital injection from a shareholder	–	42,620	–
<b>Net cash generated from financing activities</b>	<b>17,870</b>	<b>7,740</b>	<b>27,859</b>
Net (decrease)/increase in cash and cash equivalents	(11,185)	126,314	(127,006)
Cash and cash equivalents at beginning of year	20,000	8,815	135,129
<b>Cash and cash equivalents at end of year</b>	<b>8,815</b>	<b>135,129</b>	<b>8,123</b>

**NOTES TO UNAUDITED FINANCIAL INFORMATION****1. Corporate information**

Chongqing Zhiyuan Property Co., Ltd., (重慶之遠地產有限公司) (the “Disposal Company”) is a limited liability company incorporated on 25 February 2019 in Chongqing in the People’s Republic of China (the “PRC”). The registered office and principal place of business of the Disposal Company is East of No. 198-28, Yanhe East Road South, Biquan District, Bishan Area, Chongqing, the PRC. In the opinion of the Directors of the Company, the parent and ultimate holding company of the Disposal Company was Chongqing Hesheng Property Development Co., Ltd., (重慶核盛房地產開發有限公司), a company incorporated in the People’s Republic of China (the “PRC”) with limited liabilities and Skyfame Realty (Holdings) Limited, a company incorporated in Bermuda with limited liabilities, respectively.

The principal activity of the Disposal Company was engaging in property development in the PRC.

**2. Basis of preparation of Historical Financial Information**

The Historical Financial Information comprises the unaudited statements of financial position of the Disposal Company as at 31 December 2020, 2021 and 2022 and the unaudited statements of comprehensive income, unaudited statements of changes in equity and unaudited statements of cash flows of the Disposal Company for each of the years then ended and certain explanatory notes (the “Historical Financial Information”). The Historical Financial Information has been prepared in accordance with Rule 14.68(2)(a)(i) of the Listing Rules, and solely for the purpose of inclusion in the circular to be issued by the Company (as defined in below) in connection with the Disposal (as defined in the circular).

The Historical Financial Information of the Disposal Company for the Relevant Periods is presented in Renminbi. All values are rounded to the nearest thousand except when otherwise indicated. The Historical Financial Information has been prepared using the same accounting policies as those adopted by the Skyfame Realty (Holdings) Limited (the “Company”) and its subsidiaries (collectively referred to the “Group”) in the preparation of the financial statements of the Group for those respective years, which conform with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The Historical Financial Information neither contains sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 (Revised) “Presentation of Financial Statements” nor a set of financial statements as defined in Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the HKICPA. It should be read in connection with the Group’s relevant published annual financial statements.

## 2. Basis of preparation of Historical Financial Information (continued)

### *Going concern basis*

The Historical Financial Information 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.

During the years ended 31 December 2020, 2021 and 2022, the Disposal Company has incurred losses of approximately RMB6,601,000, RMB38,367,000 and RMB39,626,000, respectively. In addition, the Disposal Company's cash and cash equivalents amounted to approximately RMB8,123,000 as at 31 December 2022 whilst the Disposal Company's construction cost payables and commitment on property construction and development costs amounted to approximately RMB86,816,000 and RMB602,265,000 respectively.

The business of the Disposal Company is subject to the epidemic of Coronavirus Disease 2019, extensive governmental regulations and macro-economic control measures of the real estate sector implemented by the PRC government from time to time, and some of these policies and measures may have unfavourable impact to the working capital available to the Disposal Company.

All the above conditions indicate the existence of material uncertainties which may cast significant doubt about the Disposal Company's ability to continue as a going concern and the Disposal Company 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 Disposal Company have given careful consideration to the future liquidity and performance of the Disposal Company and its available sources of financing in assessing whether the Disposal Company will have sufficient financial resources to continue as a going concern. Certain plans have been taken by the Disposal Company to mitigate its liquidity pressure and to improve its financial position which include, but are not limited to, the followings:

- (i) The Disposal Company is negotiating with banks for the loan facilities which can provide sufficient funding for the Group's project construction payments;
- (ii) The Disposal Company 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 Disposal Company is able to release restricted pre-sale proceeds from the designated bank accounts to meet its other financial obligations; and
- (iii) The Disposal Company 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.

The directors of the Company have reviewed the Disposal Company's cash flow projections prepared by management, which cover a period of twelve months from the date of the circular. In the opinion of the directors of the Company, in light of the above and taking into account the anticipated cash flows to be generated from the Disposal Company's operations as well as the above plans, the Disposal Company 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 the date of circular. Accordingly, the directors of the Company consider that it is appropriate to prepare the financial statements on a going concern basis.

Notwithstanding the above, material uncertainties exist as to whether the Disposal Company is able to achieve its plans and measures as described above.

Should the Disposal Company failed to achieve abovementioned plans, 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 Disposal Company'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 effects of these adjustments have not been reflected in the Historical Financial Information.

### 3. Properties under development

	As at 31 December		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Compensation for land			
– Land use right	563,151	618,633	630,267
– Construction costs	65,628	214,860	440,826
	<u>628,779</u>	<u>833,493</u>	<u>1,071,093</u>
Less: loss allowance	<u>–</u>	<u>–</u>	<u>(12,093)</u>
	<u><u>628,779</u></u>	<u><u>833,493</u></u>	<u><u>1,059,000</u></u>

The properties under development are all located in the PRC and expected to be completed within an operating cycle. The relevant land use rights in the PRC are on leases of 40 to 50 years.

During the years ended 31 December 2020, 2021, no impairment provision were made to properties under development.

During the year ended 31 December 2022, impairment provision approximately RMB12,093,000 was made to properties under development.

The Disposal Company assessed the recoverable amounts of properties under development. As a result, the carrying amount of the properties under development was written down to their recoverable amount of RMB1,059,000,000 as at 31 December 2022. An impairment loss of RMB12,093,000 (2020 and 2021: Nil) was recognised in the profit or loss for the year ended 31 December 2022. The estimates of recoverable amount were based on the fair values of completed projects less estimated costs to complete the projects less costs of disposal determined by Cushman & Wakefield, an independent firm of professional valuers, using market comparison approach by reference to recent sales price of similar properties with the same location as at 31 December 2020, 2021 and 2022.

As at 31 December 2020 and 2021 properties under development of approximately RMB628,779,000 and RMB833,493,000, respectively, were pledged as collateral for the borrowings of certain fellow subsidiaries of the Disposal Company. The pledge was released in November 2022 and as at 31 December 2022, no properties under development of the Target Company was pledged.

As at 31 December 2022, properties under development amounting to RMB1,059,000,000 was expected to be completed and delivered beyond one year.

#### **Provision for Breach of Measures on Management of Idle Land**

According to the regulation relating to the “Measures on Management of Idle Land” promulgated and implemented by the PRC government on 1 June 2003, a parcel of land can be defined as idle land if the construction work did not commence after a granted period of construction as stated in the “Approval for the Use of Construction Land” elapsed. Developers would be charged a fee of maximum 20 per cent of the purchase price or the undeveloped sites would be forfeited by the government without compensation.

The directors of the Company acknowledged that the Disposal Company has failed to commence its development construction works at its land site (“Land Sites”) in Chongqing for 30 months after the development milestone as set out in the respective land acquisition contract, such failure may possibly make the Land Sites becoming an idle land which will lead to an idle land surcharge imposed on the Disposal Company.

The initial proposal applying for an extension of time on certain development milestones for its property development of the Land Sites contained in the land acquisition contract (the “Idle Land Proposal”) was submitted to address the idle land issue by the Disposal Company. Up to the date of the circular, no official or formal approval was obtained from the relevant bureaus.

The directors of the Company, after taking the legal advice into consideration, were of the view that it is unlikely that the Land Sites in Chongqing would be forfeited by government and the Disposal Company is not likely to be required to make compensation for such non-compliance. No provision for compensation of Idle Land Proposal has been made.

## 4. Cash and cash equivalents and restricted cash

	As at 31 December		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash at bank and in hand	8,815	135,129	8,123
Restricted cash			
– the payment of construction cost of development projects	6,947	39,218	10,118
	<u>15,762</u>	<u>174,347</u>	<u>18,241</u>

In accordance with relevant laws and regulations, the Disposal Company is required to place at designated bank accounts the pre-sale proceeds of properties received as the guarantee deposits for the constructions of related properties. The deposits can only be used for payments of construction costs of related property projects upon the approval of the local State-Owned Land and Resource Bureau. Such guarantee deposits will be released according to the completion stage of the related properties.

## 5. Contract liabilities

	As at 31 December		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Contract liabilities	18,800	644,866	791,888

The Disposal Company receives payments from customers based on the billing schedule as established in sale contracts. Payments are usually received in advance of the performance under the contracts which are mainly for sales of properties.

When the Disposal Company receives a proceed for pre-sale of the property, this will give rise to contract liabilities at the start of the contract until the revenue is recognised.

No revenue has been recognised in relation to contract liabilities during the years ended 31 December 2020, 2021 and 2022.

#### Unsatisfied performance obligations

	As at 31 December		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Expected to be recognised within one year	–	–	791,888
Expected to be recognised after one year	18,800	644,866	–
	<u>18,800</u>	<u>644,866</u>	<u>791,888</u>

The amount of unsatisfied performance obligation is approximately the same as the balance of contract liability, which are expected to be recognised within 1 year as of 31 December 2022 (2021: within 2 years & 2020: within 3 years).

#### 6. Financial Guarantee Contracts

	As at 31 December		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Guarantees given to banks for mortgage facilities granted to purchasers of the Disposal Company's properties	–	163,466	457,560
	<u>–</u>	<u>163,466</u>	<u>457,560</u>

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



Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Disposal Company is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Disposal Company is entitled to take over the legal title and possession of the related properties. The Disposal Company's guarantee period starts from the dates of grant of the mortgages. The directors of the Company consider that the likelihood of default in payments by purchasers is minimal and in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore the ECL of these financial guarantees is immaterial.

## 7. Commitments

	<b>As at 31 December</b>		
	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Expenditure contracted but not provided for in respect of			
– Property construction and development costs	55,941	592,069	602,265

Set forth below is the management discussion and analysis on the Remaining Group after the Disposal and excluded the Disposal Company (“**Remaining Group**”) for the years ended 31 December 2020, 2021 and 2022.

Upon Completion of the Disposal, the Company will no longer hold any interest in the Project Company, and the Project Company will no longer remain as a subsidiary of the Company. For the purpose of this circular and for illustration purpose only, the management discussion and analysis of the Remaining Group below is made with the exclusion of the Project Company. There will be no change to the principal business of the Remaining Group as a result of the Disposal. Following the Disposal, the Remaining Group will continue to carry out its existing businesses.

### **For the year ended 31 December 2020**

#### ***A. Business Review***

It’s an extraordinary year in 2020, the widespread of COVID-19 and the accelerated turbulence of the global order caused the most serious global recession in the past one hundred years. Fortunately, our country’s pandemic prevention measures work effectively, as a result of which the slow but robust recovery has gradually taken place. Facing difficult external environment, the Remaining Group has forged ahead steadily amid various challenges and minimized the impact of the COVID-19. Our project portfolio is mainly located in regions in the Greater Bay Area and big second-tier and around cities with strong rigid housing demand and are most resilient to turbulences. The Remaining Group has achieved a turnover of RMB7.7 billion and a net profit of RMB1 billion, while the contracted sales reached RMB16.4 billion for the year.

In the year of 2020, we recorded contracted sales totaling RMB16.4 billion (2019: RMB12.1 billion) at GFA of 1.7 million sq.m. (2019: 1.2 million sq.m.) at overall before-tax average selling price of RMB9,500 per sq.m. (2019: RMB10,000 per sq.m.). The GFA contracted, covering 23 projects under development or completed projects. Other than contracted sales that were delivered and recognized during the current year, these contracted sales will be recognized as property sales in the later years in 2021 to 2023 when the subject properties are delivered.

During the current year, we had eight projects (2019: five projects) with properties delivered, namely Guangzhou Skyfame Byland, Zhongshan Skyfame Rainbow, Nanning Skyfame Garden, Nanning Skyfame ASEAN Maker Town, Nanning Spiritual Mansions, Xuzhou Skyfame Time City, Nanchang Skyfame Fenghuangyue and Chongqing Skyfame • Smart City. The Remaining Group delivered aggregate GFA of 659,000 sq.m. (2019: 897,000 sq.m.) and recorded property sale revenue before direct taxes of RMB8,218 million (2019: RMB6,937 million). Comparing with last year, there is an increase of 18% in revenue mainly due to the GFA delivered during the current year carried a higher average selling prices due to different mixtures in products and markets.

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

Project	Recognized Sales	
	Gross Amount <i>RMB'million</i>	GFA Delivered <i>sq.m.</i>
Guangzhou Skyfame Byland	309	4,900
Zhongshan Skyfame Rainbow	1,063	69,000
Nanning Skyfame Garden	58	7,600
Nanning Skyfame ASEAN Maker Town	2,309	202,000
Nanning Spiritual Mansions	1,052	96,000
Xuzhou Skyfame Time City	3	500
Nanchang Skyfame Fenghuangyue	293	56,000
Chongqing Skyfame • Smart City	3,131	223,000
Total in year 2020	8,218	659,000
Total in year 2019	6,937	897,000

### **B. Property Portfolio**

As at 31 December 2020, we have project portfolio and potential land reserves in aggregate GFA of 30.5 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 have seventeen real estate development projects in mainland China of which four have been completed and the others under construction or for imminent development, together with the joint venture project we participated in and other projects held by third parties that we are acting as project manager, all in all, we are holding interests in twenty-six projects, either completed, under construction or for future development. As at 31 December 2020, all these projects renders a total GFA of approximately 12.8 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 Remaining Group's interest
Guangzhou Skyfame Byland	Guangzhou	Residential & commercial	314,000	159,000	123,000	2017-19	100%
Guangzhou Fengwei Village Project	Guangzhou	Residential & ancillary commercial	1,922,000	735,000	–	2023-27	100%
Guangzhou Luogang Project	Guangzhou	Serviced apartment & ancillary commercial	122,000	101,000	–	2023	100%
Skyfame Health Smart City	Shenzhen	Serviced apartment & commercial	185,000	120,000	–	2024	100%
Zhongshan Skyfame Rainbow	Zhongshan	Residential & ancillary commercial	105,000	86,000	69,000	2020	51%
Skyfame Zhuhai Bay	Zhuhai	Residential & ancillary commercial	295,000	209,000	–	2022-23	100%
Nanning Skyfame Garden	Nanning	Residential & ancillary commercial	1,202,000	949,000	909,000	2016-18	80%
Nanning Skyfame ASEAN Maker Town	Nanning	Composite development	1,305,000	1,047,000	610,000	2018-23	100%
Nanning Spiritual Mansions	Nanning	Residential and ancillary commercial	749,000	582,000	96,000	2020-22	40%
Guilin Lipu Skyfame Jade Valley	Guilin	Villas, residential & serviced apartments	236,000	230,000	–	2022-24	100%
Xuzhou Skyfame Time City	Xuzhou	Residential & ancillary commercial	468,000	387,000	216,000	2019-21	70%
Xuzhou Skyfame Elegance Garden	Xuzhou	Residential & ancillary commercial	205,000	158,000	–	2021	78%
Xuzhou Skyfame Smart City	Xuzhou	Residential & ancillary commercial	533,000	398,000	–	2022-24	100%
Nanchang Skyfame Fenghuangyue	Nanchang	Residential & ancillary commercial	119,000	110,000	66,000	2013	66%
Chongqing Skyfame • Smart City	Chongqing	Composite development	1,195,000	921,000	395,000	2017-23	100%
Kunming Anning Linxi Valley	Kunming	Residential & ancillary commercial	297,000	255,000	–	2021-22	(note b)
Kunming Skyfame City	Kunming	Residential & ancillary commercial	491,000	388,000	–	2021-24	90%
<b>Sub-total-developed by subsidiaries</b>			<b>9,743,000</b>	<b>6,835,000</b>	<b>2,484,000</b>		
<b>Co-operation projects (note c)</b>			<b>3,104,000</b>				
<b>Total</b>			<b>12,847,000</b>				

*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 projects which are developed by joint venture or we act as project manager pursuant to the relative agreements. The above projects profile refers to the GFAs under development by the project companies.

### **In Guangdong-Hong Kong-Macao Greater Bay Area:**

#### **(1) *Guangzhou Skyfame Byland***

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 Remaining 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-use development with a total GFA of approximately 314,000 sq.m. (total saleable GFA of 159,000 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 in 2019. 800 car parking spaces and the entire block of tower A1 in aggregate GFA of 20,000 sq.m. are retained by the Remaining Group for long-term leasing purpose.

#### **(2) *Guangzhou Fengwei Village Project***

The project is an old village redevelopment project located in Fengwei Village, Jiufu 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 1,922,000 sq.m.. The plot-ratio gross floor area of the commodity housing is estimated to be 763,000 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, it has been agreed that Tianyu Jurong became the cooperative entity for the project.

**(3) *Guangzhou Luogang Project***

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 Remaining 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 and prepayments” of the consolidated balance sheet of the Company.

**(4) *Skyfame Health Smart City***

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 185,000 sq.m. (total saleable GFA of 120,000 sq.m.) for innovative industrial premises, serviced apartments and offices. We have completed the demolition works on the land and the construction will be commenced in 2021.

**(5) *Zhongshan Skyfame Rainbow***

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. Total GFA is about 105,000 sq.m. (saleable GFA of 86,000 sq.m.). Up to 31 December 2020, a total saleable GFA of 69,000 sq.m. has been delivered to buyers.

**(6) *Skyfame Zhuhai Bay***

In 2019, the Remaining Group entered into an agreement with two third parties to acquire the entire equity interest in a company engaged in a development project in Economic Zone of Gaolan Harbour, Pingshan New Town, Zhuhai, Guangdong province. The project will be built up to feature a residential development with total GFA of 209,000 sq.m. for sale and GFA 22,000 sq.m. to be surrendered to the local government as social subsidized housing for talents and public rental housing. Construction is in progress and the management expects to complete the project in 2022.

**In Southern Region of China:****(7) Nanning Skyfame Garden**

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 approximately 949,000 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. Up to 31 December 2020, a total saleable GFA of 909,000 sq.m. has been delivered to buyers, the remaining GFA of 40,000 sq.m. are on sale or held for the operation of our second “Yuwu Startup” co-work place.

**(8) Nanning Skyfame ASEAN Maker Town**

The development covers three land plots of 194,222 sq.m. (equivalent to 291.33 mu) 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 approximately 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 is scheduled to complete by phases in the years between 2018 and 2023. The development, when completed, will then be a landmark in Wuxiang New District.

Up to 31 December 2020, residential and commercial units of saleable GFA of 610,000 sq.m. have been delivered to buyers. For the undelivered saleable GFA of 437,000 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 of 387,000 sq.m are scheduled to be delivered in 2021 onwards until 2023, the expected year of delivery of Skyfame ASEAN Tower.

**(9) Nanning Spiritual Mansions**

The Remaining 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 582,000 sq.m.), covering residential and commercial properties, school and municipal facilities. Construction works has been completed in phases starting from 2020. Up to 31 December 2020, a total saleable GFA of 96,000 sq.m. has been delivered to buyers.

**(10) Guilin Lipu Skyfame Jade Valley**

The land of the project was acquired through a public auction in 2019. 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 commenced in late 2019 and delivery is expected to be in 2022 to 2024.

**In Eastern Region of China:****(11) Xuzhou Skyfame Time City**

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 project has a total GFA of 468,000 sq.m. (saleable GFA of 387,000 sq.m.) with saleable GFA of 216,000 sq.m. delivered up to 31 December 2020. The project will be completed in phases by year 2021.

**(12) Xuzhou Skyfame Elegance Garden**

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 157,000 sq.m.). The project is being developed into residential and ancillary commercial development and construction works are expected to be completed in 2021.

**(13) Xuzhou Skyfame Smart City**

The land of the project was acquired through a land auction in the third quarter of 2019. 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 533,000 sq.m. (saleable GFA of 398,000 sq.m.), consisting of residential, serviced apartments, commercial properties and a hotel. Construction and pre-sale has been commenced in 2020 with construction works expected to be completed in 2022 to 2024.

**(14) Nanchang Skyfame Fenghuangyue**

The equity interest of the project was acquired in late 2019. 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 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 on acquisition but subject to certain minor rectification and upgrading works. As of 31 December 2020, GFA of 66,000 sq.m has been delivered to buyers.



**In Southwestern Region of China:****(15) *Chongqing Skyfame • Smart City***

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 Yangtze 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. The equity interests in the project company were acquired in phases starting in 2018 and completed in 2019. 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.). Up to 31 December 2020, aggregate saleable GFA of 179,000 sq.m. have been delivered.

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 667,000), of which GFA of 249,000 sq.m. are developed for commercial properties to be held on long term and remaining 418,000 sq.m. for sale. Construction commenced in mid-2018 and pre-sale in late 2018. Up to 31 December 2020, aggregate saleable GFA of 216,000 sq.m. have been delivered. Delivery is scheduled to take place by phases starting from 2020 to 2023.

**(16) *Kunming Anning Linxi Valley***

In 2018, the Remaining Group obtained a right through a contractual arrangement entered with a third party. The project, named as Kunming Anning Linxi Valley (Phase 1), is erected on a plot of approximately 190,800 sq.m. with a planned GFA of approximately 297,000 sq.m. (saleable GFA of 255,000 sq.m.), which will be developed into villas, residential and ancillary commercial properties. First phase of pre-sale was launched in 2019. Construction commenced in late 2018 and will be completed in 2022.

**(17) *Kunming Skyfame City***

The land of this project was acquired through a land auction in late 2019. 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 491,000 sq.m. (saleable GFA of 388,000 sq.m.). Construction commenced in early 2020 and pre-sale was launched in July 2020. Completion of construction is expected in the years 2021 and 2024.

## 2. *Co-operation projects*

As of 31 December 2020, our property portfolio consists of a number of projects jointly developed by our joint ventures or we act as project manager pursuant to the relative agreements. The total GFA of these projects are approximately 3.1 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 13.0 million sq.m. The lands will be launched for auctions when the conditions set out in the agreements have been fulfilled.

### 3.2 Refurbishment of old urban areas

The Remaining 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 4.7 million sq.m.. Investments made on these projects are included as “Other receivables and prepayments” on the consolidated balance sheet.

Upon obtaining the governmental approval of urban area refurbishment and completion of pending land auctions, the Remaining Group has capacity of additional land bank in estimated GFA of 17.7 million sq.m..

## C. *Investment Properties*

Alongside with the development of properties for sale, the management selects suitable properties from the Remaining Group’s projects portfolio that renders satisfactory rental yields and has capital appreciation potential. As at 31 December 2020, the Remaining Group holds seven investment properties in an aggregate GFA of approximately 339,000 sq.m. at aggregated fair values of RMB3,584.0 million in Chongqing, Nanning, Guangzhou and Hong Kong for current and future leasing income with details as follows:

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

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 in 2023, 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 RMB1,313 million as at 31 December 2020 (2019: RMB1,297 million).

2. *Commercial properties in Nanning Skyfame ASEAN Maker Town*

Total GFA of 50,200 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 RMB590 million as at 31 December 2020 (2019: RMB527 million).

3. *A tower in Guangzhou Skyfame Byland*

A tower, consisting of GFA of 9,900 sq.m., is contracted with a renowned hotel operator of serviced apartments under a tenancy agreement for a term of 20 years at fixed monthly rentals. The construction was completed in 2019. The fair value of the property is RMB532 million as at 31 December 2020 (2019: RMB528 million).

4. *Car parking spaces in Guangzhou Skyfame Byland*

800 car parking spaces in the completed premises were leased to a management company for fixed monthly rentals. These car parking spaces carry a fair value of RMB538 million as at 31 December 2020 (2019: RMB536 million).

5. *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 RMB444 million as of 31 December 2020 (2019: RMB444 million).

6. *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 2020. The open market values of the premises as of 31 December 2020 are RMB55 million (2019: RMB55 million).

7. *Office premises at Capital Centre*

Office premises in GFA 6,200 sq.ft. at Capital Centre in Wanchai, Hong Kong is fully leased. The open market value of the property as of 31 December 2020 is RMB112 million (HK\$133 million) (2019: HK\$140 million).

**D. Business Outlook**

The Remaining Group continues to closely follow the direction of the state's real estate regulation and control policy, and continues to adopt a dual-engine development strategy of urban renewal and regional penetration. At the same time, the Remaining Group will help the government to solve the housing and employment problems of young people by working on residential youth community projects in response to the rigid demand and will adhere to the product structure of having residential products as its main product. It will strive to be an operator that works for young people's better living and continue to maintain a generally steady development rhythm.

In terms of urban renewal, the Remaining Group's urban renewal business is located in the Guangzhou and Shenzhen markets. In 2020, the Remaining Group achieved the development target it set and secured the realization of a conversion project of the entire village of Fengwei Village, Huangpu District, Guangzhou City. The project, with a total GFA of approximately 1,922,000 sq.m., is located at a prime location near a metro station. The Remaining Group plans to build it into the largest youth community in the Guangdong-Hong Kong-Macao Greater Bay Area. At the same time, the Remaining Group will take advantage of Guangzhou's favourable urban renewal policy environment to speed up the realization of major milestones of other urban renewal projects with an area of approximately 4,700,000 sq.m..

As for regional penetration, in 2021, the total number of the Remaining Group's projects in the country has reached 26. The Remaining Group will continue to increase its investments in the Guangdong-Hong Kong-Macao Greater Bay Area, especially new projects. However, the Remaining Group will insist on patiently and carefully selecting good projects and carrying through the goal of achieving quality growth rather than blindly pursue quantity.

**E. Financial Review***Sales Turnover and Margins*

Property sales, net of direct taxes, recorded RMB7,572.6 million for the year, a 16.5% rise from last year. During the year, the Remaining Group had delivered GFA totaling approximately 659,000 sq.m. of properties in eight projects (2019: five projects), which are Guangzhou Skyfame Byland, Zhongshan Skyfame Rainbow, Nanning Skyfame Garden, Nanning Skyfame ASEAN Maker Town, Nanning Spiritual Mansions, Xuzhou Skyfame Time City, Nanchang Skyfame Fenghuangyue and Chongqing Skyfame • Smart City, at an overall average selling price of RMB12,500 per sq.m. (2019: RMB10,100 per sq.m).

Gross margin on property sales for the year is 27.8% (2019: 28.4%). The lower margins for the year is due to the differences in the mixtures in products in the year than last year.

The leasing of properties revenue amounted to RMB25.1 million (2019: RMB28.5 million) mainly at the commercial podium at Tianyu Garden Phase II in Guangzhou, 800 car parks at Zhoutouzui and offices at Capital Centre in Hong Kong. The two major investment properties under development of the Remaining Group, namely 50,200 sq.m. retail units in Nanning Skyfame ASEAN Maker Town at Nanning and serviced apartments on Chongqing Skyfame • Smart City at Chongqing are in progress and expected to be completed on 2021 and 2023 respectively.

The property management business provides income of RMB97.8 million for the year (2019: RMB51.0 million), representing an 91.8% growth of income caused by the growing area, currently standing at GFA of 4.7 million sq.m. (2019: 2.9 million sq.m.), managed by our property management team.

The Remaining Group's commercial operations in three Yuwo Startup co-work spaces generated income amounting RMB6.6 million during the year (2019: RMB8.9 million).

*Other gains – net*

Other gains – net mainly represents the income from financial assets at fair value through profit or loss amounted to RMB35.6 million (2019: RMB7.0 million) and fair value changes of the financial assets at fair value through profit or loss amounted to RMB51.3 million (2019: RMB4.4 million) as at the balance sheet date. The Remaining Group entered investment in fixed income funds from time-to-time for cashflow management purpose whenever with surplus cash. Also included remeasurement gains resulting from a joint venture transferred to a subsidiary of RMB123.7 million of Nanning Spiritual Mansions Project.

*Operating expenses*

Sales and marketing expenses amounted to RMB282.2 million for the year, an increase of 13.0% compared to RMB249.8 million for the last year, consisting of mainly advertising, promotions and commissions, an increase of 10.5% to 253.6 million as a result of the launching of pre-sale marketing activities and properties delivered.

Administrative and other operating expenses, amounting to RMB439.6 million (2019: RMB367.4 million), an increase of 19.7% compared to last year. Total staff costs, a major administrative and other operating expenses, totaling RMB310.9 million for the year (2019: RMB236.4 million) of which RMB33.7 million (2019: RMB40.4 million) were capitalized as development cost of properties under development. The increase in staff cost expenses was mainly due to increase in headcount as a result of expansion of business and amortization cost of share option scheme and share award scheme granted amounted to RMB33.4 million (2019: RMB30.8 million).

*Finance costs*

Finance costs, representing mainly the arrangement fees and interests incurred on indebtedness, amounted to RMB868.6 million for the year (2019: RMB643.4 million). Higher finance costs were incurred on new indebtedness created in the year. Finance costs were mostly incurred for the development of projects and hence were capitalized as costs of projects under development, remaining RMB2.4 million (2019: RMB10.2 million) charged against the operating results for the year. The overall annualized borrowing cost, representing finance costs divided by total indebtedness, is 11.8% (2019: 10.8%). Finance costs also included interest incurred on lease liabilities amounted to RMB34.0 million and foreign exchange gain on financing activities of RMB246.2 million (2019: foreign exchange loss of RMB38.9 million) recorded on conversion of offshore loans denominated in HK\$ and US\$ booked at closing rates as a result of appreciation of RMB against the HK\$ and US\$ in the year. Finance costs are netted off by finance income of RMB15.7 million (2019: RMB17.9 million).

*Income tax expense*

Income tax expense mainly includes land appreciation tax of RMB481.0 million (2019: RMB365.2 million) on properties sold in the year and provision of RMB685.7 million (2019: RMB427.7 million) for corporate income taxes on assessable earnings for the year. Also included is deferred tax credit totaling RMB249.8 million (2019: RMB45.0 million).

*Profit for the year*

Profit the year was approximately RMB1,009.6 million (2019: RMB832.0 million), representing an increase of approximately 21.3% as compared to last year as a result of the expansion of the Remaining Group with increase in number of property development projects delivered.

Profit for the year included RMB957.5 million (2019: RMB792.3 million) profit attributable to owners of the Company and RMB52.1 million (2019: RMB39.7 million) attributable to non-controlling interests.

*Liquidity and Financial Resources*

## 1. Asset Base

	<i>Change in %</i>	<b>2020</b> <b>RMB'000</b>	2019 RMB'000
Total assets	27.5%	<b>28,379,187</b>	22,250,109
Net assets	33.2%	<b>4,219,753</b>	3,168,440

Total assets of the Remaining Group amounted to RMB28,379.2 million (2019: RMB22,250.1 million), a 27.5% increase from last year. Properties under development, at carrying value of RMB13,423.1 million (2019: RMB10,132.5 million), is the biggest asset category, constituting 47.3% of the total assets of the Remaining Group. Total assets also include investment properties of RMB3,584.4 million (2019: RMB3,512.3 million), properties held for sale totaling RMB2,080.2 million (2019: RMB2,307.1 million), properties and equipment, right-of-use assets totaling RMB812.4 million (2019: RMB697.7 million), financial assets at fair value through profit or loss totaling RMB774.2 million (2019: RMB329.8 million), trade receivables of RMB400.9 million (2019: RMB440.2 million), other receivables and prepayment totaling RMB4,598.3 million (2019: RMB2,658.4 million), restricted cash and pledged deposits of RMB327.5 million (2019: RMB336.0 million) and cash and cash equivalents of RMB1,959.9 million (2019: RMB1,552.6 million).

## 2. Capital structure and liquidity

The indebtedness of the Remaining Group, aggregated to RMB8,691.4 million at the year-end date, increase 38.8% from the balance of RMB6,260.3 million as at 31 December 2019, as a result of increase in debts and other expenses amount to RMB3,764.1 million, net with repayment of debt amounted to RMB1,333.0 million during the year. Indebtedness comprises secured and unsecured borrowings from banks and financial institutions and corporate bonds issued to financial institutions and professional investors. As at 31 December 2020, the bank borrowings carry interest at variable rates ranging from 2.50% to 6.70% per annum (2019: 2.50% to 5.94% per annum). The bank borrowings are secured by mortgages of ownership titles of properties held of self-use, properties under development, properties held for sale and investment properties with or without corporate guarantee provided by the Company and/or personal guarantee provided by Mr. Yu Pan and/or his spouse.

The maturity of the borrowings is as follows:

	Secured bank borrowings <i>RMB'000</i>	Unsecured bank borrowings <i>RMB'000</i>	Secured notes <i>RMB'000</i>	Unsecured notes/bonds <i>RMB'000</i>	Other borrowings <i>RMB'000</i>	Total <i>RMB'000</i>
<b>As at 31 December 2020</b>						
Within 1 year	656,707	1,888	–	926,692	1,068,208	2,653,495
1–2 years	65,255	500	1,885,872	17,557	460,100	2,429,284
2–5 years	514,028	239,250	–	723,651	848,750	2,325,679
Over 5 years	288,347	–	–	994,631	–	1,282,978
	<u>1,524,337</u>	<u>241,638</u>	<u>1,885,872</u>	<u>2,662,531</u>	<u>2,377,058</u>	<u>8,691,436</u>
<b>As at 31 December 2019</b>						
Within 1 year	712,195	–	–	10,957	1,206,512	1,929,664
1–2 years	194,496	–	–	335,855	–	530,351
2–5 years	55,721	–	2,005,986	150,021	285,100	2,496,828
Over 5 years	314,978	–	–	988,527	–	1,303,505
	<u>1,277,390</u>	<u>–</u>	<u>2,005,986</u>	<u>1,485,360</u>	<u>1,491,612</u>	<u>6,260,348</u>

As at 31 December 2020 and 2019, the Remaining Group had the following undrawn borrowing facilities:

	<b>31 December</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	<b>RMB'000</b>
Floating rate:		
– expiring within 1 year	<b>105,193</b>	<b>161,244</b>

The details of the notes/bonds are as follows:

	364-Day Notes	2021 Bonds	2021/2022 Bonds	2023 Bonds	2023 Notes	2024 Bonds	2025 Bonds	2026 Bonds	2027 Bonds	2031 Bonds	2032 Bonds	2033 Bonds	2034 Bonds
	US\$'000	HK\$'000	HK\$'000	HK\$'000	US\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Nominal value	87,500	249,000	168,700	20,000	80,000	290,000	80,000	100,000	10,000	570,000	960,000	1,300,000	1,880,000
Nominal value	RMB'000 619,456	RMB'000 223,054	RMB'000 149,406	RMB'000 18,212	RMB'000 526,256	RMB'000 259,782	RMB'000 71,664	RMB'000 89,580	RMB'000 8,958	RMB'000 510,606	RMB'000 859,968	RMB'000 1,164,540	RMB'000 1,684,104
Issue date	2020	2018	2019-2020	2020	2020	2014-2015	2016	2016-2017	2017	2014-2015	2015-2016	2016-2017	2017-2018
Coupon rate	13.00%	6.00%	9.00%	7%- 12.5%	13.00%	7.60%	7.60%	7.60%	7.60%	8.10%	8.10%	8.10%	8.07%- 8.10%
Maturity date	2021	2021	2021-2022	2023	2023	2024	2025	2026	2027	2031	2032	2033	2034
Effective interest rates	15.48%	11.58%	12.42%	13.66%	14.05%	11.62%- 12.38%	11.66%- 11.99%	11.94%- 12.08%	12.19%	11.55%- 11.78%	11.55%- 11.71%	11.67%- 11.83%	11.27%- 11.81%
Outstanding carrying value as at 31 December 2020	597,157	206,223	140,870	15,872	510,701	157,893	39,185	43,369	4,028	140,014	211,676	253,150	342,393



The Remaining Group endeavours to match the tenors of its indebtedness with the normal operating cycle of the projects. Besides, our management is more than cautious to ensure due debts are served and repaid on schedule. The short-tenor borrowings are mainly borrowings due to banks, financial institutions and issue of bonds, for which repayments have been scheduled to be financed by sale proceeds generated from the projects securing the borrowings. The management expects the sale proceeds are sufficient enough to serve the repayments.

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 RMB6,539.4 million (2019: RMB4,695.7 million).

Notwithstanding, cash level at the year-end date maintain in steady level amounted to RMB2,287.4 million at 31 December 2020 (2019: RMB1,888.6 million). Despite the increase in indebtedness and relatively steady level of cash position, the net gearing ratio (calculated as Net Debt divided by the total equity plus Net Debt) is slightly increased to 60.8% as at 31 December 2020 (2019: 59.7%).

As a result of the expanded portfolio of property under development, current assets aggregated to RMB23,749.4 million (2019: RMB17,579.7 million) as at the year-end, an increase of 35.1% from last year-end. Current liabilities at the year-end amounted to RMB17,416.4 million (2019: RMB14,185.9 million).

The current ratio is slightly improved to 1.36 times as at 31 December 2020 (2019: 1.24 times). The management continues to pay high attention to the liquidity position and ensure that assets, mostly inventories for sale and properties under development, can be readily turned into cash to meet the financial needs of the Remaining Group.

#### *Borrowings and pledge of assets*

As at 31 December 2020, certain investment properties, self-use properties, properties for sale and properties under development are mortgaged in favor of commercial banks and financial institutions to secure for financing facilities granted to the Remaining 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 2020, aggregate outstanding balances of these secured indebtedness amounted to RMB5,787.3 million.

The pledged assets or the underlying assets represented by these securities carry an aggregate estimated realizable value of approximately RMB14,077.9 million as at 31 December 2020. Management considers these securities provide sufficient coverage to serve the interests of our creditors.

#### **F. Contingent Liabilities**

The Remaining Group had no other material contingent liabilities as at 31 December 2020 (2019: Nil).

**G. Treasury Management**

The Remaining 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 2020, the Remaining Group has Hong Kong and US dollar denominated borrowings equivalent to RMB5,177.4 million, representing 60% of total indebtedness, financial assets at fair value of RMB763.2 million and overseas properties for self-use and leasing in Hong Kong with carrying value of HK\$209.7 million (equivalent to RMB176.5 million). 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 Remaining Group.

In contrast with 2019, RMB strengthened against HK and US dollars in 2020 by around 6.1% and 6.5%, turning around the depreciation pressure experienced in 2019. As a result, net unrealized foreign exchange gains of RMB246.2 million were recorded when assets and liabilities denominated in foreign currencies are converted into RMB in the financial accounts. In addition, exchange differences arising from the consolidation of assets and liabilities of a subsidiaries operating in Hong Kong as at 31 December 2020 results to an exchange gain of RMB0.6 million which is recorded in the exchange reserve that forms part of the equity of the Company.

The fluctuations in RMB against the US and HK dollars will bring volatility to the bottom line of the Remaining Group against which unrealized losses or profits are booked. The Remaining 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 Remaining Group.

**H. Risk Management**

We face lots of business risks as a mainland developer. Amongst the risks, the key risk is the continuing austerity measures imposed by the government on the property sector that restrict demand of home buyers and lending to developers, putting constraints on developers' cash flow. To relieve the risks resulting from these regulations and restrictions, our management is placing specific care about the controlling of financial resources for its expansion in land reserve. 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**

The Remaining Group recruits suitable staff in capable caliber to fill vacancies created as a result of the growing business. As at 31 December 2020, including four executive directors of the Company, the Remaining Group employed a total of 1,489 full-time staff, of which 261 work in site offices, 256 in the head office in Guangzhou and Hong Kong for central management and supporting work for the property development business, and 972 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 awards benchmarked on performance targets, and 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.

**For the year ended 31 December 2021****A. Business review**

In 2021, due to the global economic downturn affected by the new crown pneumonia epidemic, the speed of the global economic recovery is still uncertain. In this environmental situation, regulatory measures aiming at reducing leverage in the real estate sector have added to the uncertainty. Under such circumstances, the industry has continued to show a trend of bottom shocks and deep integration and shuffle. However, starting from the end of 2021, with the proper implementation of the various supportive and comprehensive policies by the local government, the overall development of the real estate industry is gradually improving. It is expected that in the long run, the overall market conditions can be in a relatively stable and healthy development trend.

Our project portfolio is mainly located in regions in the Greater Bay Area and big second-tier and around cities with strong rigid housing demand and are most resilient to turbulences. Facing the complex and volatile external environment and the policy challenges on the entire industry, the Remaining Group adheres to the strategic direction of stable operation. In addition, the Remaining Group actively responds by the implementation of the business transformation strategy to return to the Guangdong-Hong Kong-Macao Greater Bay Area, to invest more resources to accelerate the new project of Fengwei Village in Guangzhou, the PRC with gross floor area of approximately 1.9 million sq.m. The overall transformation of the renovation project also bears the transitional cost of the business strategy implementation stage.

In the year of 2021, our Group has achieved a turnover of RMB7.7 billion. We recorded contracted sales totaling RMB10.3 billion (2020: RMB16.4 billion) at GFA of 1.1 million sq.m. (2020: 1.7 million sq.m.) at overall before-tax average selling price of RMB9,400 per sq.m. (2020: RMB9,500 per sq.m.). The GFA contracted, covering 24 projects under development and completed projects. Other than contracted sales that were delivered and recognized during the current year, the remaining will be recognized as property sales in the later years in 2022 to 2025 when the subject properties are delivered.

During the current year, we had nine projects (2020: eight) with properties delivered, namely Guangzhou Skyfame Byland, Zhongshan Skyfame Rainbow, Chongqing Skyfame•Smart City, Nanning Skyfame Garden, Nanning Skyfame ASEAN Maker Town, Nanning Spiritual Mansions, Xuzhou Skyfame Time City, Xuzhou Skyfame Elegance Garden and Nanchang Skyfame Fenghuangyue. The Remaining Group delivered aggregate GFA of 846,000 sq.m. (2020: 659,000 sq.m.) and recorded property sale revenue before direct taxes of RMB8,147 million (2020: RMB8,218 million). Comparing with last year, the revenue is about the same performance as in last year but with different mixtures in products and markets.

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

<b>Project</b>	<b>Recognized Sales</b>	
	<b>Gross Amount</b> <i>RMB'million</i>	<b>GFA Delivered</b> <i>sq.m.</i>
Guangzhou Skyfame Byland	160	2,000
Zhongshan Skyfame Rainbow	136	11,000
Chongqing Skyfame • Smart City	320	30,000
Nanning Skyfame Garden	60	17,000
Nanning Skyfame ASEAN Maker Town	1,479	139,000
Nanning Spiritual Mansions	3,639	353,000
Xuzhou Skyfame Time City	1,121	154,000
Xuzhou Skyfame Elegance Garden	1,188	131,000
Nanchang Skyfame Fenghuangyue	44	9,000
	<hr/>	<hr/>
Total in year 2021	8,147	846,000
	<hr/> <hr/>	<hr/> <hr/>
Total in year 2020	8,218	659,000
	<hr/> <hr/>	<hr/> <hr/>

**B. Property Portfolio**

As at 31 December 2021, we have project portfolio and potential land reserves in aggregate GFA of 33.0 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 six have been completed and the others under construction or for imminent development, together with joint venture projects 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 thirty projects, either completed, under construction or for future development. As at 31 December 2021, all these projects renders a total GFA of approximately 14.8 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 Remaining Group's interest
Guangzhou Skyfame Byland	Guangzhou	Residential & commercial	315,000	159,000	125,000	2017–19	100%
Guangzhou Fengwei Village Project	Guangzhou	Residential & ancillary commercial	1,939,000	742,000	–	2024–27	80%
Guangzhou Luogang Project	Guangzhou	Serviced apartment & ancillary commercial	122,000	101,000	–	2024	100%
Skyfame Health Smart City	Shenzhen	Serviced apartment & commercial	183,000	129,000	–	2024	100%
Zhongshan Skyfame Rainbow	Zhongshan	Residential & ancillary commercial	105,000	86,000	79,000	2020	51%
Skyfame Zhuhai Bay	Zhuhai	Residential & ancillary commercial	295,000	209,000	–	2022–23	80%
Nanning Skyfame Garden	Nanning	Residential & ancillary commercial	1,202,000	950,000	926,000	2016–18	80%
Nanning Skyfame ASEAN Maker Town	Nanning	Composite development	1,305,000	1,047,000	749,000	2018–24	80%
Nanning Spiritual Mansions	Nanning	Residential and ancillary commercial	749,000	581,000	558,000	2020–21	40%

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 Remaining Group's interest
Guilin Lipu Skyfame Jade Valley	Guilin	Villas, residential & serviced apartments	236,000	230,000	-	2022-24	100%
Xuzhou Skyfame Time City	Xuzhou	Residential & ancillary commercial	468,000	395,000	370,000	2019-21	70%
Xuzhou Skyfame Elegance Garden	Xuzhou	Residential & ancillary commercial	205,000	153,000	131,000	2021-22	78%
Xuzhou Skyfame Smart City	Xuzhou	Residential & ancillary commercial	542,000	416,000	-	2022-24	89.8%
Nanchang Skyfame Fenghuangyue	Nanchang	Residential & ancillary commercial	119,000	110,000	75,000	2013	65.5%
Chongqing Skyfame • Smart City	Chongqing	Composite development	1,195,000	962,000	425,000	2017-24	100%
Kunming Anning Linxi Valley	Kunming	Residential & ancillary commercial	297,000	255,000	-	2022	(note b)
Kunming Skyfame City	Kunming	Residential & ancillary commercial	502,000	384,000	-	2022-25	90%
<b>Sub-total – developed by subsidiaries</b>			<b>9,779,000</b>	<b>6,909,000</b>	<b>3,438,000</b>		
<b>Co-operation projects (note c)</b>			<b>5,061,000</b>				
<b>Total</b>			<b>14,840,000</b>				

*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 projects which are developed by joint venture or we act as project manager pursuant to the relative agreements. The above projects profile refers to the GFAs under development by the project companies.

**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 Remaining 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-use development with a total GFA of approximately 315,000 sq.m. (total saleable GFA of 159,000 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 and the entire block of tower A1 in aggregate GFA of 20,000 sq.m. are retained by the Remaining 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, Jiufu 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 1,939,000 sq.m. (total saleable GFA of 742,000 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 demolition works on the land and 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 Remaining 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 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 129,000 sq.m.) for innovative industrial premises, serviced apartments and offices. We have completed the demolition works on the land and the construction has been commenced during the year.

(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 2021, a total saleable GFA of 79,000 sq.m. has been delivered to buyers.

(6) *Skyfame Zhuhai Bay* (“天譽珠海灣”)

The Remaining 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 209,000 sq.m. for sale and GFA 22,000 sq.m. to be surrendered to the local government as social subsidized housing for talents and public rental housing. Construction is in progress and the management expects to complete the project in 2022 to 2023.

**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 approximately 950,000 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 2021, a total saleable GFA of 926,000 sq.m. has been delivered to buyers, the remaining GFA of 24,000 sq.m. are on sale or held for the operation of our second “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. (equivalent to 291.33 mu) 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 approximately 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 is scheduled to complete by phases up to 2024. The development, when completed, will then be a landmark in Wuxiang New District.

Up to 31 December 2021, residential and commercial units of saleable GFA of 749,000 sq.m. have been delivered to buyers. For the undelivered saleable GFA of 298,000 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 2022 onwards until 2024, the expected year of delivery of Skyfame ASEAN Tower.

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

The Remaining 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 581,000 sq.m.), covering residential and commercial properties, school and municipal facilities. Construction works has been completed in phases starting from 2020. Up to 31 December 2021, a total saleable GFA of 558,000 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), Liao Zhou (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 commenced in late 2019 and delivery is expected to be in 2022 to 2024.

**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 project has been completed in 2021, with a total GFA of 468,000 sq.m. (saleable GFA of 395,000 sq.m.) with saleable GFA of 370,000 sq.m. delivered up to 31 December 2021.

**(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.). Up to 31 December 2021, saleable GFA of 131,000 sq.m. has been delivered to buyers. The project is being developed into residential and ancillary commercial development and construction works are expected to be completed in 2022.

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

The land of the project was acquired through a land auction in 2019. 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 542,000 sq.m. (saleable GFA of 416,000 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 2022 to 2024.

**(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 but subject to certain minor rectification and upgrading works. As of 31 December 2021, GFA of 75,000 sq.m has been delivered to buyers.

**In Southwestern Region of China:****(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 Yangtze 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. The equity interests in the project company were acquired in phases starting in 2018 to 2019.

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.

Up to 31 December 2021, aggregate saleable GFA of 425,000 sq.m. has been delivered to the buyers. Delivery of Phase 2 is scheduled to take place by phases starting from 2020 to 2024.

#### **In Southwestern Region of China:**

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

The Remaining Group obtained a right through a contractual arrangement entered with a third party. The project, named as Kunming Anning Linxi Valley (Phase 1), is erected on a plot of approximately 190,800 sq.m. with a planned GFA of approximately 297,000 sq.m. (saleable GFA of 255,000 sq.m.), which will be developed into villas, residential and ancillary commercial properties. Pre-sale was launched and the construction is expected to be completed in 2022.

##### **(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 502,000 sq.m. (saleable GFA of 384,000 sq.m.). Pre-sale was launched in 2020 and the completion of construction is expected by the year of 2025.

#### **2. Co-operation projects**

As of 31 December 2021, our property portfolio consists of a number of projects jointly developed by joint venture or we act as project manager pursuant to the relative agreements. The total GFA of these projects are approximately 5.1 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 13 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 Remaining 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 4.7 million sq.m.. Investments made on these projects are included as “Other receivables and prepayments” on the consolidated balance sheet.

Upon obtaining the governmental approval of urban redevelopment and completion of pending land auctions, the Remaining Group has capacity of additional land bank in estimated GFA of 17.7 million sq.m..

### C. *Investment properties*

Alongside with the development of properties for sale, the management selects suitable properties from the Remaining Group’s projects portfolio that renders satisfactory rental yields and has capital appreciation potential. As at 31 December 2021, the Remaining Group holds seven investment properties in an aggregate GFA of approximately 339,000 sq.m. at aggregated fair values of RMB3,658.5 million in Chongqing, Nanning, Guangzhou and Hong Kong 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 RMB1,308.0 million as at 31 December 2021 (2020: RMB1,313.0 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 RMB686.0 million as at 31 December 2021 (2020: RMB590.0 million).

3. *Guangzhou Skyfame Byland*

A tower, consisting of GFA of 9,900 sq.m., is contracted with a renowned hotel operator of serviced apartments under a tenancy agreement. The open market value of the property is RMB532.0 million as at 31 December 2021 (2020: RMB532.0 million).

4. *Car parking spaces in Guangzhou Skyfame Byland*

800 car parking spaces in the completed premises were leased to a management company for fixed monthly rentals. These car parking spaces carry an open market value of RMB538.0 million as at 31 December 2021 (2020: RMB538.0 million).

5. *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 RMB429.0 million as at 31 December 2021 (2020: RMB444.0 million).

6. *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 2021. The open market values of the premises as of 31 December 2021 are RMB54.0 million (2020: RMB55.2 million).

7. *Office premises at Capital Centre*

Office premises in GFA 6,200 sq.ft. (570 sq.m.) at Capital Centre in Wanchai, Hong Kong is fully leased. The open market value of the property as of 31 December 2021 is RMB111.5 million (HK\$136.3 million) (2020: RMB112.2 million (HK\$133.3 million)).

**D. *Business Outlook***

In terms of the overall economy, the central government has set a GDP target of 5.5% for 2022, but in the face of three kinds of pressure, namely shrinking demand, supply shock, and weakening expectations, coupled with the recurring disturbance of the Omicron pandemic and the prices of key raw materials remaining high, we are cautious about China's overall economic outlook for 2022.

In relation to the property development sector, in the second half of 2021, the whole property development sector cooled down abruptly, with housing sales remaining sluggish. Home buyer confidence was hit hard, a large portion of highly leveraged property developers experienced short-term difficulties, and the environment for property developer financing almost froze suddenly. The various unfavourable factors worked together to put unprecedented pressure on the sector. Although “housing is for living but not for speculation” is still the general keynote of the central government, the emphasis is on implementing policies according to the situation of the city to promote the healthy development of the property development sector. Some local governments have also started to relax demand-side restrictions. The China Banking and Insurance Regulatory Commission also encourages commercial banks to meet the reasonable demand of 300 million “new citizens” for home loans. We anticipate that government policies will focus on stabilizing property investments this year, and subsequently the stringent restrictions on property developer financing may be gradually relaxed, though it will take some time for market confidence to be restored but the light is at the end of the dark tunnel.

As for the Remaining Group, steady and sound development has always been the Remaining Group’s strategy. The Remaining Group continues to closely follow the direction of the state’s real estate regulation and control policy. The Remaining Group helps the government to solve the housing and employment problems of young people by working on residential youth community projects in response to the rigid demand. The Remaining Group will vigorously promote the sale of its assets to recover cash, tightly grasp the opportunity of the initiative to accelerate the meeting of the demand of “new citizens” for home purchases, strictly control the various costs and expenses, speed up the construction progress of such projects as the old village redevelopment project located in Fengwei Village, and emphasize the safety of the Remaining Group’s cash flows. In relation to additions to our land reserves, the Remaining Group continues to advance its plan to acquire the other 4,700,000 sq.m. of land in Guangzhou through urban renewal projects. It will suspend land acquisition through other channels except when good opportunities arise in the market. At the same time, the Remaining Group will pay an appropriate amount of attention to investment opportunities in other industries, seize new opportunities so as to add resilience to the Remaining Group’s development, and consistently achieve its goal of quality growth.

#### ***E. Financial Review***

##### *Sales Turnover and Margins*

Property sales, net of direct taxes, recorded RMB7,484.2 million for the year (2020: RMB7,572.6 million). During the year, the Remaining Group had delivered GFA totaling approximately 846,000 sq.m. of properties in nine projects (2020: eight 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, Nanchang Skyfame Fenghuangyue and Chongqing Skyfame • Smart City, at an overall average selling price of RMB9,700 per sq.m. (2020: RMB12,500 per sq.m).

Gross margin on property sales for the year is 21.5% (2020: 27.8%). The lower margins for the year is due to the differences in the mixtures in products as compared to the last year.

The leasing of properties revenue amounted to RMB25.5 million (2020: RMB25.1 million) mainly at the commercial podium at Tianyu Garden Phase II in Guangzhou, 800 car parks at Zhoutouzui, and offices at Capital Centre in Hong Kong. The major investment property under development of the Remaining Group, namely serviced apartments on Chongqing Skyfame • Smart City at Chongqing is in progress and expected to be completed on 2023-2024.

*Other (losses)/gains – net*

Other losses/gains – net mainly represents the unrealized fair value loss of the financial assets at fair value through profit or loss as at the balance sheet date mainly due to general weakened market sentiment as of market uncertainties during the last quarter of 2021 affecting the value of the Remaining Group's investments.

*Operating expenses*

Sales and marketing expenses amounted to RMB271.7 million for the year, a slightly decrease of 3.7% compared to RMB282.2 million in the last year.

Administrative and other expenses, amounting to RMB387.3 million (2020: RMB439.6 million), decreased by 11.9% compared to last period. The decrease in administrative and other expenses was primarily a result of our cost planning arrangement as part of our efforts to manage our project costs during the year.

Total staff costs, one of the major administrative and other expenses, totalling RMB266.9 million for the year (2020: RMB310.9 million) of which RMB36.1 million (2020: RMB33.7 million) were capitalized as development cost of properties under development.

*Finance income – net*

Finance costs, representing mainly the arrangement fees and interests incurred on borrowings amounted to RMB1,064.7 million (2020: RMB868.6 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 RMB4.5 million (2020: RMB2.4 million) charged against the operating results for the year. The overall weighted average annualized borrowing cost, representing weighted average finance costs divided by total borrowings, is 11.4% (2020: 11.8%). Finance costs also included interest incurred on lease liabilities amounted to RMB18.3 million (2020: RMB34.0 million) and foreign exchange gain on financing activities of RMB97.8 million (2020: 246.2 million) recorded on conversion of offshore loans denominated in HK\$ and US\$ booked at closing rates as a result of appreciation of RMB against the HK\$ and US\$ in the year.

*Income tax expense*

Income tax expense mainly includes land appreciation tax of RMB187.9 million (2020: RMB481.0 million) on properties sold for the year and provision of RMB595.8 million (2020: RMB685.7 million) for corporate income taxes on assessable earnings for the year, netting off the deferred tax totaling RMB202.1 million (2020: RMB249.8 million).

*Profit for the year*

Profit for the year was approximately RMB133.8 million (2020: RMB1,009.6 million).

Profit for the year included RMB267.3 million loss attributable to owners of the Company (2020: profit of RMB957.5 million) and RMB401.1 million (2020: RMB52.1 million) profit attributable to non-controlling interests.

In 2021, the Remaining Group's net loss attributable to owners and the overall downward pressure on the Remaining Group's gross profit margin were mainly due to the impact of pneumonia epidemic on the economic recovery, the intense market competition in the industry, and the implementation of regulatory measures in the real estate sector. In view of the uncertainty of the current market conditions, the Remaining Group arranged to expedite the sale and marketing of the remaining units of the property projects to control the market risks and accelerate further expansion and development strategy in the urban renewal of Guangzhou Fengwei Village Project, based in the Guangdong-Hong Kong-Macao Greater Bay Area.

*Liquidity and financial resources*

		<b>31 December</b>	
		<b>2021</b>	2020
	<i>Change in %</i>	<b>RMB'000</b>	<b>RMB'000</b>
Total assets	3.6%	<b>29,399,625</b>	28,379,187
Net assets	19.1%	<b>5,026,450</b>	4,219,753

Total assets of the Remaining Group amounted to RMB29,399.6 million (2020: RMB28,379.2 million), a 3.6% increase from last year. Properties under development, at carrying value of RMB13,439 million, is the biggest asset category, constituting 45.7% of the total assets of the Remaining Group. Total assets also include investment properties of RMB3,658.5 million, properties held for sale totaling RMB1,692.5 million, property, plant and equipment, right-of-use assets totaling RMB901.0 million, financial assets at fair value through profit or loss totaling RMB224 million, trade receivables of RMB198.1 million, other receivables and prepayments totaling RMB4,943.6 million, restricted cash of RMB2,840.3 million and cash and cash equivalents of RMB1,196.3 million.

*Capital structure and liquidity*

The borrowings of the Remaining Group, aggregated to RMB11,475.8 million at the year-end date, increase 32.0% from the balance of RMB8,691.4 million as at 31 December 2020, as a result of increase in borrowings and other expenses amount to RMB6,288.5 million, net with repayment of borrowings amounted to RMB3,504.1 million (included repayment of accrued interest and exchange effect of debt) during the year. Borrowings mainly comprises secured and unsecured borrowings from banks and financial institutions and corporate bonds issued to financial institutions and professional investors. As at 31 December 2021, the bank borrowings carry interest at variable rates ranging from 2.63% to 7.22% per annum (2020: 2.50% to 6.70% per annum). The bank borrowings are secured by mortgages of ownership titles of properties held of self-use, properties under development, properties held for sale and investment properties with or without corporate guarantee provided by the Company and/or personal guarantee provided by Mr. Yu Pan or together with his spouse.



The maturity of the borrowings is as follows:

	Secured bank borrowings <i>RMB'000</i>	Unsecured bank borrowings <i>RMB'000</i>	Secured notes/bonds <i>RMB'000</i>	Unsecured notes/bonds <i>RMB'000</i>	Other borrowings <i>RMB'000</i>	Total <i>RMB'000</i>
<b>As at 31 December 2021</b>						
Within 1 year	529,330	-	1,597,774	1,857,673	2,792,233	6,777,010
1-2 years	544,510	-	-	16,207	843,800	1,404,517
2-5 years	1,387,037	-	-	371,711	-	1,758,748
Over 5 years	508,423	-	-	1,027,109	-	1,535,532
	<u>2,969,300</u>	<u>-</u>	<u>1,597,774</u>	<u>3,272,700</u>	<u>3,636,033</u>	<u>11,475,807</u>
<b>As at 31 December 2020</b>						
Within 1 year	656,707	1,888	-	926,692	1,068,208	2,653,495
1-2 years	65,255	500	1,885,872	17,557	460,100	2,429,284
2-5 years	514,028	239,250	-	723,651	848,750	2,325,679
Over 5 years	288,347	-	-	994,631	-	1,282,978
	<u>1,524,337</u>	<u>241,638</u>	<u>1,885,872</u>	<u>2,662,531</u>	<u>2,377,058</u>	<u>8,691,436</u>

As at 31 December 2021 and 2020, the Remaining Group had the following undrawn borrowing facilities:

	<b>31 December</b>	
	<b>2021</b>	<b>2020</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Floating rate:		
- expiring within 1 year	1,173	105,193
- expiring beyond 1 year	<u>6,250,000</u>	<u>-</u>
	<u>6,251,173</u>	<u>105,193</u>

The details of the notes/bonds are as follows:

	2021/2022 Bonds HK\$'000	2022 Bonds US\$'000	2022 Notes US\$'000	2023 Notes US\$'000	2023/2024 Bonds HK\$'000	2024 Bonds HK\$'000	2025 Bonds HK\$'000	2026 Bonds HK\$'000	2027 Bonds HK\$'000	2031 Bonds HK\$'000	2032 Bonds HK\$'000	2033 Bonds HK\$'000	2034 Bonds HK\$'000
Nominal value	21,300	20,000	217,000	291,500	158,800	290,000	80,000	100,000	10,000	570,000	950,000	1,300,000	1,880,000
Nominal value	RMB'000 17,415	RMB'000 127,514	RMB'000 1,383,527	RMB'000 1,858,517	RMB'000 129,835	RMB'000 237,104	RMB'000 65,408	RMB'000 81,760	RMB'000 8,176	RMB'000 466,032	RMB'000 776,720	RMB'000 1,062,880	RMB'000 1,537,088
Issue date	2019-2020	2021	2019	2020-2021	2020	2014-2015	2016	2016-2017	2017	2014-2015	2015-2016	2016-2017	2017-2018
Coupon rate	9.00%	14.50%	13.00%	13.00%	7.00%- 12.50%	7.60%	7.60%	7.60%	7.60%	8.10%	8.10%	8.10%	8.07%- 8.10%
Maturity date	2021/2022	2022	2022	2023(i)	2023	2024	2025	2026	2027	2031	2032	2033	2034
Effective interest rates	14.05%	15.37%	13.15%- 13.26%	14.05%	13.00%	11.62%- 12.38%	11.66%- 11.99%	11.94%- 12.08%	12.19%	11.55%- 11.78%	11.55%- 11.71%	11.67%- 12.19%	11.27%- 11.81%
Outstanding carrying value as at 31 December 2021	17,602	128,295	1,469,479	1,837,408	122,812	173,045	42,841	47,475	4,409	152,680	228,258	276,010	370,160
Secured or unsecured	Unsecured	Secured by certain properties held for sale of a subsidiary of the Group	Secured by pledge of the entire equity interest of a subsidiary of the Group	Unsecured	Unsecured	Unsecured	Unsecured	Unsecured	Unsecured	Unsecured	Unsecured	Unsecured	Unsecured

The Remaining Group endeavours to match the tenors of its borrowings with the normal operating cycle of the projects. Besides, our management is more than cautious to ensure due debts are served and repaid on schedule. The short-tenor borrowings are mainly borrowings due to banks, financial institutions and issue of bonds, for which repayments have been scheduled to be financed by sale proceeds generated from the projects securing the borrowings. The management expects the sale proceeds are sufficient enough to serve the repayments.

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 RMB7,967.9 million (2020: RMB6,539.4 million).

Notwithstanding, cash level at the year-end date increased sharply to RMB3,508 million at 31 December 2021 (2020: RMB2,152.0 million). As the increase in both borrowings and cash position, the net gearing ratio (calculated as Net Debt divided by the total equity plus Net Debt) maintains a steady level to 61.3% as at 31 December 2021 (2020: 60.8%).

Current assets aggregated to RMB24,517.3 million as at 31 December 2021 (2020: RMB23,749.4 million), an increase of 3.2% from last year. Current liabilities at the year-end date amounted to RMB19,072.4 million (2020: RMB17,416.4 million).

The current ratio is slightly decreased to 1.29 times as at 31 December 2021 (2020: 1.36 times). The management continues to pay high attention to the liquidity position and ensure that assets, mostly inventories for sale and properties under development, can be readily turned into cash to meet the financial needs of the Remaining Group.

#### *Borrowings and pledge of assets*

As at 31 December 2021, 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 Remaining 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 2021, aggregate outstanding balances of these secured borrowings amounted to RMB8,203.1 million.

The pledged assets or the underlying assets represented by these securities carry an aggregate estimated fair value of approximately RMB18.2 billion as at 31 December 2021. Management considers these securities provide sufficient coverage to serve the interests of our creditors.

#### *F. Contingent Liabilities*

The Remaining Group has been involved in several lawsuits arising in the ordinary course of business. As at 31 December 2021 and 2020, provision has been made for the probable losses to the Remaining Group based on management’s assessment on the outcome of the lawsuits taking into account the legal advice and none of these is expected to have a significant effect on the consolidated financial statements of the Remaining Group.

**G. Treasury Management**

The Remaining 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 2021, the Remaining Group has Hong Kong and US dollar denominated borrowings equivalent to RMB5,334.4 million, representing 46.5% of total borrowings, financial assets at fair value of RMB216.0 million and overseas properties for self-use and leasing in Hong Kong with carrying value of HK\$199.3 million (equivalent to RMB162.9 million). 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 Remaining Group.

Throughout the year ended 31 December 2021, RMB has appreciated 2.9% and 2.3% against HK and US dollars respectively. As a result, net unrealized foreign exchange gains of RMB97.8 million were recorded when assets and liabilities denominated in foreign currencies are converted into RMB in the financial accounts. In addition, exchange differences arising from consolidation of assets and liabilities of subsidiaries operating in Hong Kong as at 31 December 2021 results to an exchange gain of RMB5.9 million which is recorded in the exchange reserve that forms part of the equity of the Remaining Group.

The fluctuations in RMB against the US and HK dollars will bring volatility to the bottom line of the Remaining Group against which unrealized losses or profits are booked. The Remaining 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 Remaining Group.

**H. Risk Management**

We face lots of business risks as a mainland developer. Amongst the risks, the key risk is the continuing austerity measures imposed by the government on the property sector that restrict demand of home buyers and lending to developers, putting constraints on developers' cash flow. To relieve the risks resulting from these regulations and restrictions, our management is placing specific care about the controlling of financial resources for its expansion in land reserve. 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**

The Remaining Group recruits suitable staff in capable caliber to fill vacancies created as a result of the growing business. As at 31 December 2021, including four executive directors of the Company, the Remaining Group employed a total of 1,224 full-time staff, of which 233 work in site offices, 182 in the head office in Guangzhou and Hong Kong for central management and supporting work for the property development business, and 809 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 awards benchmarked on performance targets, and 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.

**For the year ended 31 December 2022****A. Business review**

During the year 2022, the macro environment of the China's real estate industry has undergone tremendous downturn. Property buyers stayed away from the property market in China due to economic and home price uncertainties, concerns over the unpredictable repeated COVID-19 outbreaks, economic recession risk, certain property developers' failure to deliver the properties on time as well as the increasing risk of unemployment. Buyer sentiment has broadly sagged and nationwide home price fell late year 2021 for the first time since 2015. Fitch Ratings in April 2022 lowered its forecast on the property sales by value. Overall, the sale of property industry in China slowed down dramatically and prices fell. Alongside, the real estate developers began to encounter difficulties in raising fund through traditional channels in the capital market which has created tremendous pressure on the liquidity of most market players.

Although the Remaining 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 in year of 2022 experienced a sharp decline in property sales in the midst of the complicated and volatile business environment. In the year of 2022, the Remaining Group achieved contracted sales totaling RMB1.4 billion, declined by 86% 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 Remaining Group's access to new financing has not been notably improved which has further exacerbated the Remaining 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 Remaining 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 and 31 October 2022 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, 28 April 2023 (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 2022, the Remaining Group recorded contracted sales totaling RMB1.4 billion (2021: RMB10.3 billion). The GFA contracted, covered 13 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 2023 to 2024 when the subject properties are delivered.

The turnover of properties delivered in 2022 was RMB2.1 billion, declined by 73% compared to the figures of the last year. The Remaining Group had nine projects (2021: nine) with properties delivered, namely Guangzhou Skyfame Byland, Zhongshan Skyfame Rainbow, Chongqing Skyfame • Smart City, Nanning Skyfame Garden, Nanning Skyfame ASEAN Maker Town, Nanning Spiritual Mansions, Xuzhou Skyfame Time City, Kunming Skyfame City and Kunming Anning Linxi Valley. The Remaining Group delivered aggregate GFA of 268,000 sq.m. (2021: 846,000 sq.m.) and recorded property sale revenue before direct taxes of RMB2,121 million (2021: RMB8,147 million).

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

<b>Project</b>	<b>Recognized Sales</b>	
	<b>Gross Amount</b> <i>RMB'million</i>	<b>GFA Delivered</b> <i>sq.m.</i>
Guangzhou Skyfame Byland	15	1,000
Zhongshan Skyfame Rainbow	85	6,000
Chongqing Skyfame • Smart City	382	42,000
Nanning Skyfame Garden	37	16,000
Nanning Skyfame ASEAN Maker Town	95	17,000
Nanning Spiritual Mansions	225	1,000
Xuzhou Skyfame Time City	10	7,000
Kunming Anning Linxi Valley	846	115,000
Kunming Skyfame City	426	63,000
Total in year 2022	2,121	268,000

## **B. Property Portfolio**

As at 31 December 2022, we have project portfolio and potential land reserves in aggregate GFA of 27 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 six have been completed and the others under construction or for imminent development, together with joint venture projects 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 2022, all these projects renders a total GFA of approximately 10.3 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 Remaining Group's interest
Guangzhou Skyfame Byland	Guangzhou	Residential & commercial	315,000	160,000	126,000	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	–	2025	99%
Skyfame Health Smart City	Shenzhen	Serviced apartment & commercial	183,000	128,000	–	2025	98%
Zhongshan Skyfame Rainbow	Zhongshan	Residential & ancillary commercial	105,000	86,000	86,000	2020	50%
Skyfame Zhuhai Bay	Zhuhai	Residential & ancillary commercial	298,000	212,000	–	2023–24	78%
Nanning Skyfame Garden	Nanning	Residential & ancillary commercial	1,202,000	960,000	942,000	2016–18	78%
Nanning Skyfame ASEAN Maker Town	Nanning	Composite development	1,305,000	1,047,000	766,000	2018–26	78%
Nanning Spiritual Mansions	Nanning	Residential and ancillary commercial	749,000	584,000	559,000	2020–22	39%
Guilin Lipu Skyfame Jade Valley	Guilin	Villas, residential & serviced apartments	236,000	230,000	–	2023–25	98%
Xuzhou Skyfame Time City	Xuzhou	Residential & ancillary commercial	470,000	395,000	378,000	2019–21	70%
Xuzhou Skyfame Elegance Garden	Xuzhou	Residential & ancillary commercial	205,000	153,000	131,000	2021–2023	78%
Xuzhou Skyfame Smart City	Xuzhou	Residential & ancillary commercial	538,000	431,000	–	2023–25	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	968,000	467,000	2017–28	98%
Kunming Anning Linxi Valley	Kunming	Residential & ancillary commercial	295,000	240,000	115,000	2022-23	(note b)
Kunming Skyfame City	Kunming	Residential & ancillary commercial	507,000	389,000	63,000	2022–27	90%
<b>Sub-total - developed by subsidiaries</b>			<b>9,948,000</b>	<b>7,095,000</b>	<b>3,708,000</b>		
<b>Co-operation project (note c)</b>			<b>336,000</b>	<b>222,000</b>			
<b>Total</b>			<b>10,284,000</b>	<b>7,317,000</b>			



*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 project 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.

*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 Remaining 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- use 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 Remaining 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, Jiufu 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 demolition works on the land and 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 Remaining 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 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. We have completed the demolition works on the land and the construction has been commenced during 2021.

(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 has been delivered to buyers up to 31 December 2022.

(6) *Skyfame Zhuhai Bay* (“天譽珠海灣”)

The Remaining 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 276,000 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 subsidized housing for talents and public rental housing. Construction is in progress and the management expects to complete the project in 2024.

*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 2022, a total saleable GFA of 942,000 sq.m. has been delivered to buyers, the remaining GFA are on sale or held for the operation of our second “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. (equivalent to 291.33 mu) 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 is scheduled to complete by phases up to 2026. The development, when completed, will then be a landmark in Wuxiang New District.

Up to 31 December 2022, residential and commercial units of saleable GFA of 766,000 sq.m. have been delivered to buyers. For the undelivered saleable GFA of 281,000 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 2023 onwards until 2026, the expected year of delivery of Skyfame ASEAN Tower.

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

The Remaining 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. Construction works has been completed in phases starting from 2020. Up to 31 December 2022, a total saleable GFA of 559,000 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), Liao Zhou (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 commenced in late 2019 and delivery is expected to be in 2023 to 2025.

*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 project has been completed in 2021, with a total GFA of 470,000 sq.m. (saleable GFA of 395,000 sq.m.) with saleable GFA of 378,000 sq.m. delivered up to 31 December 2022.

(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.). Up to 31 December 2022, saleable GFA of 131,000 sq.m. has been delivered to buyers. The project is being developed into residential and ancillary commercial development and construction works are expected to be completed in 2023.

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

The land of the project was acquired through a land auction in 2019. 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 2023 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 but subject to certain minor rectification and upgrading works. Up to 31 December 2022, aggregate saleable GFA of 75,000 sq.m has been delivered to buyers.

*In Southwestern Region of China:*

(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. The equity interests in the project company were acquired in phases starting in 2018 to 2019.

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 2022, aggregate saleable GFA of 467,000 sq.m. has been delivered to the buyers.

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

The Remaining 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. Pre-sale was launched and the construction has been completed by phase. Up to 31 December 2022, aggregate saleable GFA of 115,000 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.). Pre-sale was launched in 2020 and the completion of construction is expected to be completed by phase until year of 2027. Up to 31 December 2022, aggregate saleable GFA of 63,000 sq.m. has been delivered to the buyers.

**2. *Co-operation project***

As of 31 December 2022, 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 Remaining 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 4.7 million sq.m.. Investments made on these projects are included as “Other receivables and prepayments” on the consolidated balance sheet.

Upon obtaining the governmental approval of urban redevelopment and completion of pending land auctions, the Remaining Group has capacity of additional land bank in estimated GFA of 16.4 million sq.m..

### **C. Investment properties**

Alongside with the development of properties for sale, the management selects suitable properties from the Remaining Group’s projects portfolio that renders satisfactory rental yields and has capital appreciation potential. As at 31 December 2022, the Remaining Group holds six investment properties (2021: seven) in an aggregate GFA of approximately 328,700 sq.m. at aggregated fair values of RMB3,019.1 million in Chongqing, Nanning, Guangzhou and Hong Kong 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 RMB1,302.0 million as at 31 December 2022 (2021: RMB1,308.0 million).

#### ***2. Commercial properties in Skyfame Nanning ASEAN Maker Town***

Total GFA of 50,000 sq.m. is being leased 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. The property, carries an open market value of RMB657.0 million as at 31 December 2022 (2021: RMB686.0 million).

#### ***3. Car parking spaces in Guangzhou Skyfame Byland***

800 car parking spaces were leased to a management company for fixed monthly rentals and subsequently terminated during the year. These car parking spaces carry an open market value of RMB486.0 million as at 31 December 2022 (2021: RMB538.0 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 RMB424.0 million as at 31 December 2022 (2021: RMB429.0 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 2022. The open market values of the premises as of 31 December 2022 are RMB52.1 million (2021: RMB54.0 million).

**6. Office premises at Capital Centre**

Office premises in GFA 6,200 sq.ft. (570 sq.m.) at Capital Centre in Wanchai, Hong Kong is for long-term investment purpose. The open market value of the property as of 31 December 2022 is RMB98.0 million (HK\$109.7 million) (2021: RMB111.5 million (HK\$136.3 million)).

**D. Business Outlook**

Our world today is living through accelerating changes unseen in a century, the Russia-Ukraine war continues, global inflation remains high, the US Federal Reserve remains under pressure to raise interest rates further, global economic and trade growth is weakening, and the world has entered a new phase of instability and transformation. China has entered a period of development in which strategic opportunities, risks, and challenges are concurrent and uncertainties and unforeseen factors are rising.

While pursuing high-quality of economic development, China is still under the triple pressures of shrinking demand, disrupted supply and weakening expectations. However, given the large and resilient size of the Chinese economy, we are cautiously optimistic about the Chinese government's target of 5% GDP growth in 2023, given that the COVID-19 pandemic is over.

In terms of China's real estate industry, the industry suffered an unprecedented storm in 2022, and various risks arising therefrom still need time to be addressed. However, strict real estate regulatory policies have shifted to easing, and policies have been introduced to support real estate enterprise financing in terms of credit, bonds, and equity. Market confidence is gradually recovering. At the beginning of the year, housing sales in first-tier cities represented by Beijing and Shanghai took the lead in recovering. Although it still will take some time for the recovery to spread to second and third-tier cities, we expect that the recovery of the industry will gradually emerge throughout the year, and the situation will be more obvious in the second half of the year. It will be a high probability event that the whole year performance will be better than 2022.

The real estate industry has always been a pillar industry of China's economy, and the aspiration of 1.4 billion Chinese people for a better life remains unchanged, so the Remaining Group still has confidence in the long-term development of the industry. In 2023, we will continue to respond calmly, defuse risks and ensure stable operation of the Remaining Group. We will continue to pay close attention to the market trends, determine sales based on production, and seize the market opportunities of each project. We will continue to accelerate the construction progress of the old renovation project of Fengwei Village, Huangpu District, Guangzhou, and strive to achieve sales collection. We will continue to resolutely carry out asset disposal work, and vigorously promote cash repatriation. And we also will continue to focus on maintaining active communication with creditors of all parties and push forward debt restructuring to realize the best interests of creditors.

## **E. Financial Review**

### *Sales Turnover and Margins*

Property sales, net of direct taxes, recorded RMB1,949.1 million for the year (2021: RMB7,484.2 million). During the year, the Remaining Group had delivered GFA totaling approximately 268,000 sq.m. of properties in nine projects (2021: 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, Kunming Anning Linxi Valley, Kunming Skyfame City, and Chongqing Skyfame • Smart City, at an overall average selling price of RMB8,000 per sq.m. (2021: RMB9,700 per sq.m).

Gross deficit on property sales for the year is 13.1% (2021: gross profit of 21.5%). 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 RMB23.2 million (2021: RMB25.5 million) mainly at the commercial podium at Tianyu Garden Phase II in Guangzhou, 800 car parks at Zhoutouzui, and offices at Capital Centre in Hong Kong. The major investment property under development of the Remaining Group, namely serviced apartments on Chongqing Skyfame • Smart City at Chongqing is in progress and expected to be completed in 2023 to 2026.

#### *Operating expenses*

Sales and marketing expenses amounted to RMB156.8 million for the year, a decrease of 42.3% compared to RMB271.7 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 RMB408.8 million (2021: RMB387.3 million), increased by 5.6% 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 Remaining Group during the year.

Total staff costs, one of the major administrative and other expenses, totalling RMB198.6 million for the year (2021: RMB266.9 million) of which RMB35.1 million (2021: RMB36.1 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 20.5% and reflected by the reduction of number of staff at year end.

#### *Finance cost/income – net*

Finance costs, representing mainly the arrangement fees and interests incurred on borrowings amounted to RMB1,237.4 million (2021: RMB1,064.7 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 RMB764.9 million (2021: RMB4.5 million) charged against the operating results for the year related to general interest not qualified for capitalisation. Finance costs also included interest incurred on lease liabilities amounted to RMB19.4 million (2021: RMB18.3 million) and foreign exchange loss on financing activities of RMB323.7 million (2021: exchange gain of RMB97.8 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 RMB45.3 million (2021: RMB187.9 million) on properties sold for the year and provision of RMB6.2 million (2021: RMB595.8 million) for corporate income taxes on assessable earnings for the year, netting off the deferred tax credit totaling RMB299.0 million (2021: RMB202.1 million).

*Loss/Profit for the year*

Loss for the year was approximately RMB3,541.1 million (2021: a profit of RMB133.8 million).

Loss for the year included RMB3,450.6 million loss attributable to owners of the Company (2021: loss of RMB267.3 million) and RMB90.5 million (2021: gain of RMB401.1 million) loss attributable to non-controlling interests.

In 2022, the Remaining Group's net loss attributable to owners and the overall downward pressure on the Remaining 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 downward on the gross profit margin in general 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 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 Remaining 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*

		<b>31 December</b>	
		<b>2022</b>	2021
	<i>Change in %</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total assets	– 16.9%	<b>24,439,972</b>	29,399,625
Net assets	– 76.8%	<b>1,167,479</b>	5,026,450

Total assets of the Remaining Group amounted to RMB24,440.0 million (2021: RMB29,400.0 million), a 16.9% decrease from last year. Properties under development, at carrying value of RMB11,840.9 million, is the biggest asset category, constituting 48.4% of the total assets of the Remaining Group. Total assets also include investment properties of RMB3,019.1 million, properties held for sale totaling RMB2,469.8 million, property, plant and equipment, right-of-use assets totaling RMB328.2 million, other receivables and prepayments totaling RMB5,105.5 million, restricted cash of RMB493.3 million and cash and cash equivalents of RMB83 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 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. For the Petition filed by the Company, the Bermuda Court adjourned the hearing of the Petition to 28 April 2023 (Bermuda time).

#### ***Management’s position and basis on the going concern assumption***

As detailed above in relation to the appointment of JPLs and the proposed implementation of debt restructuring plan of the Company, conditions existed as at 31 December 2022 indicating the existence of material uncertainties which may cast significant doubt regarding the Remaining Group’s ability to continue as a going concern. The management of the Company is actively negotiating with the JPLs and the creditors for a viable debt restructuring plan.

As at the date of publication of the financial information for the year ended 31 December 2022, the debt restructuring plan has not been determined yet and the eventual outcome of the debt restructuring plan cannot be determined with reasonable certainty. Assuming the successful implementation of the proposed debt restructuring plan, the Board is of the view that the Remaining Group will have sufficient working capital to meet its financial obligation as and when they fall due in the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

*Capital structure and liquidity*

The borrowings of the Remaining Group, aggregated to RMB11,436.4 million at the year-end date, slightly decreased by 0.3% from the balance of RMB11,475.8 million as at 31 December 2021. Borrowings mainly comprises secured and unsecured borrowings from banks and financial institutions and corporate bonds issued to financial institutions and professional investors.

As at 31 December 2022, the bank borrowings carry interest at variable rates ranging from 2.50% to 7.22% per annum (2021: 2.63% to 7.22% per annum). The bank borrowings are secured by mortgages of ownership titles of properties held of self-use, properties under development, properties held for sale and investment properties with or without corporate guarantee provided by the Company and/or personal guarantee provided by Mr. Yu Pan or together with his spouse.

The maturity of the borrowings is as follows:

	Secured bank borrowings RMB'000	Secured senior notes RMB'000	Secured bonds RMB'000	Unsecured Senior Notes RMB'000	Unsecured bonds RMB'000	Secured other borrowings RMB'000	Unsecured other borrowings RMB'000	Total RMB'000
<b>As at 31 December 2022</b>								
– Within 1 year	1,074,369	1,703,969	158,486	2,299,684	218,456	1,275,801	15,594	6,746,359
– 1-2 years	27,695	–	–	–	146,732	–	80,400	254,827
– 2-5 years	99,515	–	–	–	116,222	336,627	140,600	692,964
– Over 5 years	2,493,179	–	–	–	1,249,088	–	–	3,742,267
	<u>3,694,758</u>	<u>1,703,969</u>	<u>158,486</u>	<u>2,299,684</u>	<u>1,730,498</u>	<u>1,612,428</u>	<u>236,594</u>	<u>11,436,417</u>
<b>As at 31 December 2021</b>								
– Within 1 year	529,330	1,469,479	128,295	1,837,408	20,265	2,792,233	–	6,777,010
– 1-2 years	544,510	–	–	–	16,207	843,800	–	1,404,517
– 2-5 years	1,387,037	–	–	–	371,711	–	–	1,758,748
– Over 5 years	508,423	–	–	–	1,027,109	–	–	1,535,532
	<u>2,969,300</u>	<u>1,469,479</u>	<u>128,295</u>	<u>1,837,408</u>	<u>1,435,292</u>	<u>3,636,033</u>	<u>–</u>	<u>11,475,807</u>

As at 31 December 2022 and 2021, the Remaining Group had the following undrawn borrowing facilities:

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Floating rate:		
– Expiring within 1 year	–	1,173
– Expiring beyond 1 year	<b>4,774,000</b>	6,250,000
	<b>4,774,000</b>	6,251,173

The details of the notes/bonds are as follows:

(a) *13% senior notes*

The 13% senior notes issued by the Company or a subsidiary of the Company were all listed on Singapore Exchange Securities Trading Limited.

Key terms of respective senior notes are as follows:

	<b>2022 Notes</b>	<b>2023 Notes</b>
Nominal amount:	US\$274,000,000	US\$292,000,000
Nominal amount:	RMB1,908,300,000	RMB2,033,663,000
Issue date:	2019/7/8-2019/11/14	2020/12/16-2021/6/7
Security code:	ISIN: XS2022224047	ISIN: XS2272702338
Interest rate:	13% per annum, which is repayable semi-annually in arrears on 8 January and 8 July of each year, commencing 8 January 2020	13.0% per annum, which is repayable semi-annually in arrears on June 16 and December 16 of each year, commencing 16 June 2021
Effective interest rate:	13.2%-13.3%	14.1%
Final maturity date:	8 July 2022	16 December 2023
Collateral:	the collateral securing the Notes, which shall consist of a share charge of the entire shareholding interest over Winprofit Investment Enterprises Limited, a direct wholly-owned subsidiary of the Company	N/A

*(b) Other bonds*

	2022/2023 Bonds	2023/2024 Bonds	2024/2025/ 2026/2031/ 2032/2033 Bonds	2027/2034 Bonds
Nominal amount:	US\$20,000,000	HK\$155,300,000	HK\$3,290,000,000	HK\$1,890,000,000
Nominal amount:	RMB139,292,000	RMB138,729,000	RMB2,938,957,000	RMB1,688,337,000
Issue date:	2021/12/10-2022/1/19	2020/05/13-2021/9/15	2014/10/22-2017/6/2	2017/6/20-2018/6/15
Security code:	N/A	N/A	ISIN: XS1130150391 XS1142114278 XS1323898707 XS1304503268 XS1397876258 XS1397876258 XS1525845985 XS1525845985 XS1558627771 XS1558627342	N/A
Interest rate:	14.5% per annum, payable quarterly	7.0% at the first anniversary, 8.0% from the first anniversary to the second anniversary, and 12.5% from second anniversary to maturity, payable quarterly	11.0%-13.0% per annum prepaid and 0.1% coupon payable annually	7.5%–8.0% per annum prepaid and 0.1% coupon payable annually
Effective interest rate:	15.4%	13.9%	11.6%-12.4%	11.3%-12.7%
Final maturity date:	18 Jan 2023	14 Sep 2024	14 Nov 2033	16 Jun 2034
Collateral:	450 parking spaces of Guangzhou Skyfame Byland project held by Guangzhou Yucheng Real Estate Development Company Limited	N/A	N/A	N/A



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 RMB11,340.8 million (2021: RMB7,967.9 million).

The cash level (excluded restricted cash secured for the payment of construction cos of related properties) at the year-end date decreased sharply to RMB95.6 million at 31 December 2022 (2021: RMB3,643.0 million), mainly due to the sharply decline in the sale performance and the return of restricted deposit received of RMB2,300.0 million during the year. The net gearing ratio (calculated as Net Debt divided by the total equity plus Net Debt) increased to 90.7% as at 31 December 2022 (2021: 61.3%).

Current assets aggregated to RMB20,456.9 million as at 31 December 2022 (2021: RMB24,517.3 million), a decrease of 16.6% from last year. Current liabilities at the year-end date amounted to RMB18,023.5 million (2021: RMB19,072.4 million).

The current ratio is slightly decreased to 1.1 times as at 31 December 2022 (2021: 1.3 times). The management continues to pay high attention to the liquidity position and ensure that assets, mostly inventories for sale and properties under development, can be readily turned into cash to meet the financial needs of the Remaining Group.

#### *Borrowings and pledge of assets*

As at 31 December 2022, 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 Remaining 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 2022, aggregate outstanding balances of these secured borrowings amounted to RMB7,406.2 million.

The pledged assets or the underlying assets represented by these securities carry an aggregate estimated fair value of approximately RMB13.9 billion as at 31 December 2022. Management considers these securities provide sufficient coverage to serve the interests of our creditors.

#### **F. Contingent Liabilities**

As at 31 December 2022 and 2021, the Remaining 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 Remaining Group based on management’s assessment on the outcome of the lawsuits taking into account the legal advice and none of these is expected to have a significant effect on the consolidated financial statements of the Remaining Group. Other than those disclosed elsewhere, where appropriate, the Remaining Group has no other significant contingent liabilities.

**G. Treasury Management**

The Remaining 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 2022, the Remaining Group has Hong Kong and US dollar denominated borrowings equivalent to RMB6,430.2 million, representing 56.2% of total borrowings, and overseas properties for self-use and leasing in Hong Kong with carrying value of HK\$180.7 million (equivalent to RMB161.4 million). 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 Remaining Group.

Throughout the year ended 31 December 2022, RMB has depreciated 9.3% and 9.3% against HK and US dollars respectively. As a result, net unrealized foreign exchange losses of RMB323.7 million were recorded when assets and liabilities denominated in foreign currencies are converted into RMB in the financial accounts. In addition, exchange differences arising from consolidation of assets and liabilities of subsidiaries operating in Hong Kong as at 31 December 2022 results to an exchange loss of RMB138.7 million which is recorded in the exchange reserve that forms part of the equity of the Remaining Group.

The fluctuations in RMB against the US and HK dollars will bring volatility to the bottom line of the Remaining Group against which unrealized losses or profits are booked. The Remaining 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 Remaining Group.

**H. Risk Management**

We face lots of business risks as a mainland developer. Amongst the risks, the key risk is the continuing austerity measures imposed by the government on the property sector that restrict demand of home buyers and lending to developers, putting constraints on developers' cash flow. To relieve the risks resulting from these regulations and restrictions, our management is placing specific care about the controlling of financial resources for its expansion in land reserve. 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 2022, including four executive directors of the Company, the Remaining Group employed a total of 839 full-time staff, of which 168 work in site offices, 94 in the head office in Guangzhou and Hong Kong for central management and supporting work for the property development business, and 577 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 benchmarked on performance targets, and 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.

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**APPENDIX IV            UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE REMAINING GROUP**

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**A.    UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP****INTRODUCTION**

The unaudited pro forma financial information (the “Unaudited Pro Forma Financial Information”) presented below is prepared to illustrate (a) the financial position of the Remaining Group as if the Disposal had been completed on 31 December 2022; and (b) the results and cash flows of the Remaining Group for the year ended 31 December 2022 as if the Disposal had been completed on 1 January 2022. This Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not purport to represent the true picture of the financial position of the Remaining Group as at 31 December 2022 or at any future date had the Disposal been completed on 31 December 2022 or the results and cash flows of the Remaining Group for the year ended 31 December 2022 or for any future period had the Disposal been completed on 1 January 2022.

The Unaudited Pro Forma Financial Information is prepared based on the audited consolidated statement of financial position of the Group as at 31 December 2022 and the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2022 extracted from the annual results announcement of the Group for the year ended 31 December 2022 as published on 30 March 2023, and the historical financial information of the Disposal Company as set out in Appendix II to the circular after giving effect to the pro forma adjustments described in the notes to the Unaudited Pro Forma Financial Information and is prepared in accordance with Rules 4.29 and 14.68(2)(a)(ii) of the Listing Rules. Narrative descriptions of the Unaudited Pro Forma Financial Information that are directly attributable to the Disposal and factually supportable are summarised in the accompany notes to the Unaudited Pro Forma Financial Information.

The Unaudited Pro Forma Financial Information of the Remaining Group should be read in conjunction with the consolidated financial statements of the Group as set out in the published annual results announcement for the year ended 31 December 2022 and the financial information of the Group as set out in Appendix I and other financial information included elsewhere in the circular.

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**APPENDIX IV                      UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE REMAINING GROUP**

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**1.      Unaudited Pro Forma Consolidated Statement of Financial Position of the Remaining Group**

	<b>The Group as at 31 December 2022</b>	<b>Pro forma adjustments</b>			<b>The Remaining Group as at 31 December 2022</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>Note 1</i>	<i>Note 3(a)</i>	<i>Note 3(b)(i)</i>	<i>Note 3(b) (ii) &amp; (iii)</i>	
<b>Non-current assets</b>					
Property, plant and equipment	112,095				112,095
Right-of-use assets	216,087				216,087
Investment properties	3,019,134				3,019,134
Interest in a joint venture	20,162				20,162
Interest in an associate	89,359				89,359
Deferred tax assets	526,251				526,251
	3,983,088				3,983,088
<b>Current assets</b>					
Properties under development	11,840,893				11,840,893
Properties held for sale	2,469,807				2,469,807
Financial assets at fair value through profit or loss	–				–
Trade receivables	181,557				181,557
Other receivables, deposits and prepayments	5,105,497				5,105,497
Contract costs	282,207				282,207
Restricted cash	493,279				493,279
Cash and cash equivalents	83,644				83,644
	20,456,884				20,456,884
Assets of a disposal subsidiary as held for sale	1,525,239	(1,525,239)			–
	21,982,123				20,456,884

**APPENDIX IV      UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE REMAINING GROUP**

	The Group as at 31 December 2022	Pro forma adjustments			The Remaining Group as at 31 December 2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>Note 1</i>	<i>Note 3(a)</i>	<i>Note 3(b)(i)</i>	<i>Note 3(b) (ii) &amp; (iii)</i>	
<b>Current liabilities</b>					
Trade payables	35,952				35,952
Accruals and other payables	5,437,758		(262,077)	1,000	5,176,681
Contract liabilities	4,165,517				4,165,517
Lease liabilities	17,507				17,507
Bank and other borrowings	6,746,359				6,746,359
Income tax payable	1,620,398				1,620,398
	<u>18,023,491</u>				<u>17,762,414</u>
Liabilities of a disposal subsidiary classified as held for sale	<u>985,607</u>	(985,607)			<u>–</u>
	<u>19,009,098</u>				<u>17,762,414</u>
Net current assets	<u>2,973,025</u>				<u>2,694,470</u>
Total assets less current liabilities	<u>6,956,113</u>				<u>6,677,558</u>
<b>Non-current liabilities</b>					
Bank and other borrowings	4,690,058		(280,000)		4,410,058
Lease liabilities	191,715				191,715
Deferred tax liabilities	367,229				367,229
	<u>5,249,002</u>				<u>4,969,002</u>
Net assets	<u>1,707,111</u>				<u>1,708,556</u>

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**APPENDIX IV                      UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE REMAINING GROUP**

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	<b>The Group as at 31 December 2022</b>	<b>Pro forma adjustments</b>			<b>The Remaining Group as at 31 December 2022</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>Note 1</i>	<i>Note 3(a)</i>	<i>Note 3(b)(i)</i>	<i>Note 3(b) (ii) &amp; (iii)</i>	
<b>Equity</b>					
Share capital	26,092				26,092
Other reserves	1,717,603				1,717,603
Accumulated losses	<u>(1,143,285)</u>		144,206	(1,000)	<u>(1,000,079)</u>
Equity attributable to owners of the Company	600,410				743,616
Non-controlling interests	<u>1,106,701</u>		(141,761)		<u>964,940</u>
<b>Total equity</b>	<u><u>1,707,111</u></u>				<u><u>1,708,556</u></u>

**APPENDIX IV      UNAUDITED PRO FORMA FINANCIAL INFORMATION  
OF THE REMAINING GROUP**

**2.      Unaudited Pro Forma Consolidated Statement of Comprehensive Income of the Remaining Group**

	Pro forma adjustments					The Remaining Group for the year ended 31 December 2022  RMB'000
	The Group for the year ended 31 December 2022					
	RMB'000 Note 2	RMB'000 Note 4(b)	RMB'000 Note 4(c)	RMB'000 Note 4(d)	RMB'000 Note 4(f)	
Revenue	2,069,989		1,736			2,071,725
Cost of sales and services	(2,275,233)					(2,275,233)
Gross profit	(205,244)					(203,508)
Other income	5,802					5,802
Other gains – net	13,008	136		103,668		116,812
Sales and marketing expenses	(175,796)	30,953	(524)			(145,367)
Administrative and other expenses	(421,711)	12,950	(1,212)		(1,000)	(410,973)
Fair value changes in investment properties	(204,447)					(204,447)
Impairment loss of properties under development and properties held for sale	(1,169,096)					(1,169,096)
Impairment loss on investment in a joint venture	(20,161)					(20,161)
Impairment loss of trade receivables, deposits and other receivables	(116,670)					(116,670)
Impairment loss on amounts due from non-controlling interests	(117,028)					(117,028)
Re-measurement loss on assets and liabilities of a disposal subsidiary classified as held for sale	(12,093)	12,093				-
Fair value changes of financial assets at fair value through profit or loss	(249,219)					(249,219)
Loss on partial disposal of a subsidiary	(77,361)					(77,361)
Operating loss	(2,750,016)					(2,591,216)
Share of loss of a joint venture, net of tax	(3,988)					(3,988)
Share of loss of an associate, net of tax	(641)					(641)
Finance costs - net	(1,089,734)	(282)				(1,090,016)
Loss before income tax	(3,844,379)					(3,685,861)
Income tax credit	249,690	(2,224)				247,466
Loss for the year	(3,594,689)					(3,438,395)



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	The Group for the year ended 31 December 2022	Pro forma adjustments					The Remaining Group for the year ended 31 December 2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
	<i>Note 2</i>	<i>Note 4(b)</i>	<i>Note 4(c)</i>	<i>Note 4(d)</i>	<i>Note 4(f)</i>	<i>RMB'000</i>	
Loss for the year attributable to:							
Owners of the Company	(3,491,272)	39,538		95,543	(737)	(3,356,928)	
Non-controlling interests	(103,417)	14,088		8,125	(263)	(81,467)	
	<u>(3,594,689)</u>					<u>(3,438,395)</u>	
Other comprehensive income:							
Items that may be reclassified subsequently to profit or loss:							
Exchange differences on translation of foreign operations	(138,674)					(138,674)	
Total other comprehensive loss for the year	<u>(3,733,363)</u>					<u>(3,591,069)</u>	
Total comprehensive loss for the year attributable to:							
– Owners of the Company	(3,629,946)	39,538		95,543	(737)	(3,495,602)	
– Non-controlling interests	(103,417)	14,088		8,125	(263)	(81,467)	
	<u>(3,733,363)</u>					<u>(3,577,069)</u>	

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**3.      Unaudited Pro Forma Consolidated Statement of Cash Flows of the Remaining Group**

	<b>The Group for the year ended 31 December 2022</b>	<b>Pro forma adjustments</b>	<b>The Remaining Group for the year ended 31 December 2022</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>Note 2</i>	<i>Note 4(a), 5</i>	
<b>Cash flows from operating activities</b>			
Cash used in operations	(2,372,518)	100,858	(2,271,660)
PRC corporate income tax paid	(5,613)		(5,613)
PRC land appreciation tax paid	(91,185)	2,520	(88,665)
	<u>(2,469,316)</u>		<u>(2,365,938)</u>
<b>Cash flows from investing activities</b>			
Interest received	18,163	(282)	17,881
Proceeds from partial disposal of a subsidiary, net of cash disposed of	224,999		224,999
Purchase of property, plant and equipment	(507)		(507)
Repayment from non-controlling interests	38,372		38,372
	<u>281,027</u>		<u>280,745</u>
<b>Cash flows from financing activities</b>			
Cash advance from related parties	–	51,769	51,769
Repayment of cash advance from related parties	(4,219)	(27,859)	(32,078)
Decrease in bank and other borrowings	(603,307)		(603,307)
Interest and other borrowing costs paid	(673,465)		(673,465)
Capital injections from non-controlling interests	36,750		36,750
Decrease in restricted cash	2,300,000		2,300,000
Distribution paid to non-controlling interests	(76,042)		(76,042)
	<u>979,717</u>		<u>1,003,627</u>
<b>Net decrease in cash and cash equivalents</b>	(1,208,572)		(1,081,566)
Exchange difference on cash and cash equivalents	(24,490)		(24,490)
Cash and cash equivalents at the beginning of the year	1,331,042	(135,129)	1,195,913
	<u>97,980</u>	<u>(8,123)</u>	<u>89,857</u>
<b>Cash and cash equivalents at the end of the year</b>			

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**NOTE TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE  
REMAINING GROUP**

*Notes:*

1. The amounts are extracted from the audited consolidated statement of financial position of the Group as at 31 December 2022 as set out in the published annual result announcement of the Company for the year ended 31 December 2022.
2. The amounts are extracted from the audited consolidated statement of comprehensive income of the Group for the year ended 31 December 2022 as set out in the published annual result announcement of the Company for the year ended 31 December 2022.
3. The following adjustments have been made to the unaudited pro forma consolidated statement of financial position as at 31 December 2022, assuming the Proposed Disposal had taken place on 31 December 2022:

- (a) The adjustment represents the exclusion of assets and liabilities of the Disposal Company as if the Proposed Disposal had taken place on 31 December 2022. For the purpose of the unaudited pro forma financial information, the balances have been extracted from the unaudited financial information of the Disposal Company as at 31 December 2022 as set out in Appendix II to this circular.
- (b) The adjustment to reserves represents the estimated net impact on profit of the Proposed Disposal as if it had taken place on 31 December 2022, which is also calculated as follows:

	<i>RMB'000</i>
Consideration for the Proposed Disposal ( <i>Note i</i> )	542,077
Less: Estimated professional costs directly attributable to the Proposed Disposal ( <i>Note ii</i> )	(729)
Estimated stamp duty in relation to the Disposal ( <i>Note iii</i> )	(271)
Estimated net pre-tax consideration for the Proposed Disposal	541,077
Less: Estimated income tax in relation to the loss on Disposal calculated at the applicable tax rate ( <i>Note iv</i> )	—
Estimated net post-tax consideration from the Proposed Disposal	541,077
Less: 73.73% of net assets of the Disposal Company as at 31 December 2022 ( <i>Note v</i> )	(397,871)
Estimated net impact on profit of the Proposed Disposal ( <i>Note vi</i> )	143,206

- i. Pursuant to the sale and purchase agreement, the Group intends to offset the gross proceeds from the Proposed Disposal against the full repayment of the amount due to Disposal Company of approximately RMB262,077,000 and the other borrowings from Datang Group of approximately RMB280,000,000.
- ii. Estimated professional costs directly attributable to the Disposal represents proposal fees to professional advisors based on management's budget, including financial advisor, independent financial adviser, legal advisors, agencies, printer, the auditors of the Company and other miscellaneous costs.

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- iii. Estimated stamp duty in relation to the Disposal represents the People’s Republic of China (the “PRC”) stamp duty of approximately RMB271,000, which is calculated based on a tax rate of 0.05% on the estimated total consideration of approximately RMB542,077,000 for the Disposal.
- iv. It is estimated that no PRC corporate income tax in relation to the Disposal will be payable by the Group. A loss arisen from such disposal under the PRC corporate income tax calculation, which is calculated based on a tax rate of 25% on the estimated net consideration of approximately RMB541,077,000 (net of stamp duties and professional fees, the “Estimated Consideration”) for the Disposal less the Group’s investment cost in the Disposal Company of approximately RMB613,238,000.
- v. Net assets of the Disposal Company as at 31 December 2022 was extracted from Appendix II to the circular. 73.73% of net assets of the Disposal Company is calculated as follows:

	<i>RMB’000</i>
Net assets of the Disposal Company as at 31 December 2022	539,632
Percentage of effective equity interest disposed of (Remarks)	73.73%
Net assets of the Disposal Company in relation to the Proposed Disposal	397,871

Remarks: The Disposal Company is owned as to 60% and 20% by the indirect 97.02% and 77.6% owned subsidiaries of the Company respectively. Hence, the Company’s aggregate effective equity interest in the Disposal Company is approximately 73.73%.

- vi. The actual amounts of the adjusted Consideration and the gain/loss on the Disposal recorded in “accumulated losses” can only be determined at Completion, which may be substantially different from the estimated amounts used in the preparation of the unaudited pro forma financial information.
- vii. The adjustment to non-controlling interests represents the non-controlling interests in respect of the Disposal Company, the amount of which is calculated as follows:

	<i>RMB’000</i>
Net assets of the Disposal Company as at 31 December 2022	539,632
Percentage of non-controlling interests	26.27%
Non-controlling interests in the Disposal Company	141,761

- 4. The following adjustments have been made to the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2022, assuming the Disposal had taken place on 1 January 2022:
  - (a) The adjustment represents the exclusion of results and cash flows of the Disposal Company for the year ended 31 December 2022 as if the Disposal had been completed on 1 January 2022. For the purpose of the unaudited pro forma financial information, the amounts are extracted from the unaudited financial information of the Disposal Company for the year ended 31 December 2022 as set out in Appendix I to this circular.
  - (b) The adjustments represent the exclusion of the Disposal Company’s loss and total comprehensive loss.
  - (c) The reinstatement of intra-group transactions between the Remaining Group and the Disposal Company, which were eliminated when preparing the consolidated financial statements of the Group for the year ended 31 December 2022.

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- (d) The adjustment to “Other gain-net” represents the estimated gain on the Proposed Disposal as if it had taken place on 1 January 2022, which is as follows:

	<i>RMB'000</i>
Estimated net pre-tax consideration for the Proposed Disposal ( <i>Note 3(b)</i> )	541,077
Less: 73.73% of net assets of the Disposal Company as at 1 January 2022 ( <i>Note 3(e)(i)</i> )	<u>(437,409)</u>
Estimated gain on the Proposed Disposal	<u><u>103,668</u></u>

- (e) For the purpose of unaudited pro forma consolidated statement of comprehensive income, the Proposed Disposal was assumed to have taken place on 1 January 2022 and accordingly the estimated gain on the Proposed Disposal was calculated with reference to the Disposal Company’s net assets at that date. Had such estimated gain on the Proposed Disposal be calculated with reference to the Disposal Company’s net assets as at 31 December 2022 or the date of the Completion, the amount may be materially different. Please note that the unaudited pro forma financial information is prepared based on the assumptions disclosed herein and is for illustrative purpose only. Therefore, it should be read with due care and in conjunction with other information included elsewhere in this circular, including the reconciliation of the Disposal Company’s net assets from 1 January 2022 to 31 December 2022 as set out in note 4(e)(ii).

- i. Net assets of the Disposal Company as at 1 January 2022 was extracted from Appendix II to the circular, 73.73% of net assets of the Disposal Company is calculated as follows:

	<i>RMB'000</i>
Net assets of the Disposal Company as at 1 January 2022	593,258
Percentage of effective equity interest disposed of	<u>73.73%</u>
Net assets of the Disposal Company in relation to the Proposed Disposal	<u><u>437,409</u></u>

- ii. The reconciliation of the carrying amount of the net assets of the Disposal Company is shown below:

	<i>RMB'000</i>
Net assets of the Disposal Company as at 1 January 2022	579,258
Total comprehensive loss arising from the Disposal Company for the year ended 31 December 2022	<u>(39,626)</u>
Net assets of the Disposal Company as at 31 December 2022	<u><u>539,632</u></u>

- (f) The adjustment to administrative expenses represents estimated professional costs and stamp duty and the adjustment to income tax represents estimated income tax in relation to the Proposed Disposal. For further details, please refer to Note 3(b)(ii) to (iv).

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5. The adjustments represent:

(a) Proceeds from disposal of a subsidiary as if the Proposed Disposal had taken place on 1 January 2022:

	<i>RMB'000</i>
Consideration for the Proposed Disposal (Note 3(b))	542,077
Less: Offset against the amount due to the Disposal Company and other borrowings from Datang Group non-controlling interests ( <i>Note 3(b)(i)</i> )	(542,077)
Less: Cash and cash equivalents held by the Disposal Company as at 1 January 2022	<u>(8,123)</u>
Net cash outflows from the Proposed Disposal	<u><u>(8,123)</u></u>

6. The adjustments in respect of the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows above are not expected to have a continuing effect on the Group.

7. The estimated gain on the Proposed Disposal, net proceeds from the Proposed Disposal and the amounts of the consideration as illustrated above are subject to change. The actual carrying amount of the Disposal Company, and thus the gain on the Proposed Disposal and net proceeds from the Proposed Disposal at the date of Completion will likely be different from those stated in the unaudited pro forma financial information.

8. No adjustment has been made to reflect any operating results or other transaction of the Group entered into subsequent to 31 December 2022 for the unaudited pro forma consolidated statement of financial position, the unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows.

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*The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountant, Moore Stephens CPA Limited, Certified Public Accountants, Hong Kong:*



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### **INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

To the Directors of Skyfame Realty (Holdings) Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Skyfame Realty (Holdings) Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 31 December 2022, the unaudited pro forma consolidated statement of comprehensive income for the year ended 31 December 2022, the unaudited pro forma consolidated statement of cash flow for the year ended 31 December 2022 and related notes as set out on pages IV-2 to IV-11 of the circular issued by the Company. The applicable criteria on the basis of which the directors have compiled the unaudited pro forma financial information are described on page IV-1 of the said circular.

The unaudited pro forma financial information has been compiled by the directors to illustrate the impact of the proposed disposal of the 73.73% equity interest in 重慶之遠地產有限公司 (Chongqing Zhiyuan Property Co., Ltd., the “Disposal Company”) on the Group’s financial position as at 31 December 2022 as if the transaction had been taken place at 31 December 2022, and on the Group’s financial performance and cash flows for the year ended 31 December 2022 as if the transaction had been taken place at 1 January 2022. As part of this process, information about the Group’s financial position and, financial performance has been extracted by the Directors from the Group’s annual result announcement for the year ended 31 December 2022, on which an audit report with disclaimer of opinion has been issued, information about the Group’s cash flows has been extracted by the directors from Appendix IV-7 to this Circular.

### **Directors’ Responsibility for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“AG 7”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

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### **Our Independence and Quality Management**

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Management (“HKSQM”) 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, and which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Reporting Accountant’s Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in the Circular is solely to illustrate the impact of the Proposed Disposal on the unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Disposal at 1 January 2022 or 31 December 2022 would have been as presented.



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A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgement, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion*****Limitation of Scope******Going Concern Basis of the Group and the Disposal Company***

During our engagement to audit the consolidated financial statements of the Group for the year ended 31 December 2022, we disclaimed our audit opinion on the consolidated financial statements, because, inter alia, we were unable to obtain sufficient and appropriate audit evidence regarding the assumptions used in the going concern basis and 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. Our auditor's report is included in the annual report of the Company for the year ended 31 December 2022 dated 30 March 2023.

During our engagement to review the unaudited historical financial information of the Disposal Company, we disclaimed our review conclusion on the unaudited historical financial information, because, inter alia, the assumptions used in the going concern basis are not adequately supported. Our review report is included in the Appendix II to this Circular.

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Except for the matters described in the Limitation of Scope section above, in our opinion:

- a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- b) such basis is consistent with the accounting policies of the Group; and
- c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**Moore Stephens CPA Limited**  
*Certified Public Accountants*

**Hung, Wan Fong Joanne**  
Practising Certificate Number: P05419

Hong Kong, 21 April 2023

*The following is the text of a letter and valuation report prepared for the purpose of incorporation in this circular received from Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of market value in existing state of the Chongqing Skyfame Linxifu Project held by the Project Company in the PRC as at 31 March 2023.*



27/F, One Island East  
Taikoo Place  
18 Westlands Road  
Quarry Bay  
Hong Kong

21 April 2023

The Board of Directors  
Skyfame Realty (Holdings) Limited  
Unit 1401, 14th Floor  
Capital Centre  
151 Gloucester Road  
Wanchai  
Hong Kong

Dear Sirs,

**Re: Chongqing Skyfame Linxifu Project, located at Xinsheng Village, Bicheng Street, Bishan District, Chongqing City, the PRC** 位於中國重慶市璧山區璧城街道新勝村的重慶天譽林溪府項目 (the “Chongqing Skyfame Linxifu Project”)

#### **Instructions, Purpose & Valuation Date**

In accordance with the instructions from Skyfame Realty (Holdings) Limited (the “**Company**”) for us to carry out the valuation of the market value of the Chongqing Skyfame Linxifu Project held by 重慶之遠地產有限公司 (Chongqing Zhiyuan Property Co., Ltd.\*) (the “**Project Company**”), an aggregate effective equity interest of approximately 73.73% indirectly owned subsidiary of the Company, in the People’s Republic of China (the “**PRC**”), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we considered necessary for the purpose of providing you with our opinion of the market value of the Chongqing Skyfame Linxifu Project in existing state as at 31 March 2023 (the “**Valuation Date**”).

#### **Definition of Market Value**

Our valuation of the Chongqing Skyfame Linxifu Project represents its market value which in accordance with the HKIS Valuation Standards 2020 published by the Hong Kong Institute of Surveyors (“**HKIS**”) is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

**Valuation Basis & Assumptions**

Our valuation of the Chongqing Skyfame Linxifu Project excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

With reference to the PRC legal opinion of the Company's legal adviser, Guangdong Lianhefazhan Law Firm\* (廣東聯合發展律師事務所), we have prepared our valuation on the basis that transferable land use rights in respect of the Chongqing Skyfame Linxifu Project for its specific term at nominal annual land use fee has been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by the Company and the PRC legal opinion, dated 6 April 2023, regarding the title to the Chongqing Skyfame Linxifu Project and the interests of the Company in the Chongqing Skyfame Linxifu Project. We have prepared our valuation on the basis that the owner has enforceable title to the Chongqing Skyfame Linxifu Project and has free and uninterrupted rights to use, occupy or assign the Chongqing Skyfame Linxifu Project for the whole of the unexpired terms as granted.

No allowance has been made in our valuation for any charges, pledges or amounts owing on the Chongqing Skyfame Linxifu Project nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is valued on the basis that the Chongqing Skyfame Linxifu Project is free from encumbrances, restrictions and outgoings of any onerous nature which could affect its value.

**Method of Valuation**

In valuing the Chongqing Skyfame Linxifu Project, which is held by the Project Company under development in the PRC, we have adopted Market Comparison Method assuming sale with the benefit of vacant possession and by making reference to comparable sales evidences as available on the market, and where applicable, we have also taken into account the incurred and outstanding construction costs as advised by the Company.

Market Comparison Method is a commonly used method for property valuation, there are relevant comparable sales evidence for reference to arrive at the market value. This method rests on the wide acceptance of the market evidence as the best indicator that can be extrapolated to similar property, subject to allowance for variable factors. We consider the market value arrived at by Market Comparison Method is reliable. Such method is in line with market practice.

In valuing the Chongqing Skyfame Linxifu Project, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards 2020.

**Source of Information**

We have relied to a very considerable extent on the information given by the Company and the opinion of the PRC legal adviser as to the PRC laws. We have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of property, particulars of occupancy, development scheme, construction costs, interests attributable to the Company, site and floor areas and all other relevant matters.

Dimension, measurements and areas included in this valuation report are based on the information provided to us and are therefore only approximation. We have no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuation. We were also advised that no material facts have been omitted from the information supplied.

We would point out that the copies of documents provided to us are mainly compiled in Chinese characters and the transliteration into English represents our understanding of the contents. We would therefore advise the Company to make reference to the original Chinese edition of the documents and consult your legal adviser regarding the legality and interpretation of these documents.

**Title Investigation**

We have been provided by the Company with copies or extracts of documents. However, we have not searched the original documents to verify ownership or to ascertain any amendments. All documents have been used for reference only and all dimensions, measurements and areas are approximate.

**Site Inspection**

Our valuer of Chongqing office, Zhang Daran 張達然 (with bachelor degree of Civil Engineering and 6 years' of property valuation), has inspected the exterior and, where possible, the interior of the Chongqing Skyfame Linxifu Project on 31 January 2023. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the Chongqing Skyfame Linxifu Project is free of rot, infestation or any other structural defects. No tests were carried out to any of the services. Moreover, we have not carried out investigation on site to determine the suitability of the soil conditions and the services etc. for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary costs or delays will be incurred during the construction period.

Unless otherwise stated, we have not been able to carry out detailed on-site measurements to verify the site and floor areas of the Chongqing Skyfame Linxifu Project and we have assumed that the areas shown on the copies of documents handed to us are correct.

**Currency**

Unless otherwise stated, all sums stated in our valuation is in Renminbi (“RMB”), the official currency of the PRC.

**Other Disclosure**

We hereby confirm that Cushman & Wakefield Limited and the valuers conducting the valuation have no pecuniary or other interests that could conflict with the proper valuation of the Chongqing Skyfame Linxifu Project or could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion. We confirm that we are an independent qualified valuer, as referred to Rule 5.08 of the Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

We have been appointed by the Company and Datang Group Holdings Limited (the “**Datang Group**”) respectively to prepare valuation of the Chongqing Skyfame Linxifu Project for public disclosure purposes with each of the aforesaid instructing parties fully aware of and giving consent to us conducting valuation of the Chongqing Skyfame Linxifu Project from the Company and Datang Group to carry out the valuation at the same time respectively. The Company and the Datang Group understand and agree that our valuation is carried out on an impartial basis without bias to any party concerned.

We attach herewith a valuation report.

Yours faithfully,  
For and on behalf of  
**Cushman & Wakefield Limited**  
**Grace S.M. Lam**  
*MHKIS, MRICS, RPS (GP)*  
*Senior Director*  
*Valuation & Advisory Services, Greater China*

*Notes:*

- (1) Ms. Grace S.M. Lam is a Member of the Royal Institution of Chartered Surveyors, a Member of the Hong Kong Institute of Surveyors and a Registered Professional Surveyor (General Practice). Ms. Lam has over 30 years of experience in the professional property valuation and advisory services in the Greater China region and various overseas countries. Ms. Lam has sufficient current national knowledge of the market, and the skills and understanding to undertake the valuations competently.
- (2) \* Company name in English translation for identification only.

## VALUATION REPORT

## Property held by the Project Company under development in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2023
Chongqing Skyfame Linxifu Project, located at Xinsheng Village, Bicheng Street, Bishan District, Chongqing City, the PRC	Chongqing Skyfame Linxifu Project comprises a parcel of land of approximately 127,842.55 sq.m. and will be developed into residential and ancillary commercial properties as below:	As at the Valuation Date, the Chongqing Skyfame Linxifu Project was under development and scheduled to be completed on or before March 2025.	RMB1,097,000,000  (RENMINBI ONE BILLION NINETY SEVEN MILLION)  (73.73% interest attributable to the Company: RMB808,818,100 (RENMINBI EIGHT HUNDRED EIGHT MILLION EIGHT HUNDRED EIGHTEEN THOUSAND ONE HUNDRED))
	<b>Main Use</b>	<b>Gross Floor Area (sq.m.)</b>	
位於中國重慶市璧山區璧城街道新勝村的重慶天譽林溪府項目	Residential	315,996.40	
	Commercial	6,682.71	
	Ancillary	10,235.74	
	3,739 Car Parking Spaces	115,510.64	
	<b>Grand Total:</b>	<b>448,425.49</b>	

Chongqing Skyfame Linxifu Project is located at the east of Xinsheng Road (新勝路), the north of Xinli Road (新立路), the west and the south of Binan River (璧南路), Bicheng Street (璧城街道), Shishan Primary School (獅山小學), Hufeng Mountain (虎峰山) and Jiufeng Mountain (九鳳山) are close to the Chongqing Skyfame Linxifu Project.

According to the Company, the Chongqing Skyfame Linxifu Project is planned for residential and commercial uses. There are neither environmental issues and litigation dispute nor any plan to change the use of the Chongqing Skyfame Linxifu Project.

The Chongqing Skyfame Linxifu Project has been granted for land use terms due to expire on 29 January 2066 for residential use and 29 January 2056 for commercial use.

*Notes:*

- (1) According to State-owned Land Use Rights Certificate No. (2020)000898170 dated 4 September 2020, the land use rights of the Chongqing Skyfame Linxifu Project of a site area of 127,842.55 sq.m. have been granted to the Project Company for terms due to expire on 29 January 2066 for residential use and 29 January 2056 for commercial use.
- (2) According to State-owned Land Use Rights Grant Contract No. [2016]1 dated 25 January 2016, the land use rights of the Chongqing Skyfame Linxifu Project have been contracted to be granted as below:

Site Area:	133,407 sq.m.
Land Use Term:	50 years for residential and 40 years for commercial
Land Premium:	RMB401,600,000
Plot Ratio:	Not higher than 2.5; not lower than 1
Building Covenant:	Construction to commence before 29 July 2016 Construction to complete before 28 July 2020

According to State-owned Land Use Rights Grant Contract No. [2020]4 dated 10 April 2020, the land use rights of the Chongqing Skyfame Linxifu Project have been contracted to be granted as below:

Grantee:	Project Company
Site Area:	3,265.24 sq.m.
Land Use Term:	45.91 years commencing on the delivery date of land for residential use
Land Premium:	RMB16,100,000
Plot Ratio:	Not higher than 2.5; not lower than 1
Building Covenant:	Construction to commence before 15 July 2020 Construction to complete before 15 July 2021

According to State-owned Land Use Right Recover Contract No. (2020)3 entered into between the Chongqing Bishan Planning and Natural Resources Bureau and the Project Company on 6 July 2020, portions of the land use rights of the Chongqing Skyfame Linxifu Project of a site area of 8,829.69 sq.m. have been taken back by the government subject to a refund of land premium of RMB32,726,200.

Based on the aforesaid contracts, the site area of the Chongqing Skyfame Linxifu Project is 127,842.55 sq.m. (133,407 sq.m. plus 3,265.24 sq.m. less 8,829.69 sq.m.).

- (3) According to Planning Permit for Construction Use of Land No. 500120202000022 dated 26 August 2020, the construction site with a total site area of 127,842.6 sq.m. is in compliance with the requirements of urban planning requirement.
- (4) According to Planning Permit for Construction Works No. 500120202000111 dated 31 August 2020, the construction works with a total construction scale gross floor area of approximately 448,081.40 sq.m. are in compliance with the requirement of urban planning and have been permitted.
- (5) According to 3 Permits for Commencement of Construction Works, the construction works for a total construction scale gross floor area of 350,220.41 sq.m. are in compliance with the requirement for works commencement and have been permitted with details as follows:

Permit No.	Issue Date	Project Name	Site Area (sq.m.)
500227202010290301	2020-10-29	Block Nos. 1#, 2#, 3#, 8#~11# and 30#, security gate of 1# and underground carpark of Phase 1, Skyfame Linxifu	189,227.42
500227202104010301	2021-04-01	Block Nos. 4#, 5#, 22#, 23#, 24# and 31# of Phase 2, Skyfame Linxifu	74,095.91
500227202109090101	2021-09-09	Block Nos. 12-16#, 26#, 28# and 29#, and security gate of 2# of Phase 3, Skyfame Linxifu	86,897.08
<b>Total:</b>			<b>350,220.41</b>



- (6) According to 9 Pre-sale Permits of Commodity Housing, the Chongqing Skyfame Linxifu Project with a total gross floor area of 145,708.76 sq.m. was permitted for pre-sale with details as follows:

Permit No.	Issue Date	Project Name	Site Area (sq.m.)
(2020)179	2020-11-10	Block 10#, Skyfame Linxifu	6,338.40
(2020)193	2020-11-25	Block 8# and 9#, Skyfame Linxifu	31,558.08
(2021)55	2021-4-20	Block 30#, Skyfame Linxifu	25,718.17
(2021)77	2021-5-13	Block 23#, Skyfame Linxifu	15,760.05
(2021)80	2021-5-16	Block 22#, Skyfame Linxifu	15,751.93
(2021)134	2021-7-21	Block 24#, Skyfame Linxifu	16,880.48
(2021)157	2021-8-25	Block 31#, Skyfame Linxifu	17,436.62
(2021)184	2021-9-28	Block 12#, Skyfame Linxifu	8,828.41
(2021)195	2021-10-14	Block 29#, Skyfame Linxifu	7,436.62
<b>Total:</b>			<b>145,708.76</b>

- (7) As advised by the Company, the construction cost incurred (excluding the land cost) as at the Valuation Date was RMB461,000,000. The estimated outstanding construction cost to complete the development was RMB1,110,000,000. We have taken into account such costs in the course of our valuation.
- (8) As advised by the Company, as at the Valuation Date, various residential units of the Chongqing Skyfame Linxifu Project with a total gross floor area of 126,926.11 sq.m. have been committed for sale at a total consideration of RMB919,000,000. We have included such portions and taken into account the consideration in our valuation.
- (9) The market value as if completed of the Chongqing Skyfame Linxifu Project as at the Valuation Date was RMB2,455,000,000.
- (10) In valuing the market value in existing state of the Chongqing Skyfame Linxifu Project, we have adopted Market Comparison Method. We have made reference to relevant land sales comparables in terms of location, accessibility, neighborhood environment, size, plot ratio, land use, remaining land use term and other relevant matters. The accommodation value of these comparable properties range from about RMB1,480 to RMB2,101 per sq.m..

Details of the land comparables considered are listed below:

Land Comparable	Plot Ratio Area (sq.m.)	Accommodation value (RMB/sq.m.)
Plot No. BS22-9J-004	142,563.00	1,480
Plot No. BS22-2J-040	175,919.59	1,756
Plot No. BS21-2J-028	307,440.52	2,101

The major adjustments made to arrive at our valuation, include but not limited to the following:

Factor	Adjustment
Location	5% to 10%
Size	5%
Plot ratio	-2% to -6%
Land development status	10%
Remaining land use term	-4%

In valuing the market value as if completed of the Chongqing Skyfame Linxifu Project, we have adopted Market Comparison Method. We have made reference to relevant sales comparables in the nearby neighbourhood of the Chongqing Skyfame Linxifu Project. The unit prices of these comparable properties range from about RMB11,000 to RMB12,000 per sq.m. for commercial units; RMB6,900 to RMB7,600 sq.m. for residential units; and RMB85,000 to RMB100,000 per car park lot.

The sales comparables selected by us are considered exhaustive.

In arriving at the key assumption, appropriate adjustments and analysis have been made to allow for the differences in various aspects including but not limited to time, location, accessibility, neighborhood environment, and physical characteristics, such as building age, maintenance, decoration standard, view, size, floor and other relevant matters between the Chongqing Skyfame Linxifu Project and the comparables. The general basis of adjustment is that if the Chongqing Skyfame Linxifu Project is better than the comparable, an upward adjustment is made. Alternatively, if the Chongqing Skyfame Linxifu Project is inferior to or less desirable than the comparable, a downward adjustment is made.

Details of the residential sales comparables considered are listed below:

Sales Comparables	Gross Floor Area (sq.m.)	Achieved Unit Price (RMB/sq.m.)
Chongqing Rongchuang City	65 – 90	7,600
Midea Wanlufu	99 – 120	7,200
Guanshanyue	99 – 130	6,900

The major adjustments made to arrive at our valuation, include but not limited to the following:

Factor	Adjustment
Location	-2% to -4%
Accessibility	0%
Decoration Standard	0%

Details of the retail sales comparables considered are listed below:

Sales Comparables	Gross Floor Area (sq.m.)	Achieved Unit Price (RMB/sq.m.)
Bishan CBD	57	11,677
Junhao Central Street	97	12,342
Oupeng Fenghuangcheng	60	11,392

The major adjustments made to arrive at our valuation, include but not limited to the following:

Factor	Adjustment
Location	-4% to -8%
Accessibility	0%
Floor	0%
Size	-5%

Details of the underground carpark spaces sales comparables considered are listed below:

Sales Comparables	Quantity (lot)	Achieved Unit Price (RMB/lot)
Diyicheng	1	85,000
Zhongyang Park	1	100,000
Greenland New Town	1	90,000

The major adjustments made to arrive at our valuation, include but not limited to the following:

Factor	Adjustment
Location	-2% to -4%
Accessibility	0%

- (11) The reconciliation between the estimated market value as if completed and the market value in existing state is summarised below:

<b>Estimated market value as if completed</b>	(a)	<b>RMB2,455,000,000</b>
Estimated total construction cost (excluding land cost)		RMB1,571,332,185
Incurred construction cost		<u>RMB461,303,607</u>
Outstanding construction cost	- (b)	RMB1,110,028,578
(a) - (b)	=	RMB1,344,971,422
Professional fee, marketing fee, developer's profit and risk to complete the development	- (c)	<u>RMB248,285,834</u>
(a) - (b) - (c)	=	RMB1,096,685,588
<b>Market value in existing state</b>	<b>Rounded</b>	<b>RMB1,097,000,000</b>

- (12) According to Business Licence No. 91500227MA6094G50E, the Project Company was established on 25 February 2019 as a limited liability company with a registered capital of RMB100,000,000.

- (13) According to the PRC legal opinion:

- (i) The Project Company has obtained a valid business licence and is a legally established and existing enterprise legal person in accordance with the PRC laws. The Project Company has legal and effective real estate development enterprise qualifications and is approved to engage in real estate development and business operations;
- (ii) The Project Company has paid all the land premium and has obtained the land title certificate of the land. The Project Company is the legal land use rights holder of the land, and enjoys the rights to possess, use and benefit from the land according to the law, and have the rights to use the land construct buildings, structures and their ancillary facilities, and enjoy the ownership of the buildings, structures and their ancillary facilities constructed in accordance with the law; and
- (iii) All the related construction permits have been processed according to the law, and the corresponding pre-sale permits have been processed. Accordingly, the Project Company enjoys the ownership of the property portions completed or under construction on the land without any legal obstacles.

- (14) The status of the title and grant of major approvals and licences in accordance with the information provided by the Company and the opinion of the PRC legal adviser:

State-owned Land Use Rights Certificate	Yes
State-owned Land Use Rights Grant Contract	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes (Part)
Pre-sale Permit of Commodity Housing	Yes (Part)
Business Licence	Yes

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Directors and chief executive's interest and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (“**Model Code**”) to be notified to the Company and the Stock Exchange, were as follows:

#### *Interests in the Shares or underlying Shares*

Name of Director	Company/ Associated corporation	Capacity	Number of shares or underlying shares	Approximate shareholding percentage <i>(Note 2)</i>
Mr. YU Pan (“ <b>Mr. Yu</b> ”)	Company	Interest of controlled corporation and/or beneficial owner	4,309,881,722 (long) <i>(Note 1)</i>	51.03%
			4,308,298,388 (short)	51.01%
Mr. WANG Chenghua	Company	Beneficial owner	2,994,000	0.04%
Mr. JIN Zhifeng	Company	Beneficial owner	2,994,000	0.04%

#### *Notes:*

- These Shares comprised (i) 54,388,501 Shares directly held by Mr. Yu; and (ii) 4,255,493,221 Shares directly held by Cosmos Tianyu Holdings Limited (“**Cosmos Tianyu**”), which was held as to 100% by Sharp Bright International Limited (“**Sharp Bright**”), which was in turn held as to 100% by Mr. Yu. Mr. Yu was therefore deemed to be also interested in 4,255,493,221 Shares held by Cosmos Tianyu by virtue of the SFO.
- For the purposes of this section, the shareholding percentage in the Company was calculated on the basis of 8,446,331,365 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code to be notified to the Company and the Stock Exchange.

**(b) Substantial Shareholders' interests or short positions in the securities of the Company and its associated corporations**

So far as is known to the Directors, as at the Latest Practicable Date, each of the following persons (not being Directors or chief executive of the Company), had an interest and/or short position in the Shares or underlying Shares (as the case may be) which would fall to be disclosed to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO, or was otherwise interested in 10% or more of the aggregate number of Shares in issue:

*Interests in the Shares or underlying Shares*

Name of Shareholder	Capacity	Number of Shares and underlying Shares <i>(Note 1)</i>	Approximate shareholding percentage <i>(Note 2)</i>
Sharp Bright	Interest of controlled corporation	4,255,493,221 (long)	50.38%
		4,255,493,221 (short)	50.38%
Cosmos Tianyu	Beneficial owner	4,255,493,221 (long)	50.38%
		4,255,493,221 (short)	50.38%

*Notes:*

- The 4,255,493,221 Shares were directly held by Cosmos Tianyu. As the entire issued share capital of Cosmos Tianyu was held by Sharp Bright, Sharp Bright was deemed to be interested in the Shares in which Cosmos Tianyu was interested by virtue of the SFO. As the entire issued share capital of Sharp Bright was held by Mr. Yu, Mr. Yu was deemed to be interested in the Shares in which Sharp Bright was interested by virtue of SFO.
- For the purpose of this section, the shareholdings percentage in the Company was calculated on the basis of 8,446,331,365 Shares at as the Latest Practicable Date.

Save as disclosed above and so far as is known to the Directors, as at the Latest Practicable Date, no other person (other than the Directors and chief executives) had an interest or short position in the Shares and/or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the aggregate number of Shares in issue.

### **3. DIRECTORS' INTERESTS IN COMPETING BUSINESS**

As at the Latest Practicable Date, none of the Directors was materially interested in any subsisting contract or arrangement entered into by any member of the Group which was significant in relation to the business of the Group as a whole.

### **4. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACT OR ARRANGEMENTS SIGNIFICANT TO THE GROUP**

As at the Latest Practicable Date, none of the Directors or their respective associates had any interest, direct or indirect, in any assets which had been, since 31 December 2022, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

### **5. DIRECTORS' INTERESTS IN SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had entered into, or proposed to enter into, any service contract with the Company or any other member(s) of the Group (excluding contracts expiring or which may be terminated by the Company within a year without payment of any compensation (other than statutory compensation)).

### **6. LITIGATION**

Pursuant to an order granted by the Bermuda Court on 15 August 2022, the JPLs were appointed on a "light touch" approach with limited powers for restructuring purposes. As disclosed in the Company's announcement dated 12 October 2022, a creditor of the Company has filed the "HK Petition against the Company at the High Court of Hong Kong. On 10 November 2022, the Company made an application to the High Court of Hong Kong for striking out or dismissing the HK Petition. The Company is working closely with the JPLs and its advisers to formulate a viable restructuring plan aimed at addressing the current liquidity constraints and protecting the interests of all stakeholders. For details, please refer to the Company's announcements dated 5 July 2022, 7 July 2022, 12 July 2022, 25 July 2022, 5 August 2022, 15 August 2022, 16 August 2022, 1 September 2022, 12 October 2022, 31 October 2022, 14 December 2022, 19 December 2022, 5 January 2023 and 6 February 2023.

Save as the aforesaid, to the best of the knowledge, information and belief of the Directors, neither the Company nor any member of the Group was engaged in any litigation or claims of material importance and there was no litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Group.

## 7. MATERIAL CONTRACTS

- (a) a placing agreement dated 18 June 2021 entered into between the Company, CCB International Capital Limited, Guolian Securities International Capital Co., Limited, Venture Smart Asia Limited, Fenghua Securities Limited and Seazen Resources Securities Limited in relation to the placing of 490,000,000 shares of the Company at the placing price of HK\$0.877 per placing share and net proceeds (after deducting the placing commission and other related expenses and professional fees) from the placing was approximately HK\$427.30 million;
- (b) a capital increase agreement dated 8 July 2021 entered into by 南寧天譽譽浚投資有限公司 (Nanning Tianyu Yujun Investment Co., Ltd.\*), 漳州唐林房地產開發有限公司 (Zhangzhou Tanglin Real Estate Development Co., Ltd.\*) (“**Zhangzhou Tanglin**”) and 南寧天譽巨榮置業有限公司 (Nanning Tianyu Jurong Realty Co., Ltd.\*) (“**Tianyu Jurong**”) in relation to deemed disposal of 20% equity interests in Tianyu Jurong to Zhangzhou Tanglin who agreed to make a capital contribution in an aggregate amount of RMB605,930,000 in cash for 20% equity interests in Tianyu Jurong;
- (c) a co-operative development agreement dated 30 September 2021 entered into by Tianyu Jurong, 重慶唐承房地產開發有限公司 (Chongqing Tangcheng Property Development Co., Ltd.\*) (“**Chongqing Tangcheng**”), 重慶核盛房地產開發有限公司 (Chongqing Hesheng Property Development Co., Ltd.\*) (“**Chongqing Hesheng**”) and 重慶之遠地產有限公司 (Chongqing Zhiyuan Property Co., Ltd.\*) (“**Chongqing Zhiyuan**”) in relation to deemed disposal of 20% equity interest in the Chongqing Zhiyuan. Chongqing Hesheng agreed to increase its capital contribution in Chongqing Zhiyuan from RMB20,820,000 to RMB60,000,000 and Chongqing Tangcheng agreed to make a capital contribution of RMB20,000,000 in Chongqing Zhiyuan and pay to Tianyu Jurong an amount of RMB84,778,000, being consideration for the acquisition of 20% equity interest in the Chongqing Zhiyuan;
- (d) an agreement entered into between the Company and Fenghua Pre-IPO Fund SP3 in November 2021 in relation to the Company’s repurchase of 49 pre-IPO issued shares (the “**pre-IPO Shares**”) of Skyfame Inno Youth Smart Link Services Limited from Fenghua Pre-IPO Fund SP3 at a consideration of HK\$13,623,154, calculated on issue price for the pre-IPO Shares plus interest at 8% per annum from date of issue to date of repurchase of shares pursuant to a Repurchase Deed dated 18 January 2021 entered into between both parties;
- (e) a memorandum of understanding dated 2 September 2022 entered into between the Company, So Kit Yee Anita, Lau Wun Man, Joel Edwards in relation to the appointment of joint provisional liquidators (the “**JPLs**”) which is designed to establish a sound system for the working protocols and/or arrangements as between the Board of the Company and the JPLs in order for the JPLs to exercise their powers as granted by the Order of the Supreme Court of Bermuda dated 15 August 2022 (or such other date as the Order is handed down) in respect of their appointment as “light touch” liquidators of the Company;
- (f) a remuneration agreement dated 2 September 2022 entered into between the Company, So Kit Yee Anita, Lau Wun Man, Joel Edwards in relation to the remuneration of JPLs which calculated at hourly rate ranged from US\$130 to US\$950 for JPLs and their staffs; and
- (g) the Disposal Agreement in relation to disposal of an aggregate of 80% equity interest in Chongqing Zhiyuan to Chongqing Tangcheng by Tianyu Jurong and Chongqing Hesheng at a consideration of approximately RMB542.1 million.



**8. EXPERTS AND CONSENTS**

The qualification of the experts who have given their opinions in this circular is as follows:

<b>Name</b>	<b>Qualification</b>
Moore Stephens CPA Limited	Certified Public Accountants
Cushman & Wakefield Limited	Independent valuer

As at the Latest Practicable Date, the above experts had given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter, advice and opinion and references to its name in the form and context in which it appeared.

As at the Latest Practicable Date, the above experts did not have any shareholding in any member of the Group or any rights (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the above experts did not have any interest in any assets which have been, since 31 December 2022 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

**9. GENERAL**

- (i) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (ii) The head office and principal place of business of the Company in the PRC is 32nd to 33rd Floors of HNA Tower, 8 Linhe Zhong Road, Tianhe District, Guangzhou, Guangdong Province, the PRC.
- (iii) The principal place of business of the Company in Hong Kong is at Unit 1401, 14th Floor, Capital Centre, 151 Gloucester Road, Wan Chai, Hong Kong.
- (iv) The company secretary of the Company is Mr. HUANG Tianbo. He is an associate member of The Hong Kong Chartered Governance Institute.

- (v) The principal share registrar and transfer office of the Company is Conyers Corporate Services (Bermuda) Limited at Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda.
- (vi) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Abacus Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (vii) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

**10. DOCUMENTS AVAILABLE ON DISPLAY**

Copies of the following documents will be published on the Company's website (<http://www.skyfame.com.cn>) and the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)) up to and including the date which is 14 days from the date of this circular:

1. the Disposal Agreement;
2. the financial information of the Project Company, the text of which is set out in Appendix II to this circular;
3. the report from Moore Stephens CPA Limited on the unaudited pro forma financial information of the Remaining Group, the text of which is set out in Appendix IV to this circular;
4. the valuation report prepared by Cushman & Wakefield Limited, the text of which is set out in Appendix V to this circular; and
5. the written consent referred to in the paragraph headed "Experts and Consents" in this Appendix.

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## NOTICE OF SPECIAL GENERAL MEETING

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### 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)**

NOTICE IS HEREBY GIVEN that the special general meeting of Skyfame Realty (Holdings) Limited (the “Company”) will be held at Unit 1401, 14/F., Capital Centre, 151 Gloucester Road, Wanchai, Hong Kong at 11:00 a.m. on Tuesday, 16 May 2023 for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolution as an ordinary resolution of the Company:

#### ORDINARY RESOLUTION

**“THAT:**

- (i) the disposal agreement dated 30 December 2022 (the “Disposal Agreement”) entered into between 重慶核盛房地產開發有限公司(Chongqing Hesheng Property Development Co., Ltd.\*) and 南寧天譽巨榮置業有限公司 (Nanning Tianyu Jurong Realty Company Limited\*), as vendors, and 重慶唐承房地產開發有限公司 (Chongqing Tangcheng Property Development Company Limited\*), as purchaser, in relation to the disposal of 80% equity interest of 重慶之遠地產有限公司 (Chongqing Zhiyuan Property Co., Ltd.\*) at a consideration of RMB542.1 million and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (ii) any one or more directors of the Company be and is hereby authorised to do all such acts and things and sign all such documents (under seal, if necessary) and to take all such steps as he/she consider, necessary or expedient or desirable in connection with or to give effect to the Disposal Agreement and to implement the transactions contemplated thereunder and to agree to such variation, amendment or waiver as are, in the opinion of the directors of the Company, in the interests of the Company.”

By Order of the Board  
**Skyfame Realty (Holdings) Limited**  
(Provisional Liquidators Appointed)  
(For Restructuring Purposes)  
**HUANG Tianbo**  
*Company Secretary*

Hong Kong, 21 April 2023

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## NOTICE OF SPECIAL GENERAL MEETING

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*Notes:*

1. Any member of the Company entitled to attend and vote at the meeting by the above notice shall be entitled to appoint another person as his/her proxy to attend and vote instead of such member. A proxy need not be a member of the Company.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorized in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.
3. The instrument appointing a proxy and (if required by the Board) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority must be delivered to the office of Tricor Abacus Limited, the Company's branch share registrar in Hong Kong, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong or by way of notice to or in any document accompanying the notice convening the meeting not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposed to vote and in default, the instrument of proxy shall not be treated as valid.
4. The record date for determining the entitlement of the members of the Company to attend and vote at the Meeting will be Tuesday, 9 May 2023. All transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Abacus Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 9 May 2023.
5. Delivery of an instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.
6. In the case of joint holders of any share, if more than one of such joint holders be present at any meeting, the vote of the senior who tenders a vote, whether in person, or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.
7. As at the date of this notice, the Board comprises Mr. YU Pan, Mr. WANG Chenghua and Mr. JIN Zhifeng as the executive directors; Ms. WANG Kailing as the non-executive director and Mr. WEN Xiaojing, Mr. CUI Yuan and Ms. TANG Yu as the independent non-executive directors.

\* *For identification purpose only*