DREAM EAST
梦东方

DREAMEAST GROUP LIMITED
夢東方集團有限公司

(Incorporated in Bermuda with limited liability and carrying on business in Hong Kong as "DreamEast Cultural Entertainment")

(Stock Code: 593)

ANNOUNCEMENT OF 2023 INTERIM RESULTS AND RESUMPTION OF TRADING

EXECUTIVE DIRECTOR'S STATEMENT

I am pleased to present the interim results of DreamEast Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2023 (the "period under review"). During the period under review, the Group recorded total revenue of approximately HK$8.4 million, an increase of approximately HK$1.6 million or 24.4% compared to approximately HK$6.8 million for the corresponding period in 2022. The increase in revenue was mainly resulted from the increase in revenue from tourism park operations during the period under review. The Group recorded a net loss of approximately HK$378.3 million for the period under review (six months ended 30 June 2022: net loss of approximately HK$28.2 million). Such increase in net loss was mainly resulted from the decrease in gain on share of results of joint ventures of approximately HK$247.5 million which recorded approximately HK$51.4 million for the period under review compared to that of approximately HK$298.9 million for the same period of last year. In addition, there was a loss on disposal of investment properties of approximately HK$104.3 million for the period under review while no such disposal was noted for the same period of last year.

As at 30 June 2023, the deficit attributable to the owners of the Company amounted to approximately HK$1,352.0 million, representing an increase of approximately HK$359.6 million from that of 31 December 2022.

The Board of Directors of the Company ("Board" or "Directors") has decided not to pay an interim dividend.

BUSINESS REVIEW

The Group adhered to the cultural entertainment industry as the core, closely followed social opportunities, and continued to promote the implementation of its strategy, focusing on project development in the three major metropolitan areas, including Greater Beijing, Greater Shanghai and Greater Shenzhen. During the period under review, the principal activities of the Group included the development and operation of cultural tourist resorts and theme parks under the brand of "DreamEast", property development and leasing businesses.

In 2023, with the adjustment of epidemic policy in COVID-19, people's travel demand was fully released, and the domestic tourism market picked up quickly. At present, the number of domestic tourists and tourism revenue have increased rapidly year-on-year, and a series of tourism policies have been introduced throughout the country, and some non-first-tier cities have won development opportunities; emerging modes of tourism are constantly emerging and continue to be popular.

Driven by various favorable factors such as promoting consumption policies, the shackles that locked the cultural tourism industry were removed, and the cultural tourism market warmed up rapidly. The Ministry of Culture and Tourism released the domestic tourism data in the first half of 2023 on 13 July 2023. According to the statistical results of domestic tourism sampling survey, in the first half of 2023, the total number of domestic tourists was 2.384 billion, a year-on-year increase of 63.9%. Domestic tourism revenue (total tourism expenditure) was RMB2.30 trillion, a year-on-year increase of 95.9%.

In terms of real estate, the sentiment of home buyers has fallen sharply, and the real estate policy is not as strong as expected, so the market has not recovered, and the adjustment pressure of the national real estate market is still relatively high. In the context of weak real estate sales, the ability and willingness of housing enterprises to push the market are weak.

Cultural Entertainment Business

Hengyang DreamEast Resort

The Hengyang DreamEast Resort is situated in Hengyang, Hunan Province, China. It is at the south of Mount Heng, which is surrounded by time-honoured cultural heritage and magnificent natural landscape, and is the important origin of Huxiang Culture. Hengyang DreamEast Resort selects its site in the urban district of south Hengyang, backed by Yumu Mountain and Hengshan Technology City in the east. It is approximately 15 kilometers away from Hengnan County in a straight line, and is created as a city of memory related to Huxiang Culture with Huxiang Culture as the soul and Huxiang landscape as the skeleton.

The development of the Hengyang DreamEast Resort comprised of "Four Towns and Five Parks", including the cultural town, the science and technology town, the forest town and the agricultural town as the "Four Towns", and the DreamEast Adventure Park, the Fantasy Waterpark, the Pets Kingdom, the Agricultural Cultural Park and the International Sports Park as the Five Theme Parks. The DreamEast Shooting (Clay) Centre with a site area of approximately 69,000 square meters in the Hengyang DreamEast Resort was completed, and held the clay shooting match of the thirteenth sports game of Hunan province and the Hunan "DreamEast Cup" Youth Shooting Championship (Clay Project) successfully. The shooting centre will be opened to tourists for shooting experience in the future as one of the entertainment activities.

Taking advantages of the rich historical cultural and ecological resources of Hunan Province, and its superior development location, Hengyang DreamEast Resort undertakes the historical opportunities for the development and transformation of the entire city. With the support of vigorously developing the cultural and tourism industry by the nation, provinces and cities, Hengyang DreamEast Resort is expected to emerge as a tourist destination in Hengyang City and a national benchmark of industry linkage among primary, secondary, tertiary industry, and industry-city integration development, with aims to achieve a new industrial development model featuring with industry-city integration, tourism-city integration, and ecological integration, and thus creating a new center of Hengyang cultural and tourism industry that is green, ecological and sustainable development under the background of the new economic normal to present the world a city of Huxiang Culture, and become the core driving force of the "Southern Expansion" of Hengyang, thereby forming a new pattern characterized by "Mount Heng in the North and DreamEast in the South".

Since May 2022, the project of Hengyang DreamEast Tourism Resort, which has been suspended for a long time, has started to resume work on the principle of "guaranteeing the delivery of the house". But there are still many market instability factors, the resumption of the project is progressing slowly.

DreamEast Jiashan

The DreamEast Jiashan is positioned itself as a children dream world for the whole family and located in Jiashan County, Jiaxing City, Zhejiang Province in Greater Shanghai, China. In terms of comprehensive strength, Jiashan County is one of the top 100 counties in China. Situated at the intersection of Jiangsu Province, Zhejiang Province and Shanghai, Jiashan is the core district of the Yangtze River Delta city cluster and the first connection between Zhejiang Province and Shanghai. The DreamEast Jiashan is located in the tourist resort of Dayun Town, Jiashan with a planned area of approximately 733,000 square meters and will be developed in three phases. Phase 1 covers DreamEast Jiashan Experience Zone, Deer Elf Discovery Park, Dream Theatre, Dream Space, Hyatt Place Hotel, etc.; Phase 2 and Phase 3 comprise of a water village incorporating the millennia-old Wuyue culture with the functions of cultural experience, homestay tour, themed business, boutique inn and tourist residence, which is a children dream world that connects the whole family with art, aesthetics and innovation.

The 101 Experience Centre, which integrates cultural and artistic display and experience, was opened to the public. Later, it will be served as a tourist reception centre and image display window of the DreamEast Jiashan and even the Sweet Town, and be used to display various art forms such as painting, photography, sculpture, Jiangnan folk culture and Jiashan non-heritage culture, so that the whole family can be baptized with art and culture in happiness.

Phase 2 of the DreamEast Jiashan was included in the plans including "Zhejiang Province's '4 + 1' Major Project Construction Plan", "Zhejiang Province's 'Five 100 Billion' Investment Project", "Major Projects Intensively Commenced in Zhejiang Province" and "Major Project Plan of the Service Industry in Zhejiang Province". After the project is completed and put into operation, it will bring considerable benefits. It will further increase the development level of the culture and tourism industry in Jiashan, strengthen the integration and upgrade of cultural and tourism projects in the region, accelerate the construction of Jiashan Chocolate Sweet Town, promote the transformation and upgrading of service industries in the region, to achieve a win-win situation for enterprises and local fiscal revenue.

Since September 2020, the construction work of DreamEast Jiashan has been temporarily suspended. During the period under review, the Group had been actively negotiating with a potential buyer which was an independent third party to dispose of the 51% of DreamEast Jiashan's equity pursuant to a framework agreement signed on 3 June 2021. However, the aforementioned framework agreement was terminated in April 2023 due to financial issues of such original potential buyer. The Company is looking for new partners, and continues to negotiate with local government on the projects and idle land matters and will make an announcement in due course if there is further information.

Xiake Island Ecological City

Xiake Island Ecological City is located in Xu Xiake Town, Jiangyin City in Jiangsu Province within the Greater Shanghai region. With the Yangtze River on its north and Taihu Lake a little way on its south, Jiangyin has been an important transportation hub and a key military site since ancient times. It has a long history and rich cultural heritage, and was the home of the famous explorer Xu Xiake, and has been called "the Ancient County of Yanling" and "a loyal and righteous state". Having the most listed companies in the county, it is also called the "Number One County-level City with the Most Capital in China". By leveraging on its nearly 3.33 million square meters of natural wetland resources, Xiake Island Ecological City will turn itself into a highland to present and promote the Xu Xiake culture, and a tourist destination for "its original wetland life forms and an exceptional experience of the Xu Xiake culture".

With a unique shape of "Paradise + Town", Xiake Island Ecological City is a cultural town of Xu Xiake that integrates Xiake Academy, Mufu Clubhouse and theater space, combining with Xu Xiake Adventure Park that integrates motor-driven game, specialty catering and themed Concept Guesthouse representing a rare cultural travel model in China. It is believed that by leveraging on the cultural IP of "Xu Xiake", Xiake Island Ecological City will achieve the integration and connection of multiple commercial activities to emerge as a new Chinese cultural and tourism complex for all ages. In the future, Xiake Island Ecological City will not only become a destination of learning and recreation for families in the Pan-Yangtze River Delta, but also will attract tourists from all over the world to have fun here!

On 22 January 2019, the Group made a successful bid for the land use rights of three pieces of lands situated at Xu Xiake Town, Jiangyin City in Jiangsu Province for commercial use at the total price of RMB474 million (approximately HK$551 million). Meanwhile, the Group entered into the cooperation agreement with 金茂蘇皖企業管理(天津)有限公司 (Jin Mao Suwan Enterprises Management (Tianjin) Company Limited**) ("Jinmao Management") on 30 January 2019, in relation to the establishment of a joint venture company for co-development of Xiake Island Ecological City. Jinmao Management was an indirect wholly-owned subsidiary of China Jinmao Holdings Group Limited (Stock Code: 817.HK). Pursuant to the cooperation agreement, the joint venture company will be owned as to 51% by the Group and 49% by Jinmao Management. The joint venture company will be accounted for as a jointly controlled entity of the Group and the Group will recognise its interest in the joint venture company using the equity method in accordance with the relevant accounting principles. The revenue, assets and liabilities of the joint venture company will hence not be consolidated into the consolidated financial statements of the Group.

Xiake Island Ecological City was officially delivered to the buyers in June 2022, and only a small number of remaining units are currently on sale. The high score of Xiakedao Eco-city's quality and timely delivery are the most powerful proof of corporate responsibility.

DreamEast Future World Aerospace Theme Park

DreamEast Future World is the first aerospace theme park in China and the second in the world, and a national AAAA-level tourist attraction. Located in Yanjiao National High-tech Development Zone in the east of Beijing, the scenic spot enjoys a unique geographical location. It is only a 30-minute drive from Tiananmen Square in Beijing, just across the river from Beijing's sub-center, and adjacent to transportation hubs such as Beijing Capital International Airport and Yanjiao Railway Station. It has been honored as a social classroom resource unit for primary and secondary school students in Beijing, one of the top ten cultural industry projects in Hebei Province, the scientific quality education base for all citizens in Hebei Province and the municipal best research and learning scenic spot. In March 2020, in view of the high-quality aerospace science resources and huge social influence of DreamEast Future World, it has been identified as the first batch of Hebei science popularization demonstration base by the Department of Science and Technology of Hebei Province, which greatly meets the needs of aerospace culture popularization in the Beijing-Tianjin-Hebei region.

DreamEast Future World covers a total area of 16,000 square metres and contains more than 30 high-tech experience projects. It is a comprehensive aerospace science and technology museum that integrates aerospace technology exhibitions, extracurricular science popularization education, and high-tech interactive experiences. The scenic spot adheres to the mission of "Popularizing Aerospace Knowledge and Spreading Aerospace Spirit" and has accumulatively received more than one million primary and middle school students and members of research and study groups at home and abroad. Through entertaining science popularization, it stimulates children's love for the aerospace undertaking, plants the seeds of science for children, and enlightens their aerospace dream. It is the second classroom for primary and middle school students to learn and grow and has developed into an influential aerospace technology research and study destination in China.

With the liberalization of the epidemic prevention and control policy in January 2023, the future world operation of DreamEast has greatly increased, and the project is carried out in the direction of "stabilizing offline operation and breaking online operation". In the first half of 2023, the business days totaled 153 days, of which January was affected by the epidemic policy, and the revenue of the Spring Festival holiday was limited, and the revenue increase was slow. Since February, thanks to the market environment and policy support factors, the markets such as individual customers and teams have recovered significantly. At the same time, DreamEast Future World was approved by the government to hold the Lantern Festival, which increased the exposure and laid a good foundation for launching the channel expansion of the research team in the future. In the first half of 2023, the project expanded and upgraded new media channels, amusement service content and commercial secondary sales to prepare for the resource transformation of newly developed channels.

Property Development and Leasing Business

Beijing Fangshan "COMB+" Project (the "Fangshan Project")

The Beijing Fangshan "COMB+" Project is located between the Southwest 5th and 6th Ring Roads in Beijing, China and only 2 minutes' walk from Suzhuang Station on Fangshan Line of the Beijing Subway. In July 2014, the Group acquired 3 land parcels for the North, Central and South Zones of the project at a total consideration of approximately HK$3.3 billion. The project occupies a total site area of approximately 147,000 square metres, with a gross floor area of approximately 434,000 square metres and a planned gross floor area of approximately 322,000 square metres.

The project is the first large-scaled integrated community in the district, which is not only the then key investment solicitation project on Fangshan District, but also the key project of constructing knowledge economy international demonstration zone. However, in the second half of 2017, the Beijing government implemented various adjustment measures to cool down the property market, coupled with adjustments to the policies of bank loan granting, resulting in the substantial stagnation of sales of Fangshan “COMB+” Project with slow development progress and difficult operation.

On 4 January 2023, the Company received an enforcement ruling from the court, and the court ordered the central zone of Fangshan Project to be transferred to Shandong Asset Management Operation Co., Ltd. at the reserve price to offset part of the loan and the Group’s liabilities related to other base auction, and the transfer has been completed during the period under review. The northern zone of Fangshan Project can still operate normally, while the southern zone is under construction. If there is any further information about the project, the company will disclose it on time accordingly.

PROSPECTS

2023 is a year of comprehensive recovery of the cultural tourism industry. DreamEast will try to seek a breakthrough through various efforts, “both in response and change”. Facing the change of market demand and the improvement of consumers’ taste, we actively adopt various ways to improve our competitiveness and innovation ability. On the one hand, DreamEast will expand its scale and influence through cross-border cooperation, resource integration and capital operation. On the other hand, DreamEast will also improve the quality of its products and services by introducing cultural IP and creating scene experiences.

The travel industry is a dynamic and innovative industry, and it is also an industry facing opportunities and challenges. Under the new situation, DreamEast will formulate marketing strategies suitable for its own characteristics and advantages according to market demand and competition pattern, realize the high-quality development of cultural tourism products and services, and provide consumers with more high-quality and diversified cultural tourism experiences.

GROUP RESULTS

The Board herein presents the unaudited interim results of the Group for the six-month period ended 30 June 2023. These unaudited interim results have not been audited, but have been reviewed by the audit committee of the Company ("Audit Committee").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

		Six months ended	
		30.6.2023	30.6.2022
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*4*		
Sales of properties		**1,015**	–
Rental income		**4,528**	5,527
Tourism park operations and other services		**2,900**	1,259
		8,443	6,786
Cost of sales and services		**(3,003)**	(3,944)
Gross profit		**5,440**	2,842
Other gains and losses	*6*	**(129,420)**	(4,873)
Other income		**578**	206
Share of results of joint ventures		**51,430**	298,914
Fair value changes of investment properties		**–**	(17,507)
Selling expenses		**(800)**	(871)
Administrative expenses		**(17,819)**	(12,038)
Finance costs	*7*	**(287,664)**	(299,261)
Loss before tax	*8*	**(378,255)**	(32,588)
Income tax credit	*9*	**–**	4,377
Loss for the period		**(378,255)**	(28,211)

		Six months ended	
		30.6.2023	30.6.2022
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Other comprehensive income (loss):			
Items that may be reclassified to profit or loss:			
Exchange differences on translation to presentation currency		**50,874**	(2,574)
Share of other comprehensive loss of joint ventures		**(38,937)**	(67,648)
		11,937	(70,222)
Item that will not be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**–**	21,143
Other comprehensive income (loss) for the period		**11,937**	(49,079)
Total comprehensive loss for the period		**(366,318)**	(77,290)
Loss for the period attributable to:			
Owners of the Company		**(376,657)**	(18,728)
Non-controlling interests		**(1,598)**	(9,483)
		(378,255)	(28,211)
Total comprehensive loss for the period attributable to:			
Owners of the Company		**(359,559)**	(60,614)
Non-controlling interests		**(6,759)**	(16,676)
		(366,318)	(77,290)
Loss per share:	*11*		
– Basic		**HK$(1.32)**	HK$(0.07)
– Diluted		**HK$(1.32)**	HK$(0.07)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	Notes	30.6.2023 HK$'000 (Unaudited)	31.12.2022 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment		**184,463**	190,870
Right-of-use assets		**36,296**	33,785
Investment properties		**1,166,472**	1,355,581
Investment in joint ventures		**1,193,851**	1,181,358
Other non-current assets		**107,379**	110,830
		2,688,461	2,872,424
Current assets			
Properties under development for sale		**3,410,348**	3,510,274
Completed properties held for sale		**247,099**	255,599
Restricted properties subject to court enforcement order	*12*	**–**	528,566
Inventories		**210**	175
Trade receivables	*13*	**15,247**	15,700
Other receivables, deposits and prepayments		**20,308**	22,482
Amounts due from related companies		**367,961**	356,846
Other current assets		**186,665**	206,895
Restricted bank balances		**8,829**	10,443
Bank balances and cash		**1,982**	3,547
		4,258,649	4,910,527
Current liabilities			
Trade and other payables	*14*	**1,004,292**	1,089,220
Contract liabilities		**307,835**	322,178
Amounts due to related companies		**994,454**	1,031,397
Amounts due to joint ventures		**264,380**	226,306
Lease liabilities		**1,871**	1,020
Tax payable		**66,800**	67,863
Bank and other borrowings		**4,278,848**	4,734,651
Convertible bonds and bonds		**758,883**	694,151
		7,677,363	8,166,786
Net current liabilities		**(3,418,714)**	(3,256,259)
Total assets less current liabilities		**(730,253)**	(383,835)

	30.6.2023	31.12.2022
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Non-current liabilities		
Deferred tax liabilities	**9,275**	9,571
Lease liabilities	**2,000**	–
Convertible bonds and bonds	**461,884**	443,688
	473,159	453,259
Net liabilities	**(1,203,412)**	(837,094)
Capital and reserves		
Share capital	**28,550**	28,550
Reserves	**(1,380,598)**	(1,021,039)
Deficit attributable to owners of the Company	**(1,352,048)**	(992,489)
Non-controlling interests	**148,636**	155,395
Total deficit	**(1,203,412)**	(837,094)

Notes:

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in Bermuda. The principal activities of the Company and its subsidiaries (together the "Group") are involved in the provision of property development and leasing as well as tourism park operations and other services.

The functional currency of the Company is Renminbi ("RMB"), and for the purpose of more convenience to the readers of the condensed consolidated financial statements, the condensed consolidated financial statements are presented in Hong Kong dollars ("HK$").

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure provisions under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2022.

Going concern

These condensed consolidated financial statements have been prepared in conformity with the principles applicable to a going concern basis. The applicability of these principles are dependent upon continued availability of adequate finance or attaining profitable operations in future and the success of the below plans and measures in view of the excess of current liabilities over current assets.

The Group reported a net loss attributable to the owners of the Company of approximately HK$376.7 million (six months ended 30 June 2022: approximately HK$18.7 million) for the six months ended 30 June 2023. As at 30 June 2023, the Group's current liabilities exceeded its current assets by approximately HK$3,418.7 million (31 December 2022: approximately HK$3,256.3 million). As at the same date, the Group had bank and other borrowings and convertible bonds and bonds payables amounted to approximately HK$5,499.6 million (31 December 2022: approximately HK$5,872.5 million), of which current borrowings amounted to approximately HK$5,037.7 million (31 December 2022: approximately HK$5,428.8 million), while its cash and cash equivalents amounted to approximately HK$2.0 million (31 December 2022: approximately HK$3.5 million) only. The financial resources available to the Group as at 30 June 2023 and up to the date of approval of the condensed consolidated financial statements for issuance may not be sufficient to satisfy the above operating cash flow requirements.

As at 30 June 2023, the Group is subjected to legal claims amounted to approximately HK$3,655.3 million (31 December 2022: approximately HK$4,132.0 million), mainly in relation to disputes under construction contracts in respect of its various property development projects and defaults of repayment of several bank and other borrowings, which arose during the normal course of business. In these legal proceedings, the Group has received court orders to restrict the disposition of certain investment properties, property, plant and equipment, right-of-use asset, properties under development for sale and completed properties held for sale in an aggregate amount of approximately HK$4,338.3 million (31 December 2022: approximately HK$5,159.3 million) and the withdrawal of bank deposits of approximately HK$8.8 million (31 December 2022: approximately HK$10.4 million) as at 30 June 2023. Provision for litigation and compensation of approximately HK$183.4 million and approximately HK$133.8 million (31 December 2022: approximately HK$197.1 million and approximately HK$122.3 million) respectively, other than the liabilities already recognised, has been made based on best estimation on the outcomes of the disputes by the management in consideration of the development of negotiations with the creditors and advice sought from the independent legal advisors and internal legal counsel.

As at 30 June 2023, loan from an asset management company with principal of approximately HK$2,722.4 million (31 December 2022: approximately HK$2,809.9 million) and interest payable of approximately HK$368.0 million (31 December 2022: approximately HK$756.5 million) (the "Overdue Borrowings") were overdue. As the Group failed to repay the loan in accordance with the repayment schedule for the year ended 31 December 2020, the loan has been considered as default and became immediately due in accordance with terms of loan agreement. Hence, the entire principal of approximately HK$2,722.4 million (31 December 2022: approximately HK$2,809.8 million) together with interest payable of approximately HK$368.0 million (31 December 2022: approximately HK$756.5 million) were classified as current liabilities at 30 June 2023.

As stipulated in the relevant loan and financing agreements in respect of certain borrowings of the Group other than those mentioned above, the default of the guarantors may result in default of the Group's borrowings. As a result of the guarantor's default in 2020, the principal amount of a borrowing of approximately HK$284.6 million (31 December 2022: approximately HK$293.8 million) was considered to be default ("Cross-default Borrowing") with the entire amount of this borrowing became immediately overdue in 2020 since then and has been classified as current liabilities at 30 June 2023 and 31 December 2022.

The Group is in active negotiations with the lender in respect of the Overdue Borrowings for a debt restructuring so as to settle the Overdue Borrowings by using the proceeds from new borrowing plans. The Group is also negotiating with the Cross-default Borrowing lender to renew the relevant borrowing. The Group is confident that agreements will be reached in due course.

Because of the aforementioned actions taken, management is confident that the lender(s) of the Overdue Borrowings and Cross-default Borrowing will not enforce their rights of requesting for immediate repayment.

The Company considers that, the claims made by the construction contractors are mainly related to construction works that did not meet the required standards and pursuant to the terms of the construction contracts, the Group has the right not to certify those construction work claimed by the contractors.

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

In view of such circumstances, the Company has given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain measures have been taken by the Group to mitigate its liquidity pressure and to improve its financial position which include, but are not limited to, the following:

i. The Group has been actively negotiating with certain financial institutions and identifying various options for financing the Group's working capital, repayments of the overdue borrowings as well as the commitments in the foreseeable future;

ii. The Group will seek to accelerate the pre-sales and sales of its properties under development and completed properties. Hengyang DreamEast Resort has resumed construction in the second quarter of 2022, and will gradually launch its pre-sale;

iii. The Group has been actively consulting with an independent third party to sell 51% of the equity of DreamEast Jiashan, and signed a preliminary cooperation agreement on 3 June 2021. However, the aforementioned framework agreement was terminated in April 2023 due to financial issues of such original potential buyer. The Group will continue to negotiate with local government on the projects and idle land matters and negotiate with other potential buyers to carry out the overall packaging and sale of DreamEast Jiashan;

iv. The Group has been actively searching for potential investors to provide additional source of finance to the Group, and has been negotiating with a number of financial institutions for renewal and extension of bank borrowings and credit facilities; and

v. The Group will continue to take active measures to control administrative costs through various channels, including human resources optimization, management remuneration adjustments and containment of capital expenditures.

The Company considers that, taking into account the abovementioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 30 June 2023. Accordingly, the Company considers that it is appropriate to prepare the condensed consolidated financial statements of the Company on a going concern basis. Notwithstanding the above, significant uncertainties exist as to whether management of the Company will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flows through the following:

i. Successful obtaining new sources of financing as and when needed;

ii. Successful accelerating the pre-sales and sales of properties under development and completed properties and speeding up the collection of outstanding sales proceeds, and controlling costs and capital expenditure so as to generate adequate net cash inflows;

iii. Successful negotiations with the lenders for renewal of or extension for repayments beyond year 2023 for those borrowings that (a) are scheduled for repayment (either based on the original agreements or the existing arrangements) in next twelve months; and (b) were overdue as at 30 June 2023 because of the Group's failure to repay the principal and interest on or before the scheduled repayment dates; and

iv. Successful persuading the Group's existing lenders not to take action to demand for immediate repayment of the defaulted borrowings in next twelve months.

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

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for investment properties, which are measured at fair value.

The accounting policies used in preparing the condensed consolidated financial statements are consistent with those used in the Group's annual financial statements for the year ended 31 December 2022, except for the adoption of the new/revised Hong Kong Financial Reporting Standards ("HKFRSs") and HKASs which are relevant to the Group's operation and are effective for the Group's financial year beginning on 1 January 2023 as described below.

Amendments to HKAS 1	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
HKFRS 17	Insurance Contracts
Amendment to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information

The adoption of these amendments to HKFRSs and HKASs did not result in substantial changes to the Group's accounting policies and amounts reported for the current and prior periods.

4. REVENUE

For the six months ended 30 June 2023 (Unaudited)

	Property development and leasing *HK$'000*	**Tourism park operations** *HK$'000*	**Consolidated** *HK$'000*
Revenue from contracts with customers within HKFRS 15			
Recognised at a point in time			
Sales of properties	**1,015**	**–**	**1,015**
Entrance fee, food and beverage	**–**	**2,900**	**2,900**
	1,015	**2,900**	**3,915**
Revenue from other sources			
Gross rental income from investment properties	**4,528**	**–**	**4,528**
Total revenue generated in the PRC	**5,543**	**2,900**	**8,443**

For the six months ended 30 June 2022 (Unaudited)

	Property development and leasing *HK$'000*	Tourism park operations *HK$'000*	Consolidated *HK$'000*
Revenue from contracts with customers within HKFRS 15			
Recognised at a point in time			
Sales of properties	–	–	–
Entrance fee, food and beverage	–	1,259	1,259
	–	1,259	1,259
Revenue from other sources			
Gross rental income from investment properties	5,527	–	5,527
Total revenue generated in the PRC	5,527	1,259	6,786

5. SEGMENT INFORMATION

Information reported to the Group's executive directors, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focused on the types of goods or services delivered or provided. The Group's reportable segments for the CODM's purposes are (i) property development and leasing and (ii) tourism park operations.

Segment revenue and results

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

For the six months ended 30 June 2023 (Unaudited)

	Property development and leasing *HK$'000*	Tourism park operations *HK$'000*	Consolidated *HK$'000*
Revenue from external customer and segment revenue	**5,543**	**2,900**	**8,443**
Reportable segment results	**(324,729)**	**(3,072)**	**(327,801)**
Unallocated income and expenses			
Other gains and losses			**354**
Other income			**573**
Share of results of joint ventures			**51,430**
Administrative expenses			**(4,516)**
Finance costs			**(98,295)**
Loss before tax			**(378,255)**

For the six months ended 30 June 2022 (Unaudited)

	Property development and leasing HK$'000	Tourism park operations HK$'000	Consolidated HK$'000
Revenue from external customer and segment revenue	5,527	1,259	6,786
Reportable segment results	(233,118)	(4,418)	(237,536)
Unallocated income and expenses			
Other gains and losses			(4,873)
Other income			206
Share of results of joint ventures			298,914
Administrative expenses			(1,102)
Finance costs			(88,197)
Loss before tax			(32,588)

No analysis of segment asset and segment liability is presented as such information is not regularly provided to the CODM for the purposes of resources allocation and performance assessment.

6. OTHER GAINS AND LOSSES

	Six months ended	
	30.6.2023	30.6.2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Foreign exchange loss, net	**(30)**	(46)
Reversal of provision for litigation	**7,864**	11,647
Provision for compensation	**(15,971)**	(16,420)
Loss on derecognition of restricted properties subject to court enforcement order *(Note 12)*	**(16,035)**	–
Loss on disposal of investment properties	**(104,287)**	–
Others	**(961)**	(54)
	(129,420)	(4,873)

7. FINANCE COSTS

	Six months ended	
	30.6.2023	30.6.2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest expenses on:		
– Bank and other borrowings	**196,324**	216,596
– Convertible bonds and bonds	**98,285**	88,150
– Lease liabilities	**145**	121
	294,754	304,867
Less: Borrowing costs capitalised in properties under development for sale	**(7,090)**	(5,606)
	287,664	299,261

8. LOSS BEFORE TAX

Loss before tax for the period has been arrived at after charging (crediting):

	Six months ended	
	30.6.2023	30.6.2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Gross rental income from investment properties	**(4,528)**	(5,527)
Less: Direct operating expenses, as include in selling expenses	**5**	97
	(4,523)	(5,430)
Other items		
Cost of properties sold	**618**	–
Depreciation of property, plant and equipment	**1,019**	1,149
Depreciation of right-of-use assets	**2,008**	2,282
Loss on termination of right-of-use assets	**328**	–

9. INCOME TAX CREDIT

	Six months ended	
	30.6.2023	30.6.2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Deferred Tax		
PRC Enterprise Income Tax ("EIT") and Land Appreciation Tax ("LAT")	**–**	(4,377)

No provision for Hong Kong Profit Tax had been provided as the Group did not have any assessable profit from Hong Kong for the six months ended 30 June 2023 and 2022.

No provision for EIT had been provided as the Group's subsidiaries in the PRC incurred a loss for taxation purpose for the six months ended 30 June 2023 and 2022.

The provision of PRC LAT was estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT had been provided at ranges of progressive rates of the appreciation value, with certain allowable exemptions and deductions.

No deferred tax liabilities for undistributed profits of the PRC subsidiaries have been recognised as Directors are of the opinion that there is no plan of dividend distribution out of the PRC in the foreseeable future by these PRC subsidiaries. At 30 June 2023 and 31 December 2022, the aggregate undistributed profits of the PRC subsidiaries were approximately HK$342,041,000 and HK$355,672,000 respectively with corresponding unrecognised deferred tax liabilities amounted to approximately HK$17,102,000 and HK$17,784,000 respectively.

10. DIVIDENDS

The Directors do not recommend the payment of interim dividend for the six months ended 30 June 2023 and 2022.

11. LOSS PER SHARE

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

	Six months ended	
	30.6.2023	30.6.2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss		
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	**(376,657)**	(18,728)

	Six months ended	
	30.6.2023	30.6.2022
	'000	*'000*
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of shares for the purposes of basic and diluted loss per share	**285,491**	285,491

The computation of diluted loss per share for the six months ended 30 June 2023 and 2022 did not assume the conversion of the Company's convertible bonds since its assumed exercise would result in a decrease in loss per share.

It also did not assume the exercise of share options under the Company's share option scheme since its assumed exercise would have anti-dilutive effect on loss per share for the six months ended 30 June 2023 and 2022.

12. RESTRICTED PROPERTIES SUBJECT TO COURT ENFORCEMENT ORDER

As at 31 December 2022, certain properties under development held for sale with carrying amount of approximately HK$141,260,000 and investment properties with fair value of approximately HK$387,306,000 were subject to an enforcement judgment by a court in the PRC and shall be sold to the lender of the Overdue Borrowings for partial settlement of the overdue loan and the Group's liabilities related to other legal claims. Details of which were disclosed in Legal Disputes section in this announcement.

The legal title of these restricted properties had been transferred to the lender during the six-month period ended 30 June 2023. Accordingly, they had been decognised from the Group's condensed consolidated statement of financial position as at 30 June 2023. The loss arising from the derecognition of restricted properties subject to court enforcement order amounted to approximately HK$16,035,000 was recognised in the condensed consolidated statement of profit or loss and other comprehensive income.

13. TRADE RECEIVABLES

	30.6.2023	31.12.2022
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**24,027**	24,762
Less: allowance for credit losses	**(8,780)**	(9,062)
	15,247	15,700

In respect of revenue arising from sales of properties and property leasing, the Group normally does not grant any credit term to its customers. The ageing analysis of trade receivables (net of allowance for credit losses) by invoice date is as follow:

	30.6.2023	31.12.2022
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Current to 90 days	**15,247**	15,700

14. TRADE AND OTHER PAYABLES

	30.6.2023	31.12.2022
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade and bills payables	**571,810**	671,453
Other payables, accruals and deposits received	**116,290**	98,396
Provision for litigation *(Note i)*	**182,412**	197,084
Provision for compensation *(Note ii)*	**133,780**	122,287
	1,004,292	1,089,220

The ageing analysis of trade and bills payables by invoice date at the end of reporting period is as follows:

	30.06.2023	31.12.2022
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0-180 days	**417**	1,116
181-365 days	**827**	7,957
Over 365 days	**570,566**	662,380
	571,810	671,453

The average credit period on purchase of goods related to tourism park operation is 120 days (31 December 2022: 120 days).

Notes:

(i) The provision for litigation represented provision made, other than the trade and other payables and borrowings already recognised, in relation to disputes under construction contracts in respect of the Group's various property development projects and defaults of repayment of bank and other borrowings. The provision was made based on best estimation on the outcomes of the disputes in consideration of the development of negotiations with the creditors and advice sought from the independent legal advisors and internal legal counsel.

(ii) The provision for compensation represented compensation to end customers of properties sales due to late delivery of real estate certificates in accordance with the sales and purchase agreements. Additional provision amounted to approximately HK$7,864,000 was recognised for the six months ended 30 June 2023 (year ended 31 December 2022: approximately HK$32,246,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Financial Resources

As at 30 June 2023, the Group had a financial position with net liabilities of HK$1,203.4 million (31 December 2022: HK$837.1 million). Net current liabilities amounted to HK$3,418.7 million (31 December 2022: HK$3,256.3 million) with current ratio decreasing from approximately 0.60 times at 31 December 2022 to approximately 0.55 times at 30 June 2023. The Group's total current assets as at 30 June 2023 amounted to approximately HK$4,258.6 million (31 December 2022: approximately HK$4,910.5 million), which comprised properties under development for sale, completed properties held for sale, inventories, trade receivables, other receivables, deposits and prepayments, amounts due from related companies, other current assets, restricted bank balances, bank balances and cash. Cash and cash equivalents were mainly denominated in RMB and HK$. The Group's total current liabilities as at 30 June 2023 amounted to approximately HK$7,677.3 million (31 December 2022: approximately HK$8,166.8 million), which comprised trade and other payables and accruals, contract liabilities, amounts due to related companies and a joint venture, lease liabilities, tax payable, bank and other borrowings – within one year and convertible bonds and bonds. Bank and other borrowings were denominated in RMB and HK$. Bank and other borrowings of HK$808.6 million were obtained at fixed rate. The Group's negative gearing ratio was approximately 6.8 times (31 December 2022: approximately 10.3 times) based on total liabilities of approximately HK$8,149.4 million (31 December 2022: approximately HK$8,620.0 million) and total deficit of approximately HK$1,203.4 million (31 December 2022: approximately HK$837.1 million).

On 24 December 2015, the Company issued a five-year term RMB zero coupon convertible bonds due 2020 (the "SkyOcean CB") in an aggregate principal amount of RMB1,500 million to SkyOcean Investment Holdings Limited ("SkyOcean Investment"), the immediate holding company of the Company. As at 31 December 2020, the outstanding principal amount of the SkyOcean CB amounted to RMB450 million (equivalent to approximately HK$520.6 million). On 28 October 2020, the Company and SkyOcean Investment entered into the deed of amendment, pursuant to which it is agreed that, (i) the maturity date of the outstanding SkyOcean CB shall be extended from 23 December 2020 to 23 December 2025; (ii) the existing conversion price of HK$6.80 per share will be adjusted to the revised conversion price of HK$2.00 per share; and (iii) the SkyOcean CB shall bear interest from, and including the effective date at the rate of 5% per annum of the outstanding principal amount of the SkyOcean CB, which is payable semi-annually.

On 12 November 2015 and on 28 June 2016, the Company entered into subscription agreements with Chance Talent Management Limited, an indirect wholly-owned subsidiary of CCB International (Holdings) Limited (the "CCBI Bond Holder"), pursuant to which the CCBI Bond Holder subscribed for bonds ("CCBI Bonds") in aggregate of HK$740 million and convertible bonds ("CCBI CB") of RMB29.5 million (equivalent to HK$36.0 million), respectively. As at 30 June 2023, the outstanding principal amount of the CCBI Bonds was HK$465.4 million (31 December 2022: HK$465.4 million) and the balance was matured on 30 June 2021. The outstanding principal amount of the CCBI CB as at 30 June 2023 and 31 December 2022 was Nil. The Company was in the process of negotiation with the CCBI Bond Holder on repayment schedule at the end of the period under review.

As at the date of this announcement, the outstanding principal amounts of the CCBI Bonds in the sum of HK$465.4 million with interest have not been settled.

Going Concern and Mitigation Measures

In order to meet its financial obligations as and when they fall due within the next twelve months and improve the Group's current ratio, the Company has been undertaking a number of measures to improve the Group's liquidity and financial position, and to remediate certain delayed repayments to financial institutions, which include:

i. The Group has been actively negotiating with certain financial institutions and identifying various options for financing the Group's working capital, repayments of the overdue borrowings as well as the commitments in the foreseeable future;

ii. The Group will seek to accelerate the pre-sales and sales of its properties under development and completed properties. Hengyang DreamEast Resort has resumed construction in the second quarter of 2022, and then will gradually launch pre-sale;

iii. The Group has been actively consulting with an independent third party to sell 51% of the equity of DreamEast Jiashan, and signed a preliminary cooperation agreement on 3 June 2021. However, the aforementioned framework agreement was terminated in April 2023 due to financial issues of such original potential buyer. The Group will continue to negotiate with local government on the projects and idle land matters and negotiate with other potential buyers to carry out the overall packaging and sale of DreamEast Jiashan;

iv. The Group has been actively searching for potential investors to provide additional source of finance to the Group, and has been negotiating with a number of financial institutions for renewal and extension of bank borrowings and credit facilities; and

v. The Group will continue to take active measures to control administrative costs through various channels, including human resources optimisation, management remuneration adjustments and capital expenditures reduction.

Currency and Financial Risk Management

With the majority of the Group's businesses transacted in RMB and HK$, the aforesaid currencies are defined as the functional currency of the Company and some of its subsidiaries respectively. Apart from certain bank balances and cash and bonds denominated in foreign currencies, the Group is not subject to any significant risk from fluctuations in exchange rates. No currency hedging arrangement had been made by the Group during the reporting period. The Group will closely monitor and manage its exposure to fluctuation in foreign exchange rates.

Pledge of Assets

As at 30 June 2023, properties under development for sale with carrying amount of approximately HK$2,867.7 million (31 December 2022: approximately HK$2,951.0 million), investment properties with carrying amount of approximately HK$1,166.5 million (31 December 2022: approximately HK$1,355.6 million), completed property held for sale with carrying amount of approximately HK$247.1 million (31 December 2022: approximately HK$255.6 million), property, plant and equipment with carrying amount of approximately HK$121.0 million (31 December 2022: approximately HK$124.1 million), and right-of-use assets with carrying amount of approximately HK$31.5 million (31 December 2022: approximately HK$33.1 million) and restricted properties subject to court enforcement order with carrying amount of Nil (31 December 2022: approximately HK$528.6 million) were pledged to certain banks, a financial institution and a related party to secure borrowings obtained from the aforesaid parties.

Significant Investment Held

During the six months ended 30 June 2023, the Group held approximately 42% effective equity interests of 天洋地產(唐山)有限公司 (SkyOcean Real Estate (Tangshan) Co., Ltd.**) and 51% equity interests of 天茂文化發展(江陰)有限公司 (TianMao Cultural Development (Jiangyin) Co., Ltd.**). During the six months ended 30 June 2023, investment gains in joint ventures were recorded. The Company expects that investment in joint ventures will continue to improve in the future.

Material Acquisition and Disposal of Subsidiaries and Associates

During the six months ended 30 June 2023, there were no material acquisitions or disposals of subsidiaries and associates by the Group.

Management and Staff

As at 30 June 2023, the total number of employees (including both full time and part time) was approximately 66 (six months ended 30 June 2022: approximately 94). Total staff costs amounted to approximately HK$6.9 million (six months ended 30 June 2022: approximately HK$7.9 million). The Group offers competitive remuneration packages, together with discretionary bonuses to its staff, based on industry practices, and individual and Group performances. The Group also offers training courses and continuous education sessions as part of the Group's emphasis on staff training and development.

CONTINGENT LIABILITIES

As at 30 June 2023, the Group guaranteed mortgage loans to purchasers of its properties in the aggregate outstanding principal amount of HK$140.5 million (31 December 2022: HK$239.6 million).

LEGAL DISPUTES

As at 30 June 2023, the Group is subjected to legal claims amounted to approximately HK$3,655.3 million (31 December 2022: approximately HK$4,132.0 million), mainly in relation to disputes under construction contracts in respect of its various property development projects and defaults of repayment of several bank and other borrowings, which arose during the normal course of business, involving (i) disputes under construction contracts in the amount of approximately HK$358.8 million (31 December 2022: approximately HK$691.8 million) in respect of its various property development projects; (ii) defaults of repayment of several bank and other borrowings in the amount of approximately HK$3,278.0 million (31 December 2022: approximately HK$3,383.3 million); and (iii) other miscellaneous legal claims in the amount of approximately HK$18.5 million (31 December 2022: approximately HK$56.9 million) which arose during the normal course of business. In these legal proceedings, the Group has received court orders to restrict the disposition of certain investment properties, property, plant and equipment, right-of-use assets, properties under development for sale, completed properties held for sale and restricted properties subject to court enforcement order in an aggregate amount of approximately HK$4,338.3 million (31 December 2022: approximately HK$5,159.3 million) and the withdrawal of bank deposits of approximately HK$8.8 million (31 December 2022: approximately HK$10.4 million) as at 30 June 2023. The Company considers that the claims made by the construction contractors are mainly related to construction works that did not meet the required standards and pursuant to the terms of the construction contracts, the Group has the right not to certify those construction works claimed by the contractors. In addition, the Group has already made or is in the process of making counter claims for compensation from the construction contractors for causing delay in delivering of the properties to the customers of the Group.

The management has sought advice from the independent legal advisors or internal legal counsel on these matters. As at 30 June 2023, the Group has provided construction cost liabilities due to litigation amounting to approximately HK$161.0 million (31 December 2022: approximately HK$163.4 million) in relation to the above mentioned construction contracts under disputes.

As at 30 June 2023, other outstanding legal claims that are subjected to legal proceedings and/or appeal amounted to approximately HK$3,296.5 million (31 December 2022: approximately HK$3,440.1 million) in aggregate. For legal claims other than disputes under construction contracts, provision for litigation on other claims amounted to approximately HK$22.4 million (31 December 2022: approximately HK$33.6 million) has been made in respect of these claims at 30 June 2023. The Company considers that the Group has reasonable ground to defend those legal claims and consider that those legal claims would not result in any material adverse effects on the financial position of the Group.

Except for the matters disclosed elsewhere in this announcement, the Group has the following litigations with some of its lenders:

(1) Beijing SkyOcean Foundation Investments Co., Ltd** ("Beijing SkyOcean")

On 10 January 2017, Beijing SkyOcean, an indirect wholly-owned subsidiary of the Company entered into a loan agreement with Hengfeng Bank Securities Co., Ltd. Beijing Branch** ("Hengfeng Bank"), pursuant to which Hengfeng Bank granted a term loan in the amount of RMB2,800.0 million (equivalent to approximately HK$3,327.0 million) to Beijing SkyOcean for a term of 5 years for the purpose of financing the development and construction cost of a parcel of land in Fangshan District, Beijing, the PRC, under the COMB+ project (the "Fangshan Land and CIP"). The Fangshan Land was charged to Hengfeng Bank as one of the securities for the repayment of the loan.

On 28 February 2020, Beijing SkyOcean was informed that all rights under the loan and the relevant securities charged were transferred from Hengfeng Bank to Shandong Financial Assets Management Securities Co., Ltd. ** ("Shandong Assets").

On 13 August 2020, Second Intermediate People's Court of Beijing** (the "Beijing Court") issued an enforcement judgement, pursuant to which it made an order that, amongst other things, Shandong Assets has the right to enforce the security of the loan by auctioning or selling the southern zone of Fangshan Land and CIP and entitle to the priority over to the proceeds of the auction, the sale or the rental income generated (as the case may be) ("Enforcement Judgement"). SkyOcean Holding Group Co., Ltd.**, a company beneficially owned as to 80% by Mr. Zhou Zheng and being one of the guarantors of the loan (the "Guarantor"), applied to the Beijing Court for an order that the Enforcement Judgement should not be enforced, which was rejected by the Beijing Court on 13 November 2020.

In December 2020, Beijing SkyOcean was informed by Shandong Assets that (i) it intended to enforce the security over the southern zone of Fangshan Land and CIP by putting it on public auction (the "Auction") in satisfaction of the loan (the "Enforcement Action"); and (ii) an application has been made to the Beijing Court for a valuation of the southern zone of Fangshan Land and CIP, which shall be relied upon by Shandong Assets as the base price of the Auction. Based on the valuation report dated 2 December 2020 prepared by an independent professional valuer employed by the Beijing Court, the valuation of the southern zone of Fangshan Land and CIP as at 23 October 2020 was approximately RMB2,798.7 million (equivalent to approximately HK$3,325.3 million) (the "Valuation").

On 31 December 2020, Beijing SkyOcean was in default of an outstanding principal of approximately RMB2,510 million (equivalent to approximately HK$2,982.3 million) and the accrued interest of approximately RMB213.7 million (equivalent to approximately HK$254.0 million).

On 13 January 2021, the Guarantor filed an application to the Beijing Court to object to the Valuation (the "Application"), and as informed by the Beijing Court in early March 2021, the Beijing Court has appointed Beijing Real Estate Valuer and Land Valuer and Immovable Asset Registration Agency Association** to provide a professional technical assessment (the "Assessment") on the merit of the Application. The result of the Assessment was released on 30 March 2021 and concluded that the Application was without merit.

On 15 April 2021, the Beijing Court also issued a notice to Beijing SkyOcean that the Auction for southern zone of Fangshan Land was scheduled to take place at Alibaba Judicial Auction Network Platform** (the "Platform") of the Beijing Court from 27 May 2021 to 28 May 2021, no bid was received for the southern zone of Fangshang Land and CIP and the Auction was unsuccessful.

According to legal procedures, the case was automatically entered into the sell-off process after the unsuccessful auction. The sell-off process of the southern zone of Fangshang Land and CIP took place at the Platform from 30 July 2021 to 28 September 2021. Based on the information disclosed on the Platform after the close of the sell-off process on 28 September 2021, no bid was received for the southern zone of Fangshan Land and CIP and the sell-off process was unsuccessful.

On 13 December 2021, the Beijing Court issued another notice to Beijing SkyOcean that another auction for central zone of Fangshan Land is scheduled to take place at the Platform on 30 December 2021. The base auction price, which is based on the valuation undertaken by the valuer appointed by the Beijing Court, was approximately RMB480.6 million. However, no bid was received for central zone of Fangshan Land and the sell-off process was unsuccessful.

On 17 November 2022, a further enforcement judgment was handed down by the Beijing Court that the central zone of Fangshan Land held by the Group shall be transferred to Shandong Assets at the transaction price of RMB480.6 million (equivalent to approximately HK$538.0 million), and the proceeds from the transaction would be used for partial settlement of the Overdue Borrowings and the Group's liabilities related to other legal claims. Accordingly, the central zone of Fangshan Land has been reclassified and presented as restricted properties subject to court enforcement order in the Group's consolidated statement of financial position as at 31 December 2022. The central zone of Fangshan Land has been transferred to Shandong Assets during the six-month period ended 30 June 2023 for partial settlement of the outstanding borrowings.

As at 30 June 2023, the southern zone of Fangshan Land and CIP was recognised as properties under development for sale amounted to approximately HK$2,483 million (31 December 2022: approximately HK$2,562 million).

The Company is in the process of obtaining a new loan from an independent financial institution for repayment of the Shandong Assets loan and nothing is concluded up to the date of approval of these condensed consolidated financial statements.

(2) Hunan DreamEast Cultural Development Co., Ltd.** ("Hunan DreamEast")

On 15 May 2018, Hunan DreamEast, an indirect wholly-owned subsidiary of the Company entered into a loan agreement with Bank of Beijing Co., Ltd. Changsha Branch** ("Bank of Beijing"), pursuant to which Bank of Beijing granted a 5-years term loan in the amount of approximately RMB320.0 million (equivalent to approximately HK$364.8 million) to Hunan DreamEast for the purpose of financing the development and construction cost of a parcel of land in Hengyang, the PRC, under the Hengnan Project (the "Hengyang Land").

Hunan DreamEast was in default of an outstanding principal of approximately RMB263.1 million (equivalent to approximately HK$312.6 million). Without notice to Hunan DreamEast, Bank of Beijing filed a civil claim of approximately RMB263.1 million against Hunan DreamEast with Intermediate People's Court of Changsha, Hunan Province** on 17 November 2020. The first hearing of the civil claim was concluded on 14 March 2022 by a court in PRC in favour of Bank of Beijing. Hunan DreamEast disagreed with the judgment and made appeal to High People's Court, Hunan Province** on 9 August 2022. The appeal has been concluded on 3 November 2022 and the appeal made by Hunan DreamEast was dismissed. The overdue interests payable as at 31 December 2022 has been included in the Group's bank and other borrowings and the corresponding claim costs have been recognised in provision for litigation.

Hunan DreamEast is in the process of negotiation with Bank of Beijing on revising the repayment schedule and nothing is concluded up to the date of approval of these consolidated financial statements.

EVENTS AFTER THE REPORTING PERIOD

On 19 August 2023, the Company was informed by the Receivers that SkyOcean Investment (acting by the Receivers as its attorney), the Receivers and a placing agent ("Placing Agent") entered into a placing agreement, pursuant to which the Placing Agent shall place the followings to the placees who are not related to the Company nor the Placing Agent:

(i) an aggregate of 205,182,287 Shares held by SkyOcean Investment ("Placing Shares"), representing approximately 71.87% of the entire issued share capital of the Company as at the date of this announcement, at the placing price of HK$0.1492 per Placing Share; and

(ii) all the SkyOcean CB ("Placing CBs"), upon the full exercise of the conversion rights attached to which 260,305,193 Shares will be allotted and issued by the Company, representing approximately 47.69% of the share capital as enlarged by the said allotment and issue of conversion Shares as at the date of this announcement, at the placing price of HK$6.8027 for each RMB100 face value of the SkyOcean CB.

The placing is divided into two phases, being the First Tranche Placing and Second Tranche Placing. If the Placing Shares and the Placing CBs are placed in full, upon completion, SkyOcean Investment will cease to be a shareholder of the Company.

On 29 August 2023, the Company was informed by the Receivers that the Placing Agent has successfully placed the 184,664,058 Placing Shares under the First Tranche Placing at the placing price of HK$0.1492 per Placing Share to not less than six placees who are not related to the Company nor the Placing Agent, representing approximately 90% of the Placing Shares and approximately 64.68% of the entire issued share capital of the Company as at the date of this announcement. None of the placees (i) has become a substantial shareholder of the Company (as defined under the Listing Rules) upon completion of the First Tranche Placing and (ii) is a party acting in concert with each other.

The Second Tranche Placing commenced on 29 August 2023 and is expected to be completed on 19 October 2023. For details, please refer to the announcement of the Company dated 29 August 2023. Unless otherwise defined, terms used herein shall have the same meanings as those defined in the announcement of the Company dated 29 August 2023.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2023, the Company has applied the principles of, and complied with, the applicable code provisions as set out in Part 2 of the Corporate Governance Code ("CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except for certain deviations which are summarised below:

Code Provisions E.1.2, D.3.3, C.1.8 and D.1.2 of the CG Code

Code Provisions E.1.2 and D.3.3 of the CG Code stipulate that the terms of reference of the remuneration committee and audit committee should include, as a minimum, those specific duties as set out in the respective code provisions.

The terms of reference of the remuneration committee ("Remuneration Committee") adopted by the Company are in compliance with Code Provision E.1.2 of the CG Code except that the Remuneration Committee shall make recommendations to the Board on the remuneration packages of the Executive Directors only and not senior management (as opposed to Executive Directors and senior management under the code provision).

The terms of reference of the Audit Committee adopted by the Company are in compliance with Code Provision D.3.3 of the CG Code except that the Audit Committee (i) shall recommend (as opposed to implement under the code provision) the policy on the engagement of the external auditors to supply non-audit services; (ii) only possesses the effective ability to scrutinise (as opposed to ensure under the code provision) whether management has performed its duty to have an effective internal control system; and (iii) can promote (as opposed to ensure under the code provision) the co-ordination between the internal and external auditors, and check (as opposed to ensure under the code provision) whether the internal audit function is adequately resourced.

Further details of the reasons for relevant deviations of the terms of reference were set out in the Corporate Governance Report contained in the Company's Annual Report for the financial year ended 31 December 2022. The Board considers that the Remuneration Committee and the Audit Committee should continue to operate according to the relevant terms of reference as adopted and amended by the Company. The Board will review the terms at least annually and make appropriate changes if considered necessary.

Code provision C.1.8 of the CG Code stipulates that the Company should arrange appropriate insurance cover in respect of legal action against the Directors. However, the Company was unable to obtain a favorable quotation on the directors and officers ("D&O") liability insurance policy from the insurers in light of the existing operating cash flow of the Company. The Board will consider the terms and conditions of any new D&O liability insurance cover that are offered by the insurers from time to time and within the budget of the Company.

Code provision D.1.2 of the CG Code stipulates that the management should provide all members of the Board with monthly updates. During the six months ended 30 June 2023, the management has provided to all members of the Board with updates on any material changes to the positions and prospects of the Company at each Board meeting and also in written communication as and when necessary, which is considered to be sufficient to provide general updates of the Company's performance, position and prospects to the Board and allow them to give a balanced and understandable assessment of the same to serve the purpose required by the Code Provision D.1.2.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2023.

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed the unaudited interim condensed consolidated financial statements for the six months ended 30 June 2023 and the corresponding accounting principles and practices adopted by the Group.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") was suspended with effect from 9:00 a.m. on Friday, 1 September 2023 pending publication of this interim results announcement.

Application has been made by the Company to the Stock Exchange for the resumption of trading in the shares of the Company on the Stock Exchange with effect from 9:00 a.m. on Monday, 30 October 2023.

By order of the Board
DreamEast Group Limited
Chan Sin I
Executive Director

Hong Kong, 27 October 2023

As at the date of this announcement, the Board comprises Ms. Zhou Jin (Chairman), Mr. Yang Lei, Ms. Chan Sin I and Mr. Leong Tang Fu being the executive Directors, Mr. Yau Pak Yue and Mr. Chiu Wai Shing being the non-executive Directors, and Dr. Li Xiao Long, Dr. Meng Xiao Su, Mr. Yang Bu Ting, Mr. Zhao Da Xin and Mr. Choi, Clifford Wai Hong being the independent non-executive Directors.

** *The English translation of the Chinese name of the relevant entity included in this announcement is for identification and reference only, and such translation may not be accurate and such entity may not have an official English translation/version of its Chinese name.*