



北京建設 BPHL

BEIJING PROPERTIES(HOLDINGS) LTD

(Incorporated in Bermuda with limited liability)

Stock Code : 925

2023
ANNUAL
REPORT

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. ZHU Yingying (*Chairman*) (*appointed on 21 July 2023*)
Mr. SIU Kin Wai (*General Manager*)
Mr. XU Zhigang (*appointed on 21 July 2023*)
Mr. DONG Qilin
Mr. CHENG Ching Fu (*Chief Financial Officer*)
Mr. QIAN Xu (*resigned on 21 July 2023*)
Mr. ZHAO Jiansuo (*resigned on 21 July 2023*)
Mr. YU Luning (*resigned on 2 November 2023*)
Mr. ZHANG Xudong (*resigned on 9 November 2023*)
Mr. REN Lin (*resigned on 9 November 2023*)
Mr. NG Kin Nam (*resigned on 16 November 2023*)

Independent Non-Executive Directors

Mr. GOH Gen Cheung
Mr. James CHAN
Mr. XIE Ming
Mr. SONG Lishui (*resigned on 2 November 2023*)
Mr. ZHU Wuxiang (*resigned on 16 November 2023*)

AUDIT COMMITTEE

Mr. GOH Gen Cheung (*Chairman*)
Mr. James CHAN
Mr. XIE Ming
Mr. SONG Lishui (*resigned on 2 November 2023*)
Mr. ZHU Wuxiang (*resigned on 16 November 2023*)

NOMINATION COMMITTEE

Mr. James CHAN (*Chairman*)
Mr. GOH Gen Cheung
Mr. XIE Ming
Mr. QIAN Xu (*resigned on 21 July 2023*)
Mr. YU Luning (*resigned on 2 November 2023*)
Mr. SONG Lishui (*resigned on 2 November 2023*)

REMUNERATION COMMITTEE

Mr. GOH Gen Cheung (*Chairman*)
Mr. James CHAN
Mr. XIE Ming
Mr. YU Luning (*resigned on 2 November 2023*)
Mr. SONG Lishui (*resigned on 2 November 2023*)

SUSTAINABILITY COMMITTEE

Mr. SIU Kin Wai (*Chairman*)
Mr. XU Zhigang (*appointed on 21 July 2023*)
Mr. CHENG Ching Fu
Mr. James CHAN
Mr. ZHANG Xudong (*resigned on 9 November 2023*)

COMPANY SECRETARY

Mr. CHENG Ching Fu

STOCK CODE

925

AUTHORIZED REPRESENTATIVES

Mr. SIU Kin Wai
Mr. CHENG Ching Fu (*appointed on 21 July 2023*)
Mr. QIAN Xu (*resigned on 21 July 2023*)

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

66th Floor Central Plaza
18 Harbour Road
Wanchai, Hong Kong
Tel: (852) 2511 6016
Fax: (852) 2598 6905

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Services Limited
Clarendon House, 2 Church Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

INDEPENDENT AUDITOR

Ernst & Young
Certified Public Accountants and Registered Public Interest Entity Auditor

WEBSITE

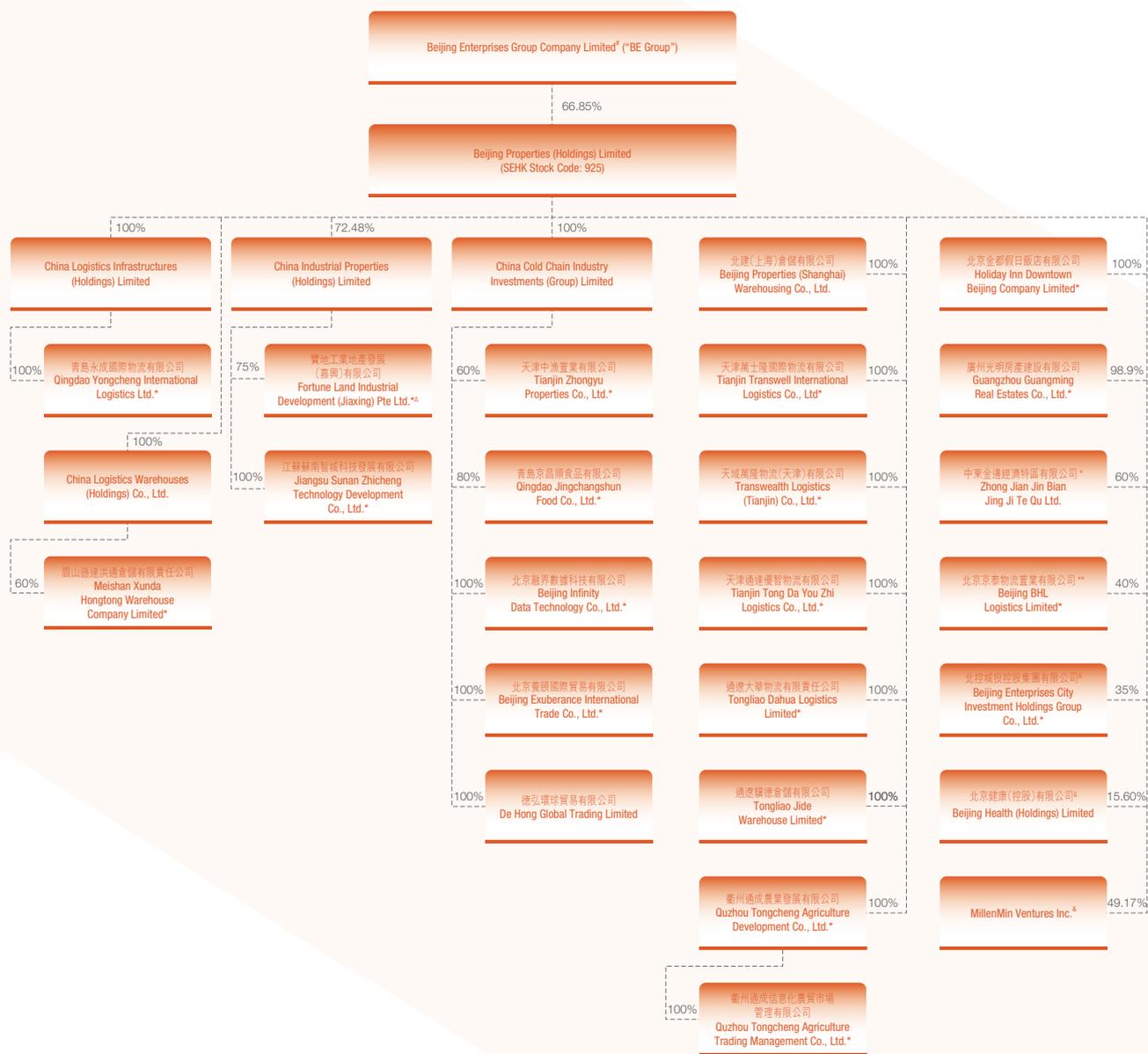
www.bphl.com.hk

PRINCIPAL BANKERS

China CITIC Bank International Ltd
China Everbright Bank Co. Ltd.
Industrial and Commercial Bank of China Limited
Evergrowing Bank Co. Ltd.
Bank of Hangzhou Co. Ltd.

Group Structure

As at 31 December 2023



BE Group indirect held 66.85% of the issued share capital of Beijing Properties (Holdings) Limited (the "Company") through its wholly-owned subsidiaries
 * For identification purpose only
 ** Joint venture
 & Associate
 Δ The disposal transaction has been completed on 24 January 2024

Financial Highlights

	2023	2022
	RMB'000	RMB'000 (Restated)
Revenue	1,468,336	1,125,947
Profit/(loss) before tax	(924,647)	260,006
Profit/(loss) for the year	(909,883)	63,513
Loss attributable to shareholders of the Company	(901,406)	(70,973)
Loss per share		
– basic (RMB)	(12.93 cents)	(1.02 cents)
– diluted (RMB)	(12.93 cents)	(1.02 cents)
	2023	2022
	RMB'000	RMB'000 (Restated)
Total asset	13,603,082	15,677,261
Equity attributable to shareholders of the Company	1,375,657	2,420,145
Total equity	3,003,777	4,210,609
Cash and bank balances	375,100	653,240
Net gearing ratio (percentage)	234.91%	170.86%

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors, I hereby present the annual results of Beijing Properties (Holdings) Limited (the "Group") for 2023.

For the year 2023, the Group incurred a loss of approximately RMB910 million, representing an increase in loss of approximately RMB970 million as compared with the profit of approximately RMB63.51 million for the same period last year, mainly because that: (i) no gain on disposal of subsidiaries arose during the year, as compared to a related gain of approximately RMB550 million in the same period last year; (ii) an impairment of approximately RMB280 million was generated from property valuation during the year, as compared to an appreciation of RMB35 million in the same period last year; and (iii) investment impairment of approximately RMB180 million was charged to an associate during the year. As the economy recovered more slowly than expected after the COVID-19, the general economic downturn led to a slower pace of asset sales on the one hand, and a fall in the value of inventory assets on the other. In addition, as the national real estate market deteriorated and an associate in which the Group had invested experienced liquidity difficulties as a result of its involvement in the real estate business, the Group made a one-off impairment provision for the investment after assessing that recovery probability of the investment was relatively low.

The year 2023 was an extraordinary year with multiple negative factors overlapping. Under such a difficult context, the Group has made efforts to carry out transformation, including organisational redesign and strict control on various expenditures, etc. Relevant measures have also begun to bear fruit, for example, administrative expenses decreased by approximately RMB54.56 million as compared to the same period last year; finance costs decreased by RMB50.98 million during the year as a result of the average interest rate reduction through continuous adjustment of the debt portfolio, and it is believed that finance costs will further decrease in 2024 after reflecting the benefits of the lowering of interest rates throughout the year.

Looking ahead, the Group's supply chain business, which is the major transformation focus of the Group, has continued to grow, with revenue increasing from approximately RMB642 million in 2022 to approximately RMB1,132 million in 2023, representing an increase of 76%. Although a slight loss was recorded, it was mainly generated from the continuous optimization of the supplier and customer portfolios in the course of development. Based on the accumulated experience, the upstream and downstream portfolio is now close to completion of optimization and the future profit base has been strengthened. It is believed that in 2024, the profit contribution from the supply chain will further increase.

The Group is still in the restructuring stage and will continue to deepen various reforms to further strengthen its assets operation and enhance its profitability. The Group believes that our profitability will continue to improve. We expect continued support from the shareholders for the Group's development.

Thank you.

ZHU Yingying

Chairman

28 March 2024

Management Discussion and Analysis

For the year ended 31 December 2023, the Group recorded a consolidated loss attributable to the shareholders of the Company of approximately RMB901.41 million, as compared to the consolidated loss attributable to the shareholders of the Company of approximately RMB70.97 million recorded for the year ended 31 December 2022.

BUSINESS REVIEW

The Group positioned itself as a professional property developer, focusing on logistics warehouses, cold storage, industrial factories and primary land development, while operating certain commercial projects. However, the business in which the Group was engaged previously was a heavy asset investment with a large capital backlog and a long payback period. Therefore, the Group designed a specific business model for sustainable development whereby the projects could generate sustainable income and at the same time promote the value increase of the properties through improved operating results, and ultimately maximise the ultimate return by seizing the most favourable market opportunity to sell when the value is realised. Since 2018, the Group has been actively preparing for the sale of assets of various mature projects, but the overall economic environment continued to deteriorate due to the continuous impact from a combination of negative factors including the change in the country's operating system, trade wars, pandemic, fierce geographical conflicts and rising interest rates, and the sales of two assets of the logistics warehouse and three assets of the industrial plants were finally completed only in 2022. However, the timing delay has resulted in continued increases in finance costs and declines in asset prices during the period, causing the Group to incur continuous losses. Therefore, having cautiously assessed the sustainable development of the business in the future, the Group decided to carry out a business transformation, i.e. to stop making new investments in the heavy asset business and dispose of it gradually, and leverage on the cold chain business that has been developed since 2019 to penetrate upstream and downstream to carry out the food supply chain business in the PRC, with a view to achieving a reduction in liabilities and finance expenses through the disposal of heavy assets, while diversifying revenue through an increase in revenue to improve the profitability of the Group.

The Group's current projects are also listed below respectively according to different categories.

(1) High-end and Modern General Warehouses

High-end and modern logistics warehouses are the developed projects that the Group gives priority for disposal. The Group completed the disposal of 90% interest of the Tongzhou District, Beijing project on 6 June 2022 and the disposal of the remaining 10% interest on 10 August 2023, with capital recovery of approximately RMB180,000,000. The disposals of the Tong'an District, Xiamen project and the Chengmai District, Hainan project have completed on 10 October 2023, with capital recovery of approximately RMB386,000,000. The disposals of the Pudong District, Shanghai project, the Tianjin (Tianjin Airport Zone of Tianjin Free Trade Zone) project, the Tianjin (Tianjin Port Zone of Tianjin Free Trade Zone) project and the Jiaozhou City, Qingdao project under that category with the total area of approximately 430,000 sq.m. are also under planning in an orderly manner.

Management Discussion and Analysis

BUSINESS REVIEW (Continued)

(1) High-end and Modern General Warehouses (Continued)

A list of the areas and occupancy rates of the high-end and modern general warehouses still held by the Group is as follows:

Location of warehouses	Notes	Planned and owned area (sq.m.)	Operating leasable area (sq.m.)	Average occupancy rate for the year ended 31 December	
				2023 (%)	2022 (%)
Pudong District, Shanghai ¹	(a)	211,555	211,555	60.09	54.78
Tianjin (Tianjin Airport Zone of Tianjin Free Trade Zone) ¹	(b)	57,670	57,670	37.43	95.12
Tianjin (Tianjin Port Zone of Tianjin Free Trade Zone) ¹	(c)	16,083	16,083	100	100
Dongpo District, Meishan	(d)	97,809	97,809	62.33	60.27
Ke'erqin District, Tongliao	(e)	31,113	31,113	81.41	80.98
Jiaozhou, Qingdao ²	(f)	145,170	–	–*	–*
		559,400	414,230		

* Projects under construction

Notes:

- These projects have been classified as held for sale as the Group intends to dispose of these projects. For details, please refer to the announcement dated 18 March 2022 and the circular dated 3 August 2022 of the Company.
- The Group intends to dispose of this project. For details, please refer to the announcement of the Company dated 31 December 2021.

Management Discussion and Analysis

BUSINESS REVIEW (Continued)

(1) High-end and Modern General Warehouses (Continued)

- (a) In 2023, in the face of severe situation of lease and market pressure, the Shanghai warehouse strengthened its communication with the existing tenants, actively carried out the lease renewal work, and made full use of its resources to assist the tenants in optimizing their business environment. It vigorously expanded new tenant resources to identify the intention of existing tenants to expand their lease. Through the unremitting efforts of the operation team, as at 31 December 2023, the overall occupancy rate of the project was 58.62%, remaining flat overall.
- (b) Tianjin Transwell International Logistics Co., Ltd. ("WSL Logistics"), the Tianjin (Tianjin Airport Zone) warehouse, remained the sole secondary warehouse supervised by Customs within the Tianjin Binhai International Airport area. The original client of Transwealth Logistics (Tianjin) Co., Ltd. ("Transwealth Logistics") fully surrendered the lease in February 2023 due to business restructuring and paid compensation to offset the rent accrued up to mid August. As a result of the significant drop in local imports and exceptionally fierce competition between peers during the same period, the lease market in Tianjin City as a whole was on a significant downward trend and there were few new clients on the market. In addition, due to the functional structure limit of Transwealth Logistics, it failed to secure any suitable tenant and conclude any lease agreement so far. The average occupancy rate of Phase I and II of Transwealth Logistics and WSL Logistics in 2023 was 37.43%.
- (c) Tianjin (Tianjin Port Zone) warehouse is located in the Tianjin Port Bonded Zone. The project has a total land area of 30,003 sq.m. and a total gross floor area of 16,083 sq.m. Currently the project has been fully leased to Kerry EAS Logistics Limited Tianjin Branch and remained fully leased in 2023, with stable revenue.
- (d) The Group operates four warehouses in Dongpo District, Meishan City of Sichuan Province with a total leasable area of approximately 97,809 sq.m. Given the development of the industry over the same period of time, a number of warehouses in the vicinity have been completed and put on the market, the vacancy rate increased significantly year-on-year. The current de-leasing pressure in the market is significant, and the occupancy rate as of the end of December 2023 stood at 53.21%.
- (e) The Group's Tongliao project is leased out as a logistics warehousing facility before commercial development. The project is situated at a convenient location in the downtown area of Tongliao City close to the high-speed rail station, with well-developed commercial facilities in its proximity. In 2023, the project team overcame the adverse impact of various aspects and continued to increase its efforts in attracting tenants, resulting in a steady increase in the overall occupancy rate. The average occupancy rate for the year of 2023 was 81.41%.
- (f) In March 2019, the Group has acquired a piece of land located in Jiaozhou Economic and Technological Development Zone, Qingdao, along the west side of Jiaoda Avenue (交大大道) and the south side of Taohe Road (洮河路). The total area of the land is approximately 113,428 sq.m. The project enjoys a convenient location near the Jiaozhou Bay Express Highway (膠州灣高速) and the Qingdao Jiaodong International Airport. Under this project, three 2-storeyed general warehouses and one multistoried cold storage are planned to be constructed conforming with international standards. The total gross floor area is approximately 155,400 sq.m. and has a total leasable area of approximately 145,170 sq.m., with a total investment amount of approximately RMB760 million. The project started in March 2020 but has been suspended during the COVID-19 pandemic and preparatory work for resumption is still underway and it is expected to be completed by the first quarter of 2025.

Management Discussion and Analysis

BUSINESS REVIEW (Continued)

(2) Supply Chain Development

The nationwide supply chain business is a business that the Group has extended and focused on relying on the existing online and offline cold chain and agricultural wholesale market infrastructure that has become mature, and further develops through the upstream and downstream through the self-developed online trading platform, with the aim of becoming a nationwide food supply chain business service provider. The supply chain business developed by the Group mainly provides integrated logistics services for high-value imported meat and aquatic products. With the rise of China's middle-class community, the demand for quality food is growing rapidly every year. However, due to the lack of reform in the industry during the past period, the supply chain industry in China remains subject to high input and low digitalization, and recorded a slow growth. Hence, no leading enterprises have emerged in the industry. This presents the Group with a great opportunity for development. The Group's supply chain business has rolled out international trade service, cold chain storage service and electronic business system development service for frozen products. Its strategic objective is to establish the best comprehensive supply chain industry service platform in the PRC to save costs and increase revenue for its customers by making full use of information technologies while eliminating financial risk of financial institutions by realizing full control over inventories, information and funds along the whole chain. The disposal of Tianjingang Project, a joint venture of the Group, was completed on 7 December 2023 with a capital recovery of approximately RMB146,000,000.

Details of the current cold storage under the supply chain business are as follows:

Location of warehouses	Notes	Planned and owned storage capacity (ton)	Operating leasable storage capacity (ton)	Average occupancy rate for the year ended 31 December	
				2023 (%)	2022 (%)
Hangu District, Tianjin ¹	(a)	75,000	45,000	59.90	88.41
Chengyang District, Qingdao	(b)	8,000	8,000	100	100
		83,000	53,000		

¹ The Group intends to dispose of this project. For details, please refer to the announcement dated 1 June 2023 of the Company.

Management Discussion and Analysis

BUSINESS REVIEW (Continued)

(2) Supply Chain Development (Continued)

Notes:

- (a) The Tianjin Zhongyu cold chain warehouse is positioned to serve as a cold chain logistics hub and a processing and distribution centre for aquatic products in northern China. Occupying an area of approximately 31,301 sq.m., Phase I has both cold chain storage space and freezer with a total storage capacity of approximately 45,000 tons. Phase II of the project has obtained government approval and preliminary work is in progress. Due to changes in the market environment, the Company intends to adjust the plan for Phase II of the project to promote the project establishment, construction and development with the strategic plan of taking “central kitchen processing of prefabricated dishes as the main and storage as the auxiliary”. Phase II is planned to take the “prefabricated dishes industrial park” as the project application, the construction of which contains 6 independent processing plants, 1 office building and 1 comprehensive service building, with a gross floor area of 29,856 sq.m. (the total capacity area is 48,108 sq.m.), and an estimated total investment of RMB100 million. As at 31 December 2023, the combined average occupancy rate of the cold chain storage space and freezer was 59.90%. Since the commencement of its operation, the project has maintained sound operation and achieved stable business development.
- (b) The Qingdao cold chain warehouse is principally engaged in the operation of cold logistics storage facilities in Chengyang District of Qingdao, China. The site area and storage capacity of Phase I of this project are approximately 15,352 sq.m. and 8,000 tons, respectively. Since the second half of 2021, cooperative operation of business has been carried out with Qingdao Yonghexun Logistics Storage and Transportation Co., Ltd. (青島永和迅物流儲運有限公司) for a term of ten years, with the occupancy rate of the cold storage reaching 100% as at 31 December 2023.

Details of the agricultural wholesale market under the supply chain business are as follows:

With the approval of Quzhou government authorities, Quzhou Tongcheng Agriculture Development Co., Ltd. (“Quzhou Tongcheng”) has been approved to establish a modern agricultural wholesale market project, including an agricultural exchange zone, which may be utilised as the new location for the existing exchange centre in the city following its relocation, as well as ancillary commercial facilities. The existing trading centre was granted the status of first class wholesale centre for agricultural products, serving a population of approximately 30 million people. The Quzhou agricultural shopping mall project will be constructed and developed in two phases. Phase I has a gross floor area of 41,282 sq.m. and was officially opened in August 2015. Phase II consists of three lots. Lots I and II have a gross floor area of 153,856 sq.m. and were officially opened in November 2017. Lot III is at the stage of sketch design refinement. As of 31 December 2023, the market had a leasable area of 162,223 sq.m., including a wholesale trading zone, a comprehensive market trading zone, a storage service zone and a public ancillary market facility zone, in which the average occupancy rates of the wholesale trading zone, the storage service zone and the public ancillary market facility zone were 82.54%, 79% and 81.15% respectively, and the operation team is making continuous efforts to conduct internal regional adjustment of the existing assets in order to improve the overall occupancy rate and the rent unit price, so that the project can achieve profitability as soon as possible.

Management Discussion and Analysis

BUSINESS REVIEW (Continued)

(2) Supply Chain Development (Continued)

According to the work requirements on the implementation of digital market by the Quzhou government authorities, Quzhou agricultural shopping mall project sped up the new retail upgrade and renovation of professional markets, so as to realize online transactions and mobile payment and other new retail mode. The digital smart agriculture wholesale system ended the trial operation at the beginning of the second half of 2023, and commenced to charge transaction commissions for fruits on 1 January 2024. In order to effectively revitalize the assets, the operation team has broadened the ideas of investment by investing a small amount of funds to renovate the vacant Frozen Product Zone No.24 and No.25 into a comprehensive morning market zone which was put into operation on 20 April 2023. The occupancy rate of the morning market zone (No.24 and No.25) was 100% with the annual rental income of RMB3,848,300. In addition, after the commencement of operation of the morning market, the heavy traffic has boosted the development of the surrounding areas.

Online services and trading platforms are the main drivers of the Group's supply chain business development. Coldeal (凍品e港) (formerly known as Frozen Products Exchange (凍品交易港)) (www.cciinet.com), version 3.0 (for commercial use), version H5 and App version were gradually optimized and launched with successful integration of online registration, trading and payment. The implementation of the online platform safety management plan, full product life cycle management and full media channel operation management were completed. In November 2022, Beijing Infinity Data Technology Co., Ltd. (北京融界數據科技有限公司) ("Infinity Data") under the Group passed the accreditation and was approved as a high technology enterprise. As at 31 December 2023, Infinity Data had obtained a total of 37 software copyright registrations. At the same time, the total number of registered users of Coldeal (凍品e港) developed and operated by Infinity Data reached 194,233 and the number of certified enterprises reached 6,890. An annual evaluation of security protection of system information has been inspected and filed in accordance with the requirements on an annual basis, and the security level of system information was upgraded to level 3 of security protection 2.0. So far, Coldeal serves more than 400 counties and cities in about 31 provinces across the country by integrating over 3,173 logistics companies, over 16,947 logistics routes and over 7,000 cold storage across the country. Meanwhile, we have commenced in-depth strategic cooperation with enterprises in all segments along the supply chain and industry chain. Services will be provided to customers through cold storage partners at different locations. At the present stage, cooperation agreements have been reached with cold storage partners in, among other places, Dalian Bonded Zone, Dalian Economic and Technological Development Zone, Yangshan Free Trade Zone in Shanghai, Pudong New Area in Shanghai, Tianjin Bonded Zone and Yantian District in Shenzhen, basically completing the establishment of storage network by connecting the coastal ports. Supported by the development of the international trade services business and an advanced Internet technology support system, an integrated service platform featuring the most comprehensive services and state-of-the-art technologies within the Chinese cold product industry will be established.

Management Discussion and Analysis

BUSINESS REVIEW (Continued)

(3) Industrial Properties

In response to the demand for relocation of high-end manufacturing industries in Shanghai, the Group commenced the industrial property business at the end of 2016 and formed several non-wholly owned subsidiaries (held by the Group as to 75%) with SSinolog (China) Holding I Pte. Ltd. from Singapore. In 2022, the Group successfully disposed of its completed projects in Taicang, Jiangsu Province, Changshu, Jiangsu Province and Suzhou, Jiangsu Province. Among them, the disposal of the last project in Jiaxing, Zhejiang Province, which cooperated with SSinolog (China) Holding I Pte. Ltd. from Singapore, was completed on 24 January 2024, with sales proceeds of approximately RMB272,940,000.

At present, the only industrial plant held by the Group is located in the industrial park headquarters project of Tianning Economic Development Zone in Changzhou, Jiangsu Province. This project is planned to have a total land area of approximately 200 mu and a gross floor area of approximately 476,403 sq.m.. The planned and owned area will be 340,882 sq.m.. With a total investment of approximately RMB2,000 million, it will be developed in two phases. Construction of Phase I has been completed and accepted on 30 June 2022 and is actively being leased and sold, with 7,831.24 sq.m. of sale area completed, and the construction of Phase II is still under planning. A portion of the gross floor area will be sold to speed up cash recovery. The project will be the first Internet economic platform cluster in Tianning District, Changzhou and will facilitate collective innovation and sustainable development of Internet + businesses with the principle of “intelligence sharing + smart manufacturing + smart products” by integrating three core concepts, namely smart manufacturing, smart technology and smart design. It will also perform commercial, leisure and other urban functions so as to transform Jiangsu Sunan Zhicheng Technology Park (“Jiangsu Sunan Zhicheng”) into an industrial park that combines industry and city, empowered by the Internet + smart technologies. This project has been put on the list of key projects in Jiangsu Province in early 2020, and has been put on the list of provincial-level technology enterprise incubators in Jiangsu Province in 2022. Meanwhile, Jiangsu Sunan Zhicheng was granted the “**Major Investment Project Award**” by Tianning District, Changzhou.

(4) Belt and Road Initiative

The Sino-Cambodian SEZ project is located in Kampong Chhnang Province, which is 65 kilometres northwest of Phnom Penh, the capital of Cambodia. It is linked to Phnom Penh by Highway 5. This project has a planned target site area of 30,000,000 sq.m.. Certificate for approximately 14,667,829 sq.m. of the land has been obtained. We are proactively introducing strategic partners and actively conducting business negotiations. Currently, the compliance control design and certain municipal designs of the project have been completed. Benefiting from preferential taxation, import and export policies offered by the Cambodian government, the overall design of the SEZ covers different urban functions including manufacturing and processing, logistics and commerce, technology and culture, and education and residential facilities. The project is positioned to serve Chinese enterprises under the Belt and Road Initiative and provide Chinese merchants with a clustered integrated industrial platform. The customs, commerce, labour, taxation and other departments of the Cambodian government will set up offices to offer one-stop services to enterprises within the SEZ. The Group mainly conducts primary land development in the SEZ and sells the same to Chinese enterprises upon completion of land development to realise returns on land transfer. It also provides management services in industrial parks to receive sustainable management fee income.

Currently, in terms of project planning, the Group has completed a detailed and controlled planning of the land under Phase I of the project. With the concept of “commercial parks + urban complex”, it plans to have its commercial parks dominated by light industries, supported by commercial circulation, and featuring technological research and development, education, and cultural tourism. Moreover, modern concepts such as “flexible use of land”, “sponge city” and “neighbourhood centres” will be introduced in the planning of the urban complex.

Management Discussion and Analysis

BUSINESS REVIEW (Continued)

(4) Belt and Road Initiative (Continued)

The Cambodian government is currently rolling out a number of policies to attract investments from foreign enterprises. Such policies aim at establishing a free and open economic system by offering equal treatment to foreign and domestic investors. With the combo network of the Belt and Road Initiatives launched by China and “Rectangular Strategy” proposed by Cambodian government, China-Cambodia cooperation has boosted the Cambodian economy to maintain a growth rate of 5%–7% since 2013. In 2023, China remained as the largest investor of Cambodia. In recent years, the Cambodian economy has been expanding rapidly, with an average age of less than 30 and the ageing population of less than 5% of the population, offering abundant manpower.

As the RCEP agreement and the China-Cambodia Free Trade Agreement come into play, the ongoing implementation of the Belt and Road Initiative will brighten up the development and construction of the Sino-Cambodian project. The Group will tightly grasp this historical opportunity by setting up funds jointly with quality partners to fund the further development of the Sino-Cambodian project, and exploring new ideas to keep up with the rapid development of cross-border e-commerce in Southeast Asia, and fully considering how to deeply explore the advantages of the project under the changing market environment, so as to continuously improve the plan of the Sino-Cambodian project.

In addition, the former Cambodian Prime Minister Mr. Samdech Techo Hun Sen and the Cambodian Prime Minister Mr. Hun Manet paid multiple visits to China in 2023, upon which, both parties of China and Cambodia published a joint statement of building the China-Cambodia Community of Shared Destiny in the new era and released the Sino-Cambodian Joint Statement, stating that the two countries intend to construct a “**Corridor of Fisheries and Grain (魚米走廊)**” centered on the Tonle Sap Lake, so as to pursue the development of modern ecological agriculture and expand the trade of high-quality agricultural products between the two countries, which aligns to the development of food supply chain business of the Group. To sum up, as the details of cooperation between China and Cambodia are subject to disclosure, the Group will actively keep up with the development of the project, further optimize our overall plans for the industry parks, and launch the Construction of Phase I thereof when appropriate.

In the long run, considering the stable and amicable long-term relation between China and Cambodia, the Group believes that such project will generate stable cash flows to support the business development of the Group.

Management Discussion and Analysis

BUSINESS REVIEW (Continued)

(5) Commercial Properties

- (a) Guangzhou Guangming Real Estates Co., Ltd. (“Guangzhou Guangming”) owns a 99% interest in Metro Mall, which is situated at the Beijing Road shopping district, Yuexiu District of Guangzhou City of China. The mall has a gross floor area of approximately 61,967 sq.m., and is a commercial complex providing dining, entertainment, shopping and cultural experience to young customers aged between 16 and 28. The average occupancy rate of the owned area of the project was approximately 86.48% during 2023.
- (b) Beijing Stable Charmfull Business Management Ltd. (“Stable Charmfull”, formerly known as Holiday Inn Downtown Beijing Company Limited) is a wholly-owned subsidiary of the Group and is the owner of a four-star business and leisure hotel providing 333 elegantly decorated rooms to business travelers in North Lishi Road (near Financial Street, Xicheng District), Beijing. Due to industry-specific reasons, despite being a long-time leader in terms of occupancy rates among the Beijing Holiday Inn hotel brand, the hotel’s contribution to the Group’s profit remained limited. Thus, BJ Holiday Inn signed a contract on 12 November 2019 with Beijing Shouhou Healthcare and Elderly Care Enterprise Management Limited (北京首厚康健養老企業管理有限公司) to entrust its operations. The hotel ceased operation and commenced renovations in the first quarter of 2020. The hotel is expected to commence operation in the second quarter of 2024.

BUSINESS PROSPECTS

In the past, the Group, as a professional property developer, focused on heavy asset investment with high input costs and long payback period, of which the huge expenditure on finance costs directly affected the profitability of the company. Since 2019, the Group has made two business transformation. First, the Group has gradually withdrawn from the pan-property development field, and continues to promote the disposal of assets of mature projects to achieve the multiple objectives of capital recovery, profit realization and debt reduction. Secondly, we will further develop our supply chain industry. In 2023, the national food supply chain industry developed in a steady manner with industry scale reaching a new level. Of which, the primary food market size amounted to RMB7.04 trillion, the scale of food processing amounted to RMB12.77 trillion, the scale of food circulation amounted to RMB9.15 trillion, and the scale of food consumption amounted to RMB16.54 trillion. In addition, with the support of a series of national policies to stabilize the economy and promote consumption, the total GDP in 2023 exceeded RMB126 trillion, with a growth rate of 5.2%. The steady improvement of the macro economy also provided a good economic environment for the recovery and development of the food supply chain industry. To sum up, the market size of the food supply chain is expected to continue to grow in 2024. The Group will transform into a food supply chain service provider based on our existing cold storage resources and Internet platform. We are committed to empowering traditional industries with technological means, gradually participating in the food supply chain business, which is one of the necessities of people’s livelihood, from the single cold chain warehousing business to the long-term profit by significantly increasing the proportion of service revenue and ensuring healthy capital flow, changing the past dilemma of long-term backlog of capital and inability to revitalize cash flow.

Management Discussion and Analysis

BUSINESS PROSPECTS (Continued)

2023 marks the first year for Beijing Properties to promote the high-quality development of the entire supply chain from upstream bulk trading to downstream consumption. The government has promulgated a series of policies relating to the food supply chain business. In particular, the 2023 government work report lists “focusing on expanding domestic demand” as the first priority of the year, giving priority to the recovery and expansion of consumption. Besides, the “Measures for the Recovery and Expansion of Consumption” promulgated by the National Development and Reform Commission specifically mentions the need to expand the service consumption of the catering industry. To sum up, as an important partner in the catering industry, the food supply chain will become an important support of the entire consumer market in the future. The Group intends to develop light-asset operation business by utilizing the heavy assets invested by it. Leveraging on the heavy-asset infrastructure facilities invested by the Group including room temperature storage, cold storage, wholesale market and Internet-based trading platform, the supply chain services aims to develop light-asset operation business. By focusing on high-value product category (i.e. frozen meat) and leveraging on its advantage of professional sourcing, the Group will make strenuous efforts to develop downstream head customers, building a persistently stable network of downstream customers of the supply chain to serve head food-preparation factories, chain restaurants, supermarket communities and e-commerce. Meanwhile, by leveraging on the synergetic resource advantage among each of the Group’s subsidiaries, the Group has developed the “three-in-all” distinctive supply chain services integrating supply chain services + storage & logistics infrastructure and industrial park operation + data-driven mode covering full supply chain from the source to the downstream market. By introducing upstream and downstream customers through supply chain services and renovating the Group’s existing infrastructure facilities such as cold storage and logistics parks, the Group provides customised storage and logistics services on the supply chain to customers, so as to improve the utilisation rate of the facilities and reduce operation costs. Furthermore, the Group focuses on the key risk control points of every aspect along the industrial chain including storage, logistics and custom clearance, gradually improving its profitability and providing financial support to the customers, with an aim to attract more customers and businesses with the above-mentioned value services and form a three-pronged business growth model. Moreover, through the supply chain service operation business project dedicated for each city, the Group aims to conduct imported food cold chain cooperation based on free-trade zones, industrial parks and logistics parks, so as to promote the expansion and quality development of the supply chain along the national industrial chain. The Group is committed to establishing a light-asset S2B2C (source suppliers – business – customer) food supply chain platform with low risks and strong cashflow in the coming three to five years.

In the future, the Group will reduce its reliance on heavy assets and the speed of investment, and shift to a development model that combines light with heavy assets. With sophisticated experience in logistics property, industrial property and cold chain business, we will increase the proportion of service business. We believe that driven by policy support and market demand, the food supply chain business is expected to develop in a more rapid, healthy and sustainable way in the future. In the meantime, we will continue to reduce operating costs and financial expenses to achieve operating profit and positive cash flow, and continue to bring benefits to shareholders.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue and gross profit analysis

The revenue (net of business tax) for the year ended 31 December 2023 amounted to approximately RMB1,468.34 million, representing an increase of approximately RMB342.39 million or 30.41%, from approximately RMB1,125.95 million for the year ended 31 December 2022. The gross profit for the year ended 31 December 2023 amounted to approximately RMB234.10 million, representing a decrease of approximately RMB165.72 million, or 41.45% from approximately RMB399.82 million for the year ended 31 December 2022.

The revenue (net of business tax) contributions of the Group's assets included:

Name of assets	2023		2022		Change	
	Revenue RMB'000	GP Margin %	Revenue RMB'000	GP Margin %	Revenue RMB'000	GP Margin %
High-end and modern general warehouses						
Shanghai	55,410		46,103		9,307	
Tianjin	21,568		26,936		(5,368)	
Xiamen	19,209		25,439		(6,230)	
Meishan	8,835		9,076		(241)	
Hainan	7,694		10,488		(2,794)	
Jiangsu	–		41,746		(41,746)	
Tongliao	2,921		2,769		152	
	115,637	89.54	162,557	89.04	(46,920)	0.50
Cold chain logistics warehouses						
Tianjin	22,449		70,499		(48,050)	
Qingdao	2,502		2,628		(126)	
	24,951	38.60	73,127	46.49	(48,176)	(7.89)
Trading business						
Beijing	1,131,012		641,874		489,138	
Hong Kong	1,182		–		1,182	
	1,132,194	(1.32)	641,874	2.21	490,320	(3.53)
Specialised wholesale markets						
Quzhou Tongcheng	39,947	67.21	27,769	69.02	12,178	(1.81)

Management Discussion and Analysis

FINANCIAL REVIEW (Continued)

Revenue and gross profit analysis (Continued)

Name of assets	2023		2022		Change	
	Revenue RMB'000	GP Margin %	Revenue RMB'000	GP Margin %	Revenue RMB'000	GP Margin %
Industrial properties						
Zhejiang	25,267		94,840		(69,573)	
Jiangsu	55,457		56,786		(1,329)	
	80,724	56.42	151,626	79.88	(70,902)	(23.46)
Commercial properties						
Guangzhou	34,754		28,694		6,060	
Beijing	40,129		40,300		(171)	
	74,883	84.76	68,994	96.55	5,889	(11.79)
The Group	1,468,336	15.94	1,125,947	35.51	342,389	(19.57)

High-end and modern general warehouses

The revenue contribution of high-end and modern general warehouses for the year ended 31 December 2023 amounted to approximately RMB115.64 million, representing a decrease of approximately RMB46.92 million or 28.86% from approximately RMB162.56 million for the year ended 31 December 2022. The decrease was primarily attributable to (i) the disposal of Jiangsu project at the end of 2022; and (ii) the disposal of Xiamen and Hainan projects in October 2023. The gross profit margin slightly increased from approximately 89.04% for the year ended 31 December 2022 to approximately 89.54% for the year ended 31 December 2023.

Cold chain logistics warehouses

The revenue contribution of cold chain logistics warehouses for the year ended 31 December 2023 amounted to approximately RMB24.95 million, representing a decrease of approximately RMB48.18 million or 65.88% from approximately RMB73.13 million for the year ended 31 December 2022. The decrease was primarily attributable to (i) the cancellation of nucleic acid detection and disinfection operations which had a significant impact on revenue; and (ii) the decrease in average occupancy rate in Tianjin. The gross profit margin decreased from approximately 46.49% for the year ended 31 December 2022 to approximately 38.60% for the year ended 31 December 2023 due to the decrease in revenue while the depreciation change under the direct cost of rental income remained constant.

Trading business

The revenue contribution of trading business for the year ended 31 December 2023 amounted to approximately RMB1,132.19 million, representing an increase of approximately RMB490.32 million or 76.39% from approximately RMB641.87 million for the year ended 31 December 2022. The increase was primarily attributable to the supply chain development which provides integrated logistics services for high-value imported meat and aquatic products.

Management Discussion and Analysis

FINANCIAL REVIEW (Continued)

Specialised wholesale markets

The revenue contribution of specialised wholesale markets for the year ended 31 December 2023 amounted to approximately RMB39.95 million, representing an increase of approximately RMB12.18 million, or 43.86%, from approximately RMB27.77 million for the year ended 31 December 2022. The increase in revenue was attributable to the increase in average occupancy rate of the public ancillary market facility zone. The gross profit margin slightly decreased from approximately 69.02% for the year ended 31 December 2022 to approximately 67.21% for the year ended 31 December 2023.

Industrial properties

The revenue contribution of industrial properties for the year ended 31 December 2023 amounted to approximately RMB80.72 million, representing a decrease of approximately RMB70.90 million or 46.76% from approximately RMB151.62 million for the year ended 31 December 2022. The decrease was attributable to the disposal of 3 projects in Jiangsu in 2022. The gross profit margin decrease from approximately 79.88% for the year ended 31 December 2022 to approximately 56.42% for the year ended 31 December 2023 was mainly due to the increase in the portion of profit from disposal of properties.

Commercial properties

The revenue contribution of commercial properties for the year ended 31 December 2023 amounted to approximately RMB74.88 million, representing an increase of approximately RMB5.89 million or 8.54% from approximately RMB68.99 million for the year ended 31 December 2022. The increase was primarily attributable to the cancellation of rent concession in 2023 in Guangzhou. The gross profit margin decreased from approximately 96.55% for the year ended 31 December 2022 to approximately 84.76% for the year ended 31 December 2023 due to a one-off compensation for the termination of employment contract of hotel staff.

Changes in fair value of investment properties, net

For the year ended 31 December 2023, net fair value loss of investment properties was approximately RMB280.49 million, the loss was mainly attributable to the fair value changes of properties located in Guangzhou and Zhejiang.

Gain on disposal of subsidiaries

For the year ended 31 December 2023, gain on disposal of subsidiaries was approximately RMB0.47 million, which represented the disposal of 2 projects in Xiamen and Hainan.

For the year ended 31 December 2022, gain on disposal of subsidiaries was approximately RMB545.99 million, which represented the disposal of 5 projects in Beijing, Taicang, Suzhou and Changshu.

Other income and gains, net

For the year ended 31 December 2023, net other income and gains were approximately RMB55.24 million, which represented an increase of approximately RMB7.00 million, or 14.51%, from approximately RMB48.24 million for the year ended 31 December 2022. The increase in net other income and gains was mainly attributable to the gain on disposal of a joint venture, Tianjin Beijing Inland Port Company Limited ("TBIPL"), of RMB26.99 million.

Management Discussion and Analysis

FINANCIAL REVIEW (Continued)

Selling and distribution expenses

For the year ended 31 December 2023, selling and distribution expenses were approximately RMB15.76 million, which represented an increase of approximately RMB9.27 million, or 142.84%, from approximately RMB6.49 million for the year ended 31 December 2022. The increase in selling and distribution expenses was primarily related to the staff cost of sales team for trading business.

Administrative expenses

For the year ended 31 December 2023, administrative expenses were approximately RMB130.67 million, which represented a decrease of approximately RMB54.56 million, or 29.46%, from approximately RMB185.23 million for the year ended 31 December 2022. The decrease in administrative expenses was mainly due to the effect of (i) the decrease in legal and professional fee for the disposal of subsidiaries; (ii) decrease in staff cost; and (iii) decrease in the property tax from industrial group.

Other expenses

For the year ended 31 December 2023, other expenses were approximately RMB12.45 million, which represented a decrease of approximately RMB15.11 million, or 54.83%, from approximately RMB27.56 million for the year ended 31 December 2022. The decrease in other expenses was primarily related to the foreign exchange differences in 2022.

Finance costs

For the year ended 31 December 2023, finance costs were approximately RMB474.29 million, representing a decrease of approximately RMB50.98 million, or 9.71%, from approximately RMB525.27 million for the year ended 31 December 2022. The decrease in finance costs was primarily related to the decrease in total borrowings during the year.

Share of profits or losses of joint ventures

For the year ended 31 December 2023, the share of losses of joint ventures of approximately RMB15.01 million was mainly contributed by TBIPL.

Share of losses of associates

For the year ended 31 December 2023, the share of losses of associates of approximately RMB285.78 million was mainly contributed by share the results and impairment losses of Beijing Health (Holdings) Limited, a listed company on The Stock Exchange of Hong Kong Limited and Beijing Enterprises City Investment Holdings Group Co., Ltd. ("BE City Investment").

Income tax expense

Income tax expense for year ended 31 December 2023 included current income tax of RMB33.34 million. Deferred tax credit for the year ended 31 December 2023 was RMB48.11 million which arose from the change in the fair value of investment properties.

Investment properties

Investment properties decreased by approximately RMB622.31 million, which was mainly due to the net effect of (i) the construction of logistics warehouse of RMB13.17 million; (ii) the decrease in fair value of investment properties (excluding investment properties under held for sale) of RMB267.48 for the year; and (iii) the transfer of RMB368.00 million to assets of disposal group classified as held for sale.

Management Discussion and Analysis

FINANCIAL REVIEW (Continued)

Goodwill

Goodwill represented the acquisition in previous years for logistics warehouse business and commercial property business.

Interests in joint ventures

Interests in joint ventures decreased by approximately RMB133.80 million, which was mainly due to the disposal of TBIPL in 2023.

Interests in associates

Interests in associates decreased by approximately RMB288.53 million, due to the net effect of (i) share of losses and impairment losses of RMB285.78 million for the year; and (ii) share of reserves of RMB2.75 million.

Equity investments at fair value through other comprehensive income

Equity investment decreased by approximately RMB7.45 million, mainly due to the decrease in fair value of CAQ Holdings Limited during the year.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss represented the remaining 10% shareholding of Beijing Inland Port Co., Ltd. which was disposed during the year.

Land held for development or sale

Land held for development or sale mainly represented lands located in Cambodia for the primary land development business.

Properties under development or held for sale

Properties under development or held for sale mainly represented properties located in Jiangsu for the industrial property business.

Cash and cash equivalents

Cash and cash equivalents decreased by RMB278.14 million, mainly due to the net effect of (i) proceeds from disposal of subsidiaries of RMB758.49 million; (ii) net drawdown of bank and other borrowings of RMB4,132.83 million; (iii) repayment of guaranteed bonds of RMB4,930.40 million; (iv) interest paid of RMB449.98 million; (v) proceeds from disposal of financial assets at fair value through profit or loss of RMB180.10 million; (vi) settlement for the construction cost of investment properties of RMB12.16 million; (vii) dividend paid to non-controlling equity holders of RMB82.56 million; and (viii) funding granted by Beijing Enterprises City Development Limited ("BE City Development", a fellow subsidiary of the Company) of RMB250.00 million.

Held for sale

Held for sale represented assets and liabilities of disposal groups from (i) 4 logistic groups; and (ii) an industrial project. The disposal groups are required to undergo the process of Public Tender through an approved equity exchange in accordance with the relevant PRC laws and regulations governing the disposal of State-controlled assets. As the transaction has not been completed, the assets and liabilities from the disposal groups are classified into held for sale as at 31 December 2023. For more details, please refer to (i) the announcement of the Company dated 18 March 2022 and the circular of the Company dated 3 August 2022; and (ii) the announcement of the Company dated 28 August 2023 and the circular of the Company dated 5 October 2023.

Management Discussion and Analysis

FINANCIAL REVIEW (Continued)

Due to other related parties

Due to other related parties increased by RMB215.41 million (non-current portion decreased by RMB54.28 million and current portion increased by RMB269.69 million), mainly due to the net effect of (i) a loan from BE City Development of RMB250.00 million; and (ii) transfer of funding granted by the non-controlling shareholder of the Company's subsidiary located in Singapore of RMB54.28 million to liability directly associated with assets of disposal groups classified as held for sale.

Bank and other borrowings

Bank and other borrowings increased by RMB4,510.22 million (non-current portion increased by RMB5,120.93 million and current portion decreased by RMB610.71 million), mainly due to the net effect of (i) utilizing for the settlement of guaranteed bonds of RMB4,930.40 million; and (ii) disposal of subsidiaries with bank and other borrowings of RMB20.40 million.

Guaranteed bonds

Guaranteed bonds represented a 3 years' period bond issued in February 2020 of which has a par value of USD600 million and additionally issued in August 2020 which has a par value of USD150 million. The Group fully repaid the outstanding amount during the year.

Liquidity and financial resources

As at 31 December 2023, for accounting purposes, the Group had total borrowings of approximately RMB7,431.42 million (31 December 2022: approximately RMB7,847.48 million) which included bank and other borrowings. The Group's gearing ratio, which was defined as sum of bank and other borrowings and guaranteed bonds, net of cash and cash equivalents and restricted cash, divided by the total equity, was approximately 234.91% (31 December 2022: approximately 170.86%).

As at 31 December 2023, the Group's balance of bank and other borrowings amounted to approximately RMB7,431.42 million, which was denominated in United States dollars ("USD"), Hong Kong dollars ("HK\$") and Renminbi ("RMB") as to 2.79%, 1.45% and 95.76%, respectively. 12.09% of these bank and other borrowings was repayable less than one year. As at 31 December 2023, the Group's cash and bank balances amounted to approximately RMB375.10 million, which were denominated in USD, HK\$ and RMB as to 4.11%, 2.46% and 93.43%, respectively. Bank and other borrowings of an aggregate amount of RMB3,080.94 million bear interest at floating rates. The cash and bank balances, together with the unutilised banking facilities, are sufficient to finance the Group's businesses at the moment.

As at 31 December 2023, the Group's current ratio and quick ratio were approximately 198.59% and 124.72%, respectively (31 December 2022: approximately 76.79% and 52.39%, respectively).

The net total borrowings of the Group as at 31 December 2023 (total borrowings less cash and cash equivalents and restricted cash) was RMB7,056.32 million (31 December 2022: RMB7,194.24 million), representing a decrease of RMB137.92 million as compared to the previous year.

Contingent liabilities

At 31 December 2023, except for a claim of supplementary compensation liability of RMB105 million for the debt owed to a bank by an associate that disclosed under headline "Litigations", the Group had no significant contingent liabilities (31 December 2022: Nil).

Management Discussion and Analysis

FINANCIAL REVIEW (Continued)

Capital expenditures

For the year ended 31 December 2023, the Group spent approximately RMB24.48 million (For the year ended 31 December 2022: approximately RMB20.24 million) as capital expenditures, which consisted of the purchase of property, plant and equipment and investment properties.

Capital commitments

As at 31 December 2023, the Group had outstanding contracted capital commitments amounted to approximately RMB689.99 million in aggregate which comprised commitments for:

- the outstanding construction costs of approximately RMB581.54 million committed for warehouse facilities.
- the outstanding capital injection of approximately RMB105 million payable for BE City Investment.
- the outstanding capital injection of approximately USD500,000 (equivalent to approximately RMB3.45 million) payable for a joint venture.

Treasury policies

The Group adopts conservative treasury and risk management policies and controls tightly over its cash. The Group's cash and cash equivalents are held mainly in HK\$, RMB and USD. Surplus cash is generally placed in short term deposits denominated in these currencies.

Foreign exchange exposure

The Group mainly operates in the PRC with most of the domestic transactions settled in RMB for its PRC business and the Company's financing activities are mainly determine in USD. Meanwhile, fluctuations of exchanges rates would impact our net assets value due to currency translation upon consolidation. If RMB appreciated/depreciated against HK\$, the Group would record a(n) increase/decrease in our net assets value, as part of the Group's borrowings and cash balances are denominated in HK\$ and USD. For the year ended 31 December 2023, the Group did not employ financial instruments for hedging its exposures to foreign currency risk. The Group will closely monitor its exposures to fluctuation in foreign currencies' exchange rates as exchange rate fluctuation of foreign currencies against RMB may have a material financial impact on our Group.

Significant investments and acquisitions

For the year ended 31 December 2023, the Group had no significant investments and acquisitions of subsidiaries and affiliated companies.

Management Discussion and Analysis

FINANCIAL REVIEW (Continued)

Charges on assets

As at 31 December 2023, the Group had bank loans with principal amounts of approximately RMB1,306.44 million being secured by certain investment properties, cash and bank balances, trade receivables and equity interests in certain subsidiaries of the Group and all of which were guaranteed by the Company.

Litigations

In December 2023, The Agricultural Bank of China Co., Ltd. South Sea Lishui Branch (the “Bank”) sued 北京允中管理諮詢有限公司, a wholly-owned subsidiary of the Company, to bear supplementary compensation liability within the scope of RMB105 million in principal and interest for the debt owed to the Bank by 北控城投(佛山)控股集團有限公司 that guaranteed by 北控城投控股集團有限公司. 北京允中投資諮詢有限公司 has 35% equity interest of 北控城投控股集團有限公司 and the investment is classified as an associate, the claim amount of RMB105 million is being the contracted unpaid capital commitment for the associate and no guarantee has been provided to the debt by the Group. The case is pending the Foshan Intermediate People’s Court hearing. The management of the Group are of the opinion that any possible legal liability which may incur from such litigation shall not have material adverse effect on the financial position of the Group.

Employees and remuneration policies

As at 31 December 2023, the Group had a total of 368 (2022: 525) employees. Total staff cost incurred for the year ended 31 December 2023 amounted to approximately RMB87.34 million (2022: approximately RMB89.74 million) (including staff cost and directors’ remuneration). The employees are remunerated based on their work performance, professional experiences and prevailing industry practices. The Group’s employee remuneration policy and packages are periodically reviewed by the management. Apart from pension funds, discretionary bonuses and share options are awarded to certain employees according to the assessment of individual performance.

Directors and Senior Management

Our board (the “Board”) of directors (the “Directors”) currently consists of eight Directors, comprising five executive Directors and three independent non-executive Directors.

EXECUTIVE DIRECTORS

Mr. Zhu Yingying

Born in January 1985, is currently the general manager and a director of Beijing Enterprises City Development Group Limited (“BE City”), which is a subsidiary of Beijing Enterprises Group Company Limited (“BE Group”). Mr. Zhu obtained a bachelor’s degree of engineering from Nanjing University of Posts and Telecommunications in 2004 and obtained a master’s degree of management from Peking University in 2008. Mr. Zhu previously worked in the State-owned Assets Supervision and Administration Commission of People’s Government of Beijing Municipality and the Beijing government before joining BE Group in 2013. He worked in the research centre of BE Group, and as senior management of the Beijing Municipal Administration & Communication Card Co., Ltd. (北京市政交通一卡通有限公司) and Beijing Enterprises Smart City Technology Development Co., Ltd. (北控智慧城市科技發展有限公司) before he was appointed as the general manager and a director of the BE City in April 2023. Mr. Zhu has extensive experience in government relations and corporate management.

Mr. Xu Zhigang

Born in March 1982, graduated from Jiangxi University of Finance and Economics with a bachelor’s degree in laws and obtained a master’s degree in laws from Nankai University. Mr. Xu is currently the general counsel of BE City, and directors of Beijing Enterprises City Development Limited and Zhejiang Rongheng Real Estate Co., Ltd. (浙江融衡地產有限公司) which are subsidiaries of BE City. BE City is a subsidiary of BE Group. Mr. Xu obtained his legal professional qualification of the People’s Republic of China in 2005, and he has been engaged in corporate legal compliance for a long time and has extensive experience in corporate legal compliance.

Mr. Siu Kin Wai

Born in September 1968, was appointed as an executive director of the Company in July 2009 and the chief executive officer of the Company in July 2017. Following the reform of the internal management structure of the Company, Mr. Siu’s title was changed from the Chief Executive Officer to the General Manager of the Company in February 2023 without substantial alteration in duties and responsibilities. Mr. Siu graduated from the City University of Hong Kong with a Bachelor’s degree in Accountancy and is fellow members of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales. Mr. Siu has extensive experience in corporate management. Mr. Siu is a director of Brilliant Bright Holdings Limited, which is a controlling shareholder of the Company. Mr. Siu is the non-executive director of CAQ Holdings Limited (“CAQ”), a company listed on the Australia Stock Exchange with Listing Corporation Code of CAQ since April 2015, an executive director of Beijing Health (Holding) Limited (“BJ Health”) (SEHK Stock Code: 2389) since May 2017, a director of MillenMin Ventures Inc. (“MVM”), a company listed on the Toronto Stock Exchange with Listing Stock Code of MVM since July 2017, an independent non-executive director of Orient Securities International Holdings Limited (SEHK Stock Code: 8001) since September 2017, respectively. Mr. Siu was appointed an independent non-executive director of Golden Century International Holdings Group Limited (SEHK Stock Code: 91) on 22 March 2023 and has resigned from this position with effect from 18 March 2024. Mr. Siu served as an independent non-executive director of Agritrade Resources Limited (SEHK Stock Code: 1131) during the period from 24 August 2010 to 9 June 2021.

Directors and Senior Management

EXECUTIVE DIRECTORS (Continued)

Mr. Dong Qilin

Born in December 1965, was appointed as an executive director of the Company in June 2016. Mr. Dong is a vice general manager of BE City. Mr. Dong graduated from the University of Science and Technology in Beijing with a Master's degree in Public Administration (MPA) and obtained the professional and technological qualifications of Senior Accountant and Certified Public Accountant of the PRC. Mr. Dong has extensive experience in corporate management and financial operation.

Mr. Cheng Ching Fu

Born in March 1974, was appointed as an executive director of the Company in July 2017. Mr. Cheng is the chief financial officer and company secretary of the Company. Mr. Cheng graduated from Curtin University, Perth, Western Australia with a Bachelor's degree in Commerce, majoring in Accounting and Finance. He then obtained a Master of Business Administration from the University of South Australia and a Master of Corporate Governance from the Hong Kong Polytechnic University. He is a fellow members of the Hong Kong Institute of Certified Public Accountants, the CPA Australia, the Hong Kong Chartered Governance Institute and the Chartered Governance Institute, respectively. Mr. Cheng is an executive director, chief financial officer and company secretary of MVM since April 2018. Mr. Cheng was appointed an independent non-executive director of Orient Securities International Holdings Limited (SEHK Stock Code: 8001) on 30 November 2023. Mr. Cheng has resigned as the non-executive director of CAQ with effect from 1 February 2024. Mr. Cheng has extensive experience in the field of accounting, financial management and company secretary duties.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Goh Gen Cheung

Born in January 1947, was appointed as an independent non-executive director of the Company in November 1997. Mr. Goh has over 30 years of treasury, finance and banking experience. Mr. Goh is a certified banker of the Hong Kong Institute of Bankers and obtained his MBA degree from the University of East Asia in Macau. Mr. Goh also serves as an independent non-executive director of CEC International Holdings Limited (SEHK stock code: 759).

Mr. James Chan

Born in January 1954, was appointed as an independent non-executive director of the Company in June 2011. Mr. Chan has over 40 years of comprehensive experience in design, planning and land matters, and design development and construction management of investment properties. Mr. Chan holds a Bachelor's degree of Arts in Architectural Studies from the University of Hong Kong, a Bachelor's degree of Architecture from the University of Dundee in Scotland and an EMBA degree from Tsinghua University. Mr. Chan was appointed as an independent non-executive director of C Cheng Holdings Limited (SEHK Stock Code: 1486) on 3 April 2023. Mr. Chan was the executive director of Pacific Century Premium Development Limited (SEHK Stock Code: 432) and a non-executive director of Viva China Holding Limited (SEHK Stock Code: 8032).

Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

Mr. Xie Ming

Born in October 1955, was appointed as an independent non-executive director of the Company in May 2017. Mr. Xie is the chairman of 固態白酒原酒委員會 of China Alcoholic Drinks Association, honorary chairmen of Sichuan Development Grain Liquor Equity Investment Fund* (四川發展純糧原酒股權投資基金) and Sichuan Yucheng Wine Industry Investment Management Co., Ltd.* (四川宇晟酒業投資管理有限公司) and Sichuan deputy to the National People's Congress. Mr. Xie was the retired chairmen of Luzhou Laojiao Co., Ltd, whose shares are listed on the Shenzhen Stock Exchange (stock code: 000568), Luzhou Laojiao Group Co., Limited* (瀘州老窖集團有限責任公司) and Luzhou Laojiao International Development(Hongkong) Co., Limited. Prior to that, he served with the government of Luzhou as the secretary. Mr. Xie obtained a master's degree in business administration from Sichuan University in and obtained his EMBA from Tsinghua University.

The senior management team of the Group include:

Mr. Zhang Xudong

Born in August 1970, is the Executive Deputy General Manager of the Company, Mr. Zhang obtained a bachelor's degree of economics from Beihang University of Aeronautics and Astronautics (BUAA) and a MBA from Newcastle Business School of Northumbria University, the United Kingdom. Prior to his service with the Company, he was business development director of china region and vice president of north china of Praxair (China) Investment Co., Ltd. in USA. Mr. Zhang has over 25 year's in corporate management who obtained a series of senior management positions in large multinational corporation and China 500 enterprises, and has accumulated extensive and management experience in large enterprises. Mr. Zhang was an executive director of the Company between August 2020 to November 2023.

Mr. Tian Shuo

Born in October 1987, graduated from Beijing Union University with an undergraduate diploma in International Economics and Trade and a bachelor's degree in Economics, and obtained a master's degree in Business Administration from Capital University of Economics and Business. Mr. Tian currently serves as the deputy general manager of the asset management department of BE City, the chairman of Tongliao Dahua Logistics Limited* (通遼大華物流有限責任公司) and Tongliao Jide Warehouse Limited* (通遼驥德倉儲有限公司), the chairman and the general manager of Qingdao Yongcheng International Logistics Ltd.* (青島永成國際物流有限公司), and the chairman of Beijing Stable Charmfull Business Management Ltd.* (北京允中創富企業管理有限公司). Mr. Tian obtained the professional qualification of certified public accountant in the PRC in 2018 and was appointed as the Deputy General Manager of the Company in December 2022. Mr. Tian has extensive experience in state-owned asset management, project investment and financing and corporate management.

Mr. Xiong Pingfang

Born in November 1968, is the chairman of Guongzhou Guangming Real Estates Co., Ltd., a subsidiary of the Company. Mr. Xiong obtained a graduate diploma in trade and economics from the Jiangxi University of Finance and Economics in July 1991. In 1998, he studied securities and finance at the Renmin University of China and obtained the professional qualification of certified public accountant of the PRC. Mr. Xiong has over 25 year's of experience in corporate financial management, securities and finance and corporate management.

Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

Ms. Tian Dongmei

Born in January 1974, graduated from School of Mechanical Engineering in Beijing with an undergraduate diploma and obtained a master's degree from Capital University of Economics and Business, and qualified as a senior accountant. Ms. Tian was appointed as a director of China Industrial Properties (Holdings) Limited ("CIPHL"), a subsidiary of the Company, during the period from January 2017 to February 2024. Ms. Tian was appointed as a Deputy General Manager of the Company in December 2022. Ms. Tian has extensive experience in finance and corporate management.

Ms. Dong Yueyu

Born in December 1986, Ms. Dong graduated from Jiangnan University with a Bachelor's degree in Industrial Design and a Bachelor's Degree in Arts, and has obtained her Master Business Administration from Capital University of Economics and Business. She is currently the general manager of Beijing Stable Charmfull Business Management Ltd.* (北京允中創富企業管理有限公司). Ms. Dong obtained the professional qualification of senior tax accountant in October 2021 and was appointed as the Deputy General Manager of the Company in December 2022. Ms. Dong has extensive experience in human resources management, administration and corporate management.

Mr. Song Guoxin

Born in June 1968, is the chairman and director of China Cold Chain Industry Investments (Group) Limited ("CCII"), a subsidiary of the Company. Mr. Song obtained an graduate diploma and a bachelor of engineering degree in metallic materials and heat treatment from Xi'an Jiaotong University, as well as a post-graduate diploma in environmental economics and a second bachelor degree in economics from Renmin University of China. Mr. Song was appointed as a Deputy General Manager of the Company in August 2023. Mr. Song has extensive experience in corporate management. He is currently a director of Tianjin Zhongyu Properties Co., Ltd. and Tianjin Beijing Inland Port Co., Ltd.

Mr. Ren Yi

Born in June 1983, Mr. Ren is the Deputy General Manager of the Company. Mr. Ren has obtained his undergraduate diploma in Finance and Bachelor's degree in Economics from Beijing Jiaotong University, and has obtained his MBA degree from Tsinghua University. He is currently the chairman and general manager of Beijing Properties (Shanghai) Warehousing Co., Ltd.* (北建(上海)倉儲有限公司), the chairman and general manager of Meishan Xunda Hongtong Warehouse Company Limited* (眉山遜達洪通倉儲有限責任公司), the general manager of Beijing Properties Kailong Investment Management Co., Ltd.* (北京北建凱龍投資管理有限公司) and the deputy chairman of Tianjin Transwell International Logistics Co., Ltd.* (天津萬士隆國際物流有限公司). He was appointed as the Deputy General Manager of the Company in November 2022. Mr. Ren has extensive experience in project management and corporate management.

Mr. Ren Lin

Born in September 1981, graduated from the PLA Military Institute of Engineering with a diploma and a Bachelor's degree in Computer Science and Technology. Mr. Ren was appointed as the Deputy Secretary of party branch of the Company in August 2023. Mr. Ren has over 15 years' experience in corporate management business. Mr. Ren was an executive director of the Company between July 2022 to November 2023.

Mr. Chang Kam Ho

Born in November 1986, is the Financial Controller of the Company, Mr. Chang graduated from the Hong Kong Polytechnic University with a Bachelor of Business Administration (Hons) Major in Accountancy & Minor in Financial Services. He is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Chang has over 15 years of experience in auditing and accounting, he joined the Group in August 2017.

* For identification purpose only

Report of the Directors

The Board presents its report and the audited financial statements of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in note 1 to the financial statements. The Group is principally engaged in real estate including high-end and modern general warehouse, supply chain development, specialised wholesale market, industrial property, commercial property and primary land development. There were no significant changes in the nature of the Group’s principal activities during the year.

RESULTS AND DIVIDENDS

The Group’s profit for the year ended 31 December 2023 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 62 to 162. The Board does not recommend the payment of any dividend for the year.

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group’s future business development are provided in the Chairman’s Statement on page 5 of this Annual Report. The financial risk management objectives and policies of the Group can be found in the note 47 to the financial statements. An analysis of the Group’s performance during the year using financial key performance indicators is provided in the management discussion and analysis on pages 6 to 23. In addition, discussions on the Group’s environmental policies, relationship with its key stakeholders, key risks and uncertainties and compliance with relevant laws and regulations which have a significant impact on the group are contained in the Report of The Directors on pages 28 to 42 of this Annual Report.

ENVIRONMENTAL POLICY

The Group believes that sustainable development is an integral part of our business. We aim at creating long-term values for our stakeholders and contributing to the society by carrying out our business in a socially responsible way. The Group is committed to support the environmental sustainability and comply with PRC national, provincial and municipal governments’ environmental protection laws and regulations. These include regulations on air pollution and discharge of waste and water into the environment. The Company is also dedicated to promote energy conservation and responding proactively to climatic changes, so as to facilitate efficient use of energy by taking several measures including constantly carries out internal recycling measures in terms of its consumables and implementing energy-saving policies to reduce electricity consumption, in order to lessen the impact on environment from operating activities to achieve the target of sustainable development.

Please refer to the Sustainable Development Report issued separately for further information on the work done and efforts made by the Company on environmental protection, legal compliance and other aspects for the sustainable growth and development of the business of the Group.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year, as far as the Group is aware, there was no material breach of or non-compliance with applicable laws and regulation by our Group that has a significant impact on the business and operations of our Group.

Report of the Directors

RELATIONSHIPS WITH STAKEHOLDERS

The Group recognises that our employees, customers, suppliers and business partners are keys to its sustainable development. The Group is committed to establish a close and caring relationship with its employees, provides competitive remuneration package to attract and motivate the employees, and regularly reviews the remuneration package in order to make necessary adjustments to conform to the market standard. The selection of major suppliers or contractors is conducted through procurement assessment or tendering process and regularly reviews the procurement and tendering procedures to ensure that the processes are conducted in an open and fair manner. The Group is committed to provide quality of service to satisfy needs and requirements of our customers and enhance cooperation with its business partners by ongoing communication in a proactive and effective manner.

KEY RISKS AND UNCERTAINTIES

The Group is engaged in the logistics warehouse, specialised wholesale market, supply logistics development, industrial property and commercial property businesses and the Group primarily leases its properties to customers including logistic companies, companies with significant storage requirements and foreign manufacturer.

The Group's businesses and prospects are in turn affected by the activity levels of domestic consumption, cross border trading and manufacturing activities. The operation of commercial properties is also sensitive to overall economic development and domestic consumption. China has experienced rapid growth in recent years, which has contributed to the strong demand for warehouse facilities and commercial and industrial properties. Any adverse economic developments, in particular in China, as a result of a global economic slowdown or otherwise, could lead to a general decline in domestic consumption and a slowdown in international trade, which could have a significant impact on the customers' businesses and affect the demand for warehouse facilities.

The Group cannot assure that there will continue to be growing demand for warehouse facilities and commercial and industrial properties in China. If the demand does not continue to grow or grows more slowly than expected, the Group's business, financial condition and results of operations may be materially and adversely affected.

The Group established its first overseas presence by making investments into a primary land development project in Cambodia. Overseas business may be affected by the changes in, and the instability of, international economic and political conditions as well as the regional conditions of the jurisdictions where it operates. The political and economic conditions in such regions are often subject to instability, in particular where political and economic conditions can often be volatile and unstable in Cambodia. As a result of the Group's overseas operation, it is exposed to the risks associated with expanding and conducting business in foreign countries and regions.

The Group faces foreign exchange and conversion risks, and fluctuations in Renminbi may adversely affect the Group's operations and financial results. The value of Renminbi is subject to changes in the PRC government's policies and depends to a large extent on domestic and international economic and political developments, as well as supply and demand in the local market. The Group conducts most of its business in the PRC, and a large part of its operating cash flows is in Renminbi. Accordingly, any depreciation in Renminbi relative to the US dollar will increase the cost to the Group of servicing its payment obligations and could have an adverse effect on the Group's financial position.

Report of the Directors

KEY RISKS AND UNCERTAINTIES (Continued)

The Group has significant debt obligations under bonds and bank and other borrowings borrowed to finance project costs. As at 31 December 2023, the Group had total bonds and bank and other borrowings of approximately RMB7.43 billion and our gearing ratio (total debt to equity ratio) was 247%. All existing borrowings (except for the loans from BE City Development) are outstanding on variable interest rate terms under which interest rates will be adjusted according to market movements in interest rates. It has not been the Group's policy to hedge against movements in interest rates. Any significant increase in interest rates could have a significant adverse effect on our Group's earnings. The Group's interest rate risk mainly relates to the cash at bank and the long term bank loan. A change in interest rates at the balance sheet date would have effect on the amount of the interest costs and income.

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets, liabilities and total equity of the Group for the last five financial years, as extracted from the published annual reports and audited financial statements of the Company for the year ended 31 December 2023 are set out on page 166. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment, and investment properties of the Group during the year are set out in notes 13 and 14 to the financial statements, respectively. Further details of the Group's investment properties are set out on pages 163 to 165.

SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Details of the Company's principal subsidiaries, joint ventures and associates at 31 December 2023 are set out in note 1, 18 and 19 to the financial statements, respectively.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year are set out in notes 36 and 37 to the financial statements.

DEBENTURE ISSUED

The Company has not issued any debenture during the year ended 31 December 2023.

Report of the Directors

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2023.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in notes 49 and 38 to the financial statements and the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2023, the Company had no reserves (including contributed surplus, financial assets revaluation reserve and retained profits) available for distribution to shareholders.

Under the Companies Act 1981 of Bermuda (as amended), the Company's contributed surplus account in the amount of RMB344,178,000 as at 31 December 2023, is available for distribution to the shareholders of the Company. However, the Company cannot declare or pay a dividend, or make a distribution out of this reserve if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In addition, the Company's share premium account, in the amount of RMB1,434,273,000, as at 31 December 2023 can be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 26.47% of the Group's revenue for the year and revenue from the largest customer included therein amounted to approximately 8.40%. Purchase from the Group's five largest suppliers accounted for approximately 26.41% of the Group's total purchases for the year and purchases from the largest supplier included therein amounted to approximately 7.31%.

During the year, none of the Directors of the Company, or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's top five customers and suppliers.

Report of the Directors

DIRECTORS

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

Executive directors:

Mr. ZHU Yingying (*Chairman*) (*appointed on 21 July 2023*)

Mr. SIU Kin Wai (*General Manager*)

Mr. XU Zhigang (*appointed on 21 July 2023*)

Mr. DONG Qilin

Mr. CHENG Ching Fu (*Chief Financial Officer*)

Mr. QIAN Xu (*resigned on 21 July 2023*)

Mr. ZHAO Jiansuo (*resigned on 21 July 2023*)

Mr. YU Luning (*resigned on 2 November 2023*)

Mr. ZHANG Xudong (*resigned on 9 November 2023*)

Mr. REN Lin (*resigned on 9 November 2023*)

Mr. NG Kin Nam (*resigned on 16 November 2023*)

Independent non-executive directors (“INEDs”):

Mr. GOH Gen Cheung

Mr. James CHAN

Mr. XIE Ming

Mr. SONG Lishui (*resigned on 2 November 2023*)

Mr. ZHU Wuxiang (*resigned on 16 November 2023*)

In accordance with bye-law 111(A) of the Company’s bye-laws, Mr. Zhu Yingying, Mr. Xu Zhigang, Mr. Dong Qilin and Mr. Xie Ming shall retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received written annual confirmations of independence from all INEDs and as at the date of this report all of them are still considered to be independent.

BOARD CHANGES AND CHANGES IN DIRECTORS’ INFORMATION

Information required to be disclosed pursuant to Rule 13.51B(1) of the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) is set out as follows:

Mr. Qian Xu has resigned as the chairman, an executive director, the authorized representative and the member of nomination committee of the Company with effect from 21 July 2023.

Mr. Zhao Jiansuo has resigned as an executive director of the Company with effect from 21 July 2023.

Mr. Zhu Yingying has been appointed as the chairman and an executive director of the Company with effect from 21 July 2023.

Mr. Xu Zhigang has been appointed as an executive director and the member of sustainability committee of the Company with effect from 21 July 2023.

Report of the Directors

BOARD CHANGES AND CHANGES IN DIRECTORS' INFORMATION (Continued)

Mr. Cheng Ching Fu has been appointed as the authorized representative of the Company with effect from 21 July 2023 and an independent non-executive director of Orient Securities International Holdings Limited (SEHK Stock Code: 8001) with effect from 30 November 2023. Mr. Cheng has resigned as the non-executive director of CAQ with effect from 1 February 2024.

Mr. Yu Luning has resigned as an executive director, the member of nomination committee and the member of remuneration committee of the Company with effect from 2 November 2023.

Mr. Song Lishui has resigned as an independent non-executive director, the member of audit committee, the member of nomination committee and the member of remuneration committee of the Company with effect from 2 November 2023.

Mr. Zhang Xudong has resigned as an executive director and the member of sustainability committee of the Company with effect from 9 November 2023.

Mr. Ren Lin has resigned as an executive director of the Company with effect from 9 November 2023.

Mr. Ng Kin Nam has resigned as an executive director of the Company with effect from 16 November 2023.

Mr. Zhu Wuxiang has resigned as an independent non-executive director and the member of audit committee of the Company with effect from 16 November 2023.

Mr. Siu Kin Wai has been appointed as independent non-executive director of Golden Century International Holdings Group Limited (SEHK Stock Code: 91) on 22 March 2023 and has resigned from this position with effect from 18 March 2024.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the directors and senior management of the Company are set out on pages 24 to 27 of the annual report.

DIRECTORS' SERVICE CONTRACTS

All Directors (including executive Directors and INEDs) had entered into letters of appointment with the Company for a term of three years but are subject to retirement by rotation and re-election in accordance with the Bye-Laws. No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at general meetings, other emoluments of the Directors are determined by the Company's board of Directors with reference to Directors' duties, responsibilities and performance and the results of the Group as well as the recommendation of the remuneration committee. Further details of the Company's directors' remuneration are set out on pages 112 to 114 of this annual report.

Further details of the Company's remuneration committee are set out in the corporate governance report on page 50 of this annual report.

Report of the Directors

EMOLUMENT POLICY

The emolument of each of the Directors and the employees of the Group is on the basis of their merit, qualification, competence and experience in the industry, the profitability of the Group as well as remuneration benchmarks from other local and international companies and prevailing market conditions. Directors and employees also participate in bonus arrangements which are determined in accordance with the performance of the Group and the individual's performance.

The Company has adopted a share option scheme as incentives to Directors and eligible persons, details of the scheme is set out in note 37 to the financial statements.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save for the transactions as disclosed in the sections headed "Related Party Transactions" and "Connected Transactions and Continuing Connected Transactions" below, there were no other transactions, arrangements or contracts of significance to which the Company or any of its holding companies, subsidiaries and fellow subsidiaries was a party and in which a director of the Company or an entity connected with a director had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year, Mr. Zhu Yingying, being the Director, was also directors of BE City, which engages in business of property investment and development, and they were considered to have interests in a business which competes or is likely to compete, directly or indirectly, with the business of the Group.

As the Board is independent of the board of the aforesaid company and maintains three independent non-executive Directors, the Group operates its businesses independently of, and at arm's length from, the business of the aforesaid company.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2023, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares (as defined in the Securities and Futures Ordinance (the "SFO")) and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules.

Report of the Directors

SHARE OPTION SCHEME

The share option scheme that the Company established on 18 March 2010 (the “Scheme”) and, was effected for 10 years from that date. The purpose of the Scheme is to attract and retain the best quality personnel of the Group for the development of the Group’s business; to provide additional incentives to employees, officers and Directors, contractors, suppliers, advisors and consultants who have contribution to the Group; and to promote the long term financial success of the Company by aligning the interests of option holders to shareholders of the Company. The Directors of the Company may, at their discretion, invite employees (including executive Directors) and non-executive Directors of the Company and any of its subsidiaries, to take up options to subscribe for ordinary shares of the Company at HK\$1 per grant of options.

The total number of ordinary shares of the Company issued and to be issued upon exercise of options (whether exercised or outstanding) in any 12-month period granted to any one person must not exceed 1% of the total number of ordinary shares of the Company in issue. However, the Scheme was expired on 17 March 2020. No further share options would be granted under the Scheme but in respect of all share options which remain exercisable on such date, the provisions of the Scheme shall remain in full force and effect.

The total number of shares available for issue under the Scheme was 67,700,000 Shares in respect of all outstanding share options which remain exercisable, representing approximately 0.97% of the ordinary Shares of the Company in issue as at 31 December 2023. Further details of the Scheme are disclosed in noted 37 to the financial statements.

Report of the Directors

SHARE OPTION SCHEME (Continued)

The following table discloses movements in the Company's share options outstanding during the year ended 31 December 2023 as follows:

Name or category of participant	Number of share options					At 31 December 2023	Date of grant of share options	Exercise period of share options	Exercise price of share options HK\$ per share (Note 1)
	At 1 January 2023	Granted during the year (Note 2)	Exercised during the year (Note 2)	Lapsed during the year	Cancelled during the year				
Directors:									
Mr. Siu Kin Wai	6,000,000	-	-	(6,000,000)	-	-	24-May-13	24-May-13 to 23-May-23	0.574
	5,000,000	-	-	-	-	5,000,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940
	3,000,000	-	-	-	-	3,000,000	28-Aug-14	28-Aug-14 to 27-Aug-24	0.750
	4,000,000	-	-	-	-	4,000,000	8-Apr-15	8-Apr-15 to 7-Apr-25	0.720
	18,000,000	-	-	(6,000,000)	-	12,000,000			
Mr. Cheng Ching Fu	2,000,000	-	-	(2,000,000)	-	-	24-May-13	24-May-13 to 23-May-23	0.574
	2,500,000	-	-	-	-	2,500,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940
	1,000,000	-	-	-	-	1,000,000	28-Aug-14	28-Aug-14 to 27-Aug-24	0.750
	2,000,000	-	-	-	-	2,000,000	8-Apr-15	8-Apr-15 to 7-Apr-25	0.720
	7,500,000	-	-	(2,000,000)	-	5,500,000			
Mr. Goh Gen Cheung	2,000,000	-	-	(2,000,000)	-	-	24-May-13	24-May-13 to 23-May-23	0.574
	1,500,000	-	-	-	-	1,500,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940
	1,000,000	-	-	-	-	1,000,000	8-Apr-15	8-Apr-15 to 7-Apr-25	0.720
	4,500,000	-	-	(2,000,000)	-	2,500,000			
Mr. James Chan	2,000,000	-	-	(2,000,000)	-	-	24-May-13	24-May-13 to 23-May-23	0.574
	1,500,000	-	-	-	-	1,500,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940
	1,000,000	-	-	-	-	1,000,000	8-Apr-15	8-Apr-15 to 7-Apr-25	0.720
	4,500,000	-	-	(2,000,000)	-	2,500,000			

Report of the Directors

SHARE OPTION SCHEME (Continued)

Name or category of participant	Number of share options					At 31 December 2023	Date of grant of share options	Exercise period of share options	Exercise price of share options HK\$ per share (Note 1)
	At 1 January 2023	Granted during the year (Note 2)	Exercised during the year (Note 2)	Lapsed during the year	Cancelled during the year				
Other employees	24,400,000	-	-	(24,400,000)	-	-	24-May-13	24-May-13 to 23-May-23	0.574
and consultants in	31,700,000	-	-	-	(6,100,000)	25,600,000	31-Mar-14	31-Mar-14 to 30-Mar-24	0.940
aggregate:	6,100,000	-	-	-	(1,000,000)	5,100,000	28-Aug-14	28-Aug-14 to 27-Aug-24	0.750
	19,500,000	-	-	-	(5,000,000)	14,500,000	8-Apr-15	8-Apr-15 to 7-Apr-25	0.720
	81,700,000	-	-	(24,400,000)	(12,100,000)	45,200,000			
	116,200,000	-	-	(36,400,000)	(12,100,000)	67,700,000			

Notes:

1. The share options have no vesting period and the exercise price is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.
2. Save as disclosed above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate."

Save as disclosed above, no share options were granted, exercised, lapsed or cancelled under the scheme during the year ended 31 December 2023.

The values of share options calculated using the binomial model are subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of assumptions of the expected future performance input to the model, and certain inherent limitations of the model itself. The value of an option varies with different variables of certain subjective assumptions. Any change to the variables used may materially affect the estimation of the fair value of an option.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the headings "Directors' and Chief Executives' interests and short positions in shares and underlying shares" and "Share option scheme", at no time during the year ended 31 December 2023 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the Directors or their respective spouse or minor children under the age of 18, or were any such rights exercised by them; or was the Company, its holding companies, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2023, so far as was known to the Directors or chief executive of the following persons (not being Directors or chief executive of the Company) had, an interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long positions in shares and underlying shares of the Company

Name	Notes	Number of shares held, capacity and nature of interest		Number of underlying shares held, capacity and nature of interest		Total	Approximate percentage of the Company's issued share capital (%)
		Directly beneficially owned	Through a controlled corporation	Directly beneficially owned	Through a controlled corporation		
Brilliant Bright Holdings Limited	(a)	1,557,792,500	–	–	–	1,557,792,500	22.35%
Beijing Enterprises Real Estate (HK) Limited	(b)	2,526,882,407	1,557,792,500	–	–	4,084,674,907	58.61%
北京北控城市發展集團有限公司(Beijing Enterprises City Development Group Limited)	(c)	–	4,084,674,907	–	–	4,084,674,907	58.61%
Illumination Holdings Limited	(d)	87,451,458	–	–	–	87,451,458	1.25%
Beijing Holdings Limited	(e)	487,166,195	87,451,458	–	–	574,617,653	8.24%
Beijing Enterprises Group Company Limited	(f)	–	4,659,292,560	–	–	4,659,292,560	66.85%

Notes:

- (a) Brilliant Bright Holding Limited ("Brilliant Bright") holds 1,557,792,500 Shares.
- (b) Beijing Enterprises Real Estate (HK) Limited ("BEREHK") (i) holds 2,526,882,407 Shares; and (ii) is deemed to be interested in the 1,557,792,500 Shares of Brilliant Bright by virtue of its controlling interests in its wholly-owned subsidiary, Brilliant Bright.
- (c) BEREHK is a wholly-owned subsidiary of Beijing Enterprises City Development Group Limited ("BE City"). BE City is deemed to be interested in the Shares which BEREHK is interested in.
- (d) Illumination Holdings Limited ("Illumination") holds 87,451,458 Shares.
- (e) Beijing Holdings Limited ("BHL") (i) holds 487,166,195 shares; and (ii) is deemed to be interested in the 87,451,458 Shares of Illumination by virtue of its controlling interests in its wholly-owned subsidiary, Illumination. BHL is deemed to be interested in the Shares which Illumination is interested in.
- (f) BE City and BHL are wholly-owned subsidiaries of BE Group. BE Group is deemed to be interested in the Shares which BE City and BHL are interested in.

Save as disclosed above, as at 31 December 2023, no person whose interests had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Report of the Directors

RELATED PARTY TRANSACTIONS

The Group entered into certain activities with parties regarded as “Related Parties” under applicable accounting principles. These mainly relate to the activities in the ordinary course of the Group’s business and were negotiated on normal commercial terms and at arm’s length basis. Certain transactions set out in note 44 to the financial statements are connected transactions as defined under the Listing Rules and were complied and exempt with the requirements of Chapter 14A of the Listing Rules. The disclosures required by Rule 14A.71 of the Listing Rules during the year are provided in the paragraph headed “Connected Transactions” as identified below.

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION

During the year, the Company and the Group had the following connected and continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

Connected transactions

The Group did not carry out any connected transaction during the year.

Continuing connected transactions

The Group had the following continuing connected transactions (other than continuing connected transactions that are exempted under Rule 14A.33 of the Listing Rules) during the year:

Supplement Agreement to the Deposit Services Master Agreement

On 29 June 2015, the Company entered into the deposit services master agreement (“Deposit Services Master Agreement”) with Beijing Enterprises Group Finance Co., Ltd. (“BG Finance”), pursuant to which the Group may, in its ordinary and usual course of business, place and maintain deposits with BG Finance on normal commercial terms from time to time. The deposit services master agreement is therefore expected not only to provide the Group with a new means of financing but also to improve the efficiency of the use of its funds through higher interest income and lower costs of financing. The Group also expects to be in a better position to manage the security of its funds since BG Finance is not considered to be exposed to any significant capital risk. The annual cap for each of the three years ending 31 December 2015, 2016 and 2017 is HK\$250 million.

On 28 April 2017, the Company and BG Finance entered into the supplemental agreement to the deposit services master agreement to revise the annual cap for each of the three years ended 31 December 2017, 2018 and 2019 to HK\$650 million.

On 29 October 2019, the Company BG Finance entered into the second supplemental agreement to deposit services master agreement (the “Second Supplemental Agreement”) to revise the annual cap for each of the three years ending 31 December 2020, 2021 and 2022 to HK\$400 million (the “Revised Annual Cap”).

As the Second Supplement Agreement expired on 31 December 2022, and in order to regulate such transactions that continue to take place, after 31 December 2022, the Company and BG Finance entered into the third supplemental agreement to deposit services master agreement (“Third Supplemental Agreement”) on 25 October 2022 whereby the Company and BG Finance continues to carry out the transactions of similar nature from time to time under the Deposit Services Master Agreement together with the Third Supplemental Agreement. The cumulative daily outstanding deposits balance placed by the Company with BG Finance (including any interest accrued thereon) during the terms of the Third Supplemental Agreement will not exceed HK\$400 million for each of the three years ending 31 December 2023, 2024 and 2025.

Report of the Directors

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION (Continued)

Continuing connected transactions (Continued)

Supplement Agreement to the Deposit Services Master Agreement (Continued)

The rate at which interest will accrue on any deposit placed by the Group with BG Finance under the Deposit Services Master Agreement will not be lower than the following:

- i. the minimum interest rate prescribed by the People's Bank of China for the same type of deposits at the same period;
- ii. the interest rates offered by commercial banks in Hong Kong and the PRC to the Group for the same type of deposits at the same period; and
- iii. the interest rates offered by BG Finance to other members of Beijing Enterprises Group Company Limited for the same type of deposits.

Each of BE Group and Beijing Enterprises Holdings Limited ("BEHL") is a connected person of the Company under the Listing Rules by virtue of each being a substantial shareholder of the Company. As each of BE Group and BEHL beneficially owns not less than 30% equity interest in BG Finance, BG Finance is an associate of each of BE Group and BEHL. Therefore, the entering into of the Second Supplemental Agreement constituted continuing connected transactions of the Company which was subject to the reporting, annual review, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The above continuing connected transaction was carried out within the Revised Annual Cap. Details of which can be found on the websites of the Company and the Stock Exchange.

The Directors of the Company confirmed that the Company had complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

The INEDs of the Company had reviewed these continuing connected transactions and confirmed that these continuing connected transactions were entered into: (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of these continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules.

PERMITTED INDEMNITY PROVISION

The bye-laws provides that the Directors shall be indemnified out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts. Such permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the year.

Report of the Directors

DONATIONS

During the year, no charitable donations was made by the Group.

EQUITY-LINKED AGREEMENTS

As of 31 December 2023, other than the share option scheme as disclosed above, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company.

SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDER

As at the date of this report, details of the agreements (the "Agreement(s)") with covenants relating to specific performance the controlling shareholder which constitute disclosure obligation pursuant to Rules 13.18 and 13.21 of the Listing Rules are as follows:

Date of the Agreement(s)	Nature of the Agreement(s)	Aggregate amount	Final Maturity	Specific performance obligations
21 February 2019	Revolving loan facility with a bank	HK\$350 million	–	Note 1
23 September 2019	Revolving loan facility with a bank	HK\$180 million	–	Note 1
24 June 2022	Term loan facility with a bank	HK\$125.51 million and USD4.47 million	June 2025	Note 1
8 February 2023	Term loan facility with a bank	RMB2,060 million	February 2026	Note 1
9 February 2023	Term loan facility with a bank	HK\$600 million	February 2025	Note 1
15 February 2023	Term loan facility with a bank	RMB800 million	February 2026	Note 1

Note:

- The Company undertakes to the bank(s) that the borrower (which is a subsidiary of the Company) will procure BE Group to continue to beneficially own (directly or indirectly) at least 40% of the entire issued share capital of the Company. If the borrower fails to perform or comply with this, the bank is entitled to require, by written notice to the Company, to cure such default within the time specified by the banks. If the Company does not remedy such failure to the bank's satisfaction, the bank is entitled to (a) declare the loan under the Agreement(s), accrued interest and all other sums payable under the Agreement(s) immediately due and payable; and (b) declare the loan facility terminated whereupon the obligation of the bank to make any advance under the loan facility shall immediately cease.

Report of the Directors

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors, as at the date of this annual report, the Company has maintained a sufficient public float as required under the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

There was no significant events occurring after the reporting period.

CORPORATE GOVERNANCE

The Company is committed to maintaining the quality of corporate governance so as to ensure better transparency of the Company, protection of shareholders' and stakeholders' rights and enhance shareholder value. In the opinion of the Board of the Company, the Company had complied with all code provisions set out in the CG Code contained in Appendix C1 of the Listing Rules during the financial year ended 31 December 2023 and up to the date of publication of this annual report, except as disclosed in the Corporate Governance Report.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SHARE DEALING

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as the code of conduct in respect of securities transactions of the directors. Having made specific enquiry of all directors, the Company has confirmed that all directors have complied with the required standards set out in the Model Code and its code of conduct regarding director's securities transaction during the year ended 31 December 2023.

AUDITOR

Ernst & Young retire and a resolution for their re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements of the Group for the year ended 31 December 2023 were approved by the Board on 28 March 2024.

ON BEHALF OF THE BOARD

Zhu Yingying

Chairman

Hong Kong
28 March 2024

Corporate Governance Report

The Company is strongly committed to maintaining a quality corporate governance so to ensure better transparency of the Company, protection of shareholders' and stakeholders' rights and enhancement of shareholders' value.

In the opinion of the Board, the Company had adopted the principles and complied with all code provisions set out in the Corporate Governance Code ("CG Code") contained in Appendix C1 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the year, except for certain deviations disclosed herein below.

BOARD OF DIRECTORS

Board Composition

As at the date of this annual report, the Board consists of eight directors: comprising five executive Directors, namely, Mr. Zhu Yingying, Mr. Xu Zhigang, Mr. Siu Kin Wai, Mr. Dong Qilin and Mr. Cheng Ching Fu; and three independent non-executive Directors ("INEDs"), namely, Mr. Goh Gen Cheung, Mr. James Chan and Mr. Xie Ming.

Role and Function

The principal functions of the Board are to formulate corporate strategy and business development and to ensure a high standard of corporate governance. The Board met regularly during the year to approve acquisition, material contracts, discloseable and/or connected transactions, Director's appointment or reappointment, significant policy and to monitor the financial performance of the Group in pursuit of its strategic goals. Day-to-day operation of the Company is delegated to the General Manager, chief financial officer and the management of the Company. Management and administrative functions are delegated by the Board with clear directions to the management and periodic reviews are carried out by the Company to ensure that such arrangements are appropriate and necessary. There is no relationship among members of the Board in respect of financial, business, family or other material/relevant relationship. The Company continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company has arranged trainings for Directors in the form of seminar and provision of training materials. Guidance notes and memorandum are issued to Directors where appropriate, to ensure awareness of best corporate governance practices.

Board Independence

The Company is of the view that board independence is important in good corporate governance and to ensure an effective operation of the Board. The Board has established mechanisms to ensure independent views and input from individual Director are conveyed to the Board to promote the objectiveness in decision making. In particular, the Company has adopted the following mechanisms:

1. as at the date of this annual report, the Board consists of eight Directors and three of them are independent non-executive Directors, which complies with the requirements of the Listing Rules that the Board must have at least three independent non-executive Directors representing at least one-third of the Board;
2. the Nomination Committee reviews and evaluates the independence, characters, skills, knowledge and experience of each independent non-executive Director. It also assesses, in particular, the independence of all proposed independent non-executive Directors before their election or re-election;

Corporate Governance Report

BOARD OF DIRECTORS (Continued)

Board Independence (Continued)

3. on an annual basis, all independent non-executive Directors are required to confirm in writing their compliance of independence requirements pursuant to Rule 3.13 of the Listing Rules, and to disclose the number and nature of offices held by them in public companies or organisations and other significant commitments. Accordingly, the Company has received such written confirmations from all independent non-executive Directors;
4. external independent professional advice is available as and when required by individual Directors at the Company's expense; and
5. all Directors are encouraged to speak freely and express their views without influence from other Directors during the Board meetings and/or Board committee meetings.

According to the records maintained by the Company, the current Directors received the following training in respect of the roles, functions and duties of a director of a listed company in compliance with the requirement of the CG Code contained in Appendix C1 of the Listing Rules on continuous professional development during the year ended 31 December 2023.

Directors	Read materials	Attending seminars/briefing
Executive directors		
Mr. Zhu Yingying	✓	
Mr. Xu Zhigang	✓	✓
Mr. Siu Kin Wai	✓	✓
Mr. Dong Qilin	✓	
Mr. Cheng Ching Fu	✓	✓
Independent non-executive directors		
Mr. Goh Gen Cheung	✓	✓
Mr. James Chan	✓	✓
Mr. Xie Ming	✓	

Corporate Governance Report

BOARD OF DIRECTORS (Continued)

Meetings

Attendance records of the Board meetings, meetings of all committees and general meetings of the Company for the year ended 31 December 2023 were set out below:

	Board meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	General meeting
Number of meetings held	6	2	1	2	2
Name of director	Number of meetings attended				
Executive directors					
Mr. Zhu Yingying	2/2	N/A	N/A	N/A	1/1
Mr. Xu Zhigang	1/2	N/A	N/A	N/A	1/1
Mr. Siu Kin Wai	6/6	N/A	N/A	N/A	2/2
Mr. Dong Qilin	2/6	N/A	N/A	N/A	1/2
Mr. Cheng Ching Fu	6/6	N/A	N/A	N/A	2/2
Independent non-executive directors					
Mr. Goh Gen Cheung	3/6	2/2	1/1	2/2	2/2
Mr. James Chan	3/6	2/2	1/1	2/2	2/2
Mr. Xie Ming	3/6	2/2	1/1	2/2	2/2

In compliance with code provision C.2.7 of the CG Code, the chairman of the Board also held a meeting with the independent non-executive Directors without the presence of other Directors during the year ended 31 December 2023.

Corporate Governance Report

BOARD OF DIRECTORS (Continued)

Appointments, re-election and removal of Directors

Pursuant to code provision B.2.2, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Under bye-law 111(A) of the Company's bye-laws, one-third of the Directors for the time being (or if the number is not three or a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided every Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires.

In addition, code provision B.2.3 requires that any further appointment of an independent non-executive director who has served more than nine years should be subject to a separate resolution to be approved by the shareholders and the circular to shareholders accompanying that resolution shall include the reasons why the board (or the nomination committee) believes the relevant director is still independent and should be re-elected.

Mr. Goh Gen Cheung and Mr. James Chan have served as independent non-executive Directors for more than nine years. Mr. Goh Gen Cheung and Mr. James Chan was re-elected by a separate resolution at the Company's annual general meeting held on 15 June 2023. Notwithstanding their years of service as the independent non-executive Directors, they demonstrated their abilities to provide independent views to the Company and to discharge their duties independently. In assessing their independence, the Board and the Nomination Committee take into account, among others, the individual Director's character and judgment as demonstrated by their commitment and contribution to the Board and the Company during their years of service, their participation in meetings and expression of views in an objective and impartial manner, and their annual confirmation of independence based on the criteria set out in Rule 3.13 of the Listing Rules.

BOARD DIVERSITY POLICY

To improve the performance quality of the Company, the Board approved to adopt the board diversity policy on 30 August 2013. The Board believes that board member diversity can be achieved by considering various factors, including but not limited to gender, age, cultural and educational background, race, professional experience, expertise, knowledge, term of services and other talents. All Board appointments are made with reference to the Company's business models and specific needs from time to time, and candidates will be considered with due regard for the benefits of diversity on the Board if allowed by objective business conditions. The Nomination Committee will be mainly responsible for identifying suitable and competent candidates for Board members, and considering such candidates in light of objective conditions. As a part of the review on the annual performance of the Board, considerations made by the Nomination Committee will balance the skills and experience as required by business targets of the Company with diversity factors. To achieve board diversity, the Nomination Committee will discuss and develop measurable objectives from time to time, and propose the above to the Board for adoption and implementation. Generally speaking, selection of candidates by the Nomination Committee shall be based on a range of diversity perspectives including but not limited to gender, age, cultural and educational background, race, professional experience, expertise, knowledge and term of services. However, the final decision will depend on the strengths of candidates and their prospective contributions to the Board. The Board may improve one or more diversity perspectives from time to time, and implement the upgraded measurements. The Nomination Committee will review the policy from time to time with reference to the Listing Rules and the applicable laws and regulations, including conducting assessments on the effectiveness of the policy. The Nomination Committee will also discuss any amendment that may be necessary, and submit amendment proposals to the Board for approval.

Corporate Governance Report

BOARD DIVERSITY POLICY (Continued)

For the year ended 31 December 2023, the Company maintained an effective Board comprising members of diverse professional background and industry experience. Nevertheless, the Company has a single gender Board consisting of 8 male Directors as at the date of this annual report. Under the revised Rule 13.92 of the Listing Rules, a single gender Board will not be considered by the Stock Exchange to have achieved board diversity. In compliance with the Listing Rules, the Company targets to appoint a female director to the Board by 31 December 2024, being the end of the transitional period as specified by the Stock Exchange.

GENDER DIVERSITY AT WORKFORCE LEVEL

The Company is committed to providing equal employment and promotion opportunities for all employees without regard to their genders, ages, religions and place of ancestry. In particular, the male to female ratio in the workforce level (including senior management) is approximately 10:7 as at the date of this annual report. The Board considers that the gender ratio is in line with the industry and the Company has achieved gender diversity in the workforce level. For further details in relation to the Company's employees, please refer to the sustainable development report of the Company.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE AND INDEMNIFY

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities against possibility of legal action to be taken against its Directors and officers. During the year, no claim was made against the Directors and officers of the Company.

CHAIRMAN AND CHIEF EXECUTIVE

During the financial year ended 31 December 2023, the chairman and the chief executive were held separately by Mr. Zhu Yingying and Mr. Siu Kin Wai respectively. Mr. Siu's title was changed from the Chief Executive Officer to the General Manager of the Company in February 2023 without substantial alteration in duties and responsibilities. The segregation of duties of the chairman and the chief executive ensures a clear distinction in the chairman's responsibility to provide leadership for the Board and the chief executives responsibility to manage the Company's business. Their roles are clearly defined to ensure their respective independence. There is no relationship between the chairman of the Board and the chief executive in respect of financial, business, family or other material/relevant relationship.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board considers that the INEDs can provide independent advices on the Company's business strategies, results and management so as to safeguard the interests of the Company and its shareholders.

All INEDs had entered into letters of appointment with the Company for a term of three years but are subject to retirement by rotation and re-election in accordance with the bye-laws of the Company (the "Bye-Laws").

The Company has received written annual confirmations from all INEDs confirming their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all INEDs are independent.

Corporate Governance Report

MODEL CODE FOR SECURITIES TRANSACTIONS OF THE DIRECTORS

The Company has adopted the Model Code as set out in Appendix C3 of the Listing Rules as the code of conduct in respect of securities transactions of the Directors. Having made specific enquiry of all Directors, the Company has confirmed that all Directors have complied with the required standards set out in the Model Code and its code of conduct regarding Director's securities transaction during the year under review.

The Company has also established written guidelines (the "Employees' Guidelines") no less exacting than the Model Code for securities transactions by any employee of the Company and any employee of a subsidiary or holding company who, because of such office or employment, is likely to possess inside information in relation to the Company or the Company's securities. During the year ended 31 December 2023, no incident of non-compliance with the Employees' Guidelines was discovered by the Company.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company has complied with the code provisions of the CG Code as set out in Appendix C1 to the Listing Rules throughout the year ended 31 December 2023, except as disclosed below.

Under code provision C.1.6, independent non-executive directors and non-executive directors should attend general meetings to develop a balanced understanding of the views of shareholders. During the year ended 31 December 2023, not all independent non-executive directors attended every general meeting of the Company due to other business engagements, which deviates from code provision C.1.6. Nevertheless, the Company considers that the independent non-executive Directors and the board committees were able to develop a balanced understanding of the views of shareholders on the grounds that (i) most of the independent non-executive Directors attended over half of the general meetings during the year; and (ii) Mr. Goh Gen Cheung, being the chairman of the Audit Committee and Remuneration Committee, and Mr. James Chan, being the chairman of the Nomination Committee, attended all general meetings during the year.

Under code provision F.2.2, the chairman of the board should attend the Annual General Meeting and invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. However, the chairman of the Board was unable to attend the annual general meeting held on 15 June 2023 (the "2023 AGM") due to his other business commitments. Our chairman appointed Mr. Siu Kin Wai, the executive Director of the Company, to chair the meeting on his behalf and the chairmen of the Audit, Remuneration and Nomination Committees also attended the 2023 AGM.

The Board reviews the Company's corporate governance practices from time to time to ensure its compliance with the CG Code and proper disclosure is made in the Corporate Governance Report.

BOARD COMMITTEES

The Board has established a number of board committees to strengthen its functions and corporate governance practices, including Audit Committee, Remuneration Committee, Nomination Committee and Sustainability Committee. All Committees perform their specific roles and duties in accordance with their respective written terms of reference.

Corporate Governance Report

BOARD COMMITTEES (Continued)

Audit Committee

The Audit Committee was established in 1999 and all members are INEDs. Members of the Audit Committee are Mr. Goh Gen Cheung (Chairman), Mr. James Chan and Mr. Xie Ming. The Audit Committee is chaired by Mr. Goh Gen Cheung who is an associate member of the Chartered Institute of Bankers and has over 30 years of treasury, finance and banking experience. All members of this Committee hold the relevant industry and financial experience necessary to advise on Board strategies and other related matters. The Board adopted a set of the revised terms of reference of the Audit Committee effective from 15 August 2023, which had included changes in line with the requirements under the Listing Rules. The Audit Committee members performed their duties within written terms of reference formulated by the Company in accordance with the requirements of the Listing Rules from time to time.

The Audit Committee is mainly responsible for considering all relationships between the Company and the auditing firm (including the provision of non-audit services), monitoring the integrity of the Company's financial statements and issues arising from the audit, and reviewing the Group's internal controls and risk management. In addition, the Audit Committee had been delegated the responsibility to perform the corporate governance functions including:

1. to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
2. to review and monitor the training and continuous professional development of Directors and senior management;
3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
5. to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

Every year, the Audit Committee meets with the Group's independent auditors to discuss the annual audit plan. The meetings of the Audit Committee are attended by members of the Committee, and where necessary, the independent auditors. Independent auditors made presentations to the Audit Committee on implications of the introduction of new accounting standards in Hong Kong and their audit methodologies. The Audit Committee subsequently reported its recommendations to the Board for further review and approval. The Audit Committee is also entrusted with monitoring and assessing the independence and objectivity of the independent auditors and the effectiveness of the audit process. All partners of independent auditors are subject to periodic rotations, and where necessary, the ratio of annual fees for non – audit services and for audit service is subject to close scrutiny by the Audit Committee.

During the year ended 31 December 2023, the Audit Committee reviewed and discussed consolidated financial statements of the Group for the financial year ended 31 December 2023 and the Group's unaudited interim results for the six months ended 30 June 2023 with the external auditor, considered and approved the audit work of the auditors, and reviewed the business and financial performance of the Company and internal control system and risk management and determined the policy for corporate governance. The Group's annual report for the year ended 31 December 2023 has been reviewed by the Audit Committee.

The terms of reference of the Audit Committee can be viewed on the website of the Company under the section headed "Management" and the website of the Stock Exchange.

Corporate Governance Report

BOARD COMMITTEES (Continued)

Remuneration Committee

The Remuneration Committee was established in 2005. The majority of the Remuneration Committee members are INEDs. Members of the Remuneration Committee are Mr. Goh Gen Cheung (Chairman), Mr. James Chan and Mr. Xie Ming. The Board adopted a set of the revised terms of reference of the Remuneration Committee effective from 15 August 2023, which had included changes in line with the requirements under the Listing Rules. The Remuneration Committee members performed their duties within written terms of reference formulated by the Company in accordance with the requirements of the Listing Rules from time to time. The Remuneration Committee adopted the operation model where it performs an advisory role to the Board and to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management with the Board retaining the final authority to approve executive Directors' and senior management remuneration. Its principal role is to assist the Board to oversee the policy and structure of the remuneration of the Director(s) of the Company and senior officers of the Group. It is the Company's policy to offer remuneration packages which are competitive and sufficient to retain such individuals and no Director is involved in decision of his own remuneration.

During the year ended 31 December 2023, the Remuneration Committee reviewed remuneration policy and oversaw the remuneration packages of executive Directors and senior management taking into consideration factors such as salaries paid by comparable companies, performance, time commitment and responsibilities of Directors and senior management.

No material matters relating to share schemes under Chapter 17 of the Listing Rules were required to be reviewed or approved by the Remuneration Committee during the year ended 31 December 2023.

The terms of reference of the Remuneration Committee can be viewed on the website of the Company under the section headed "Management" and the website of the Stock Exchange.

Nomination Committee

The Nomination Committee was established in 2005. The majority of the Nomination Committee members are INEDs. Members of the Nomination Committee are Mr. James Chan (Chairman), Mr. Goh Gen Cheung and Mr. Xie Ming. The Board adopted a set of the terms of reference of the Nomination Committee effective from 15 August 2023, which had included changes in line with the requirements under the Listing Rules. The Nomination Committee members performed their duties within written terms of reference formulated by the Company in accordance with the requirements of the Listing Rules from time to time. The major responsibilities of the Nomination Committee include to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; to identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorships; to assess the independence of the independent non-executive Directors; and to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman of the Board and the General Manager as well as the senior management.

During the year ended 31 December 2023, the Nomination Committee has reviewed and evaluated the composition of the Board with reference to certain criteria. These criteria included qualifications required under the Listing Rules or any other relevant laws regarding characteristics and skills of the Directors, professional ethics and integrity, appropriate professional knowledge and industry experience, as well as ability to devote sufficient time to the work of the Board and its Committees and to participate in all Board meetings and shareholders' meetings. It also reviewed and recommended the re-appointment of the retiring Directors and assessed independence of the independent non-executive Directors. Furthermore, it assessed and recommended the appointment of Mr. Zhu Yingying and Mr. Xu Zhigang as executive Directors; and reviewed and recommended their appointment letter.

Corporate Governance Report

BOARD COMMITTEES (Continued)

Nomination Committee (Continued)

The terms of reference of the Nomination Committee can be viewed on the website of the Company under the section headed “Management” and the website of the Stock Exchange.

The Company has adopted a set of nomination policy (the “Nomination Policy”) on 15 February 2019. The purpose is to identify and evaluate a candidate for nomination to the Board for appointment or to the shareholders of the Company for election as a Director. The Nomination Committee shall consider, among others, the following criteria in evaluating and selecting candidates for directorships:

- reputation for integrity;
- accomplishment and experience;
- commitment in respect of available time and relevant interest;
- the Company’ board diversity policy which takes into account a number of factors, including but not limited to the candidate’s gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service; and
- in the case of independent non-executive Directors, the independence of the candidate (i.e. the independence requirements as set out under any applicable laws, rules and regulations shall have been met).

Each proposed new appointment, election or re-election of a Director shall be assessed and/or considered against the criteria and qualifications set out in the Nomination Policy by the Nomination Committee which shall recommend its views to the Board and/or the shareholders of the Company for consideration and determination.

The Board will from time to time review the Nomination Policy and monitor its implementation to ensure its continued effectiveness and compliance with regulatory requirements and good corporate governance practice.

Sustainability Committee

The Sustainability Committee was established on 1 December 2000 and the primary duties of the Sustainability Committee are to assist the Board in identifying and evaluating the Company’s ESG opportunities and risks, supervising and evaluating the implementation and performance of ESG initiatives and projects, and advising the Board on ESG-related legal, regulatory and compliance development and public policy trends.

The Sustainability Committee comprises three executive Directors: Mr. Siu Kin Wai, Mr. Xu Zhigang, and Mr. Cheng Ching Fu, and one independent non-executive Director, Mr. James Chan. Mr. Siu Kin Wai is the chairman of the Sustainability Committee.

During the year ended 31 December 2023, the Sustainability Committee reviewed the sustainable development strategies, targets and action plans of the Group, etc. The terms of reference of the Sustainability Committee can be viewed on the website of the Company under the section headed “Management”.

Corporate Governance Report

INTERNAL CONTROL AND RISK MANAGEMENT

The Board has overall responsibility for evaluating and determining the nature and extent of the risks (including ESG risks) that should be taken in achieving the Group's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems to safeguard the Group's assets and shareholders' interests. To achieve this, the Group has set up a management structure with limits of authority which is designed to help the Group achieve its business objectives, protects its assets against unauthorized use or disposition, ensures the maintenance of proper accounting records for the provision of reliable financial information, and ensure compliance with relevant laws and regulations. The system is designed to provide reasonable but not absolute assurance against material misstatement or loss, and to manage rather than eliminate all risks of failure in the Group's operational systems and in the achievement of the Group's business objectives.

During the year under review, the external advisor and the Company conducted an internal control review on the Group's risk management in financing, monitoring of controls, operational level controls such as procurement business, construction in progress, investment management and ESG etc. and provided recommendations to enhance the internal control system of the Group. We have adopted and implemented the recommendations and the external advisor and the Company have not identified any material findings which may have material impact on the effectiveness of our internal control system. Based on the results of the follow-up review, the Board together with the Audit Committee considered that there were no significant internal control or risk management issues that would have an adverse impact on the financial position or operations of the Group. The Group also understands that risk management and internal control systems are not merely about policies and manuals, but about people and the actions they take at every level of the Group. To support all employees, regular training is provided to strengthen their awareness of risk and capability to manage risks. The Board together with the Audit Committee considered that there were adequate staff with appropriate and adequate qualifications and experience, resources for accounting, internal audit and financial reporting functions, and adequate training programmes had been provided during the year.

Anti-corruption policy

Corruption and bribery are strictly prohibited by the Company in all business dealings of the Group. The Company is fully committed to conducting business with integrity and in compliance with all applicable laws and regulatory requirements for the prevention of corruption and bribery. Corrupt practices do not only subject the Group and its employees to potential criminal and civil liabilities but may also cause an adverse impact on the Group's reputation. In order to promote the awareness of anti-corruption and enhance the integrity standard among the Group's employees, the Company has regularly organised educational sessions and training on anti-corruption campaign. During the year ended 31 December 2023, no legal cases involving corruption and bribery were brought against the Group or its employees.

The Company has adopted a set of anti-corruption policy, pursuant to which all employees and contract workers of the Group have to comply with the guidance on recognising and dealing with bribery and corruption and are under a duty to report any potential violations.

Whistleblowing policy

The Company is committed to upholding the highest standards of openness, integrity and ethical business conduct. Employees of the Group or third parties (including customers and suppliers) are encouraged to make a good faith report of any actual or suspected misconduct or bad conduct concerning the Company in a confidential and anonymous manner. The Company considers such arrangement to be important for detecting and deterring suspected fraud, irregularities or misconduct before the Group is affected or suffers losses. The Company has adopted a set of whistleblowing policy, pursuant to which certain reporting channels and guidelines have been made available to employees and third parties in relation to such arrangement.

Corporate Governance Report

DIVIDEND POLICY

The Company has adopted a dividend policy on 15 February 2019. It aims to provide shareholders with stable and sustainable returns.

The recommendation of the payment of any dividend is subject to the absolute discretion of the Board, and any declaration of final dividend will be subject to the approval of the Company's shareholders. Any payment of the dividend by the Company is also subject to any restrictions under the Laws of Bermuda, the Bye-Laws of the Company and any applicable laws, rules and regulations.

The declaration and payment of any dividend shall be determined at the sole discretion of the Board having taken into account, inter alia, the general financial condition of the Group, the Group's actual and future operations and liquidity position, the Group's expected working capital requirements and future expansion plans, the Group's debt to equity ratios and the debt level, any restrictions on payment of dividends that may be imposed by the Group's lenders, the retained earnings and distributable reserves of the Company and each of the members of the Group, the shareholders' and the investors' expectation and industry's norm, the general market conditions and any other factors that the Board deems appropriate.

PROCEDURES AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Group complies with requirements of Securities and Futures Ordinance ("SFO") and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensuring that information contained in announcements or circulars are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

AUDITOR'S REMUNERATION

During the year under review, external auditor's remuneration for annual audit services was approximately RMB1.8 million; and external auditor's remuneration for non-audit service assignments was approximately RMB1.0 million, which represented agreed-upon procedures engagement in connection with the Group's interim report, tax advisory and compliance services and financial and tax due diligence assignments. The Audit Committee had concluded that it is satisfied with the findings of its review of the audit and non-audit services fees, process and effectiveness, independence and objectivity.

COMPANY SECRETARY

Mr. Cheng Ching Fu is the executive Director, chief financial officer and company secretary of the Company. The biographical details of Mr. Cheng are set out under the section headed "Directors and Senior Management" of this annual report. In accordance with Rule 3.29 of the Listing Rules, Mr. Cheng has taken no less than 15 hours of relevant professional training during the financial year ended 31 December 2023.

Corporate Governance Report

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation of accounts for each financial year which gives a true and fair view of the state of affairs of the Group and of the results and cash flows for that year. In preparing the accounts for the year ended 31 December 2023, the Directors have selected suitable accounting policies and applied them consistently; adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards; made adjustments and estimates that are prudent and reasonable; and have prepared the accounts on a going concern basis. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company.

The responsibility of Ernst & Young, the Company's external auditors, is set out on pages 56 to 61 of the "Independent Auditor's Report" in this annual report.

SHAREHOLDERS' RIGHTS

Convening a special general meeting by shareholders ("SGM")

The Board shall, on the written requisition of shareholders of the Company holding at the date of the deposit of the requisition in aggregate not less than one-tenth of such of the paid-up capital of the Company carrying the right of voting at the SGM, forthwith proceed duly to convene the SGM ("Requisition"). The Requisition, which may consist of several documents in like form each signed by one or more requisitionists, must state the objects of the SGM and be deposited at the Company's head office and principal place of business in Hong Kong.

If the Board does not within twenty-one days from the date of the deposit of the Requisition proceed duly to convene a SGM, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a SGM in the same manner, as nearly as possible, as that in which SGM may be convened by the Board, but any meeting so convened shall not be held after the expiration of three months from the aforesaid date of the deposit of the Requisition.

All reasonable expenses incurred by the requisitionists as a result of the failure of the Board to convene such a SGM shall be reimbursed to them by the Company.

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries to the Board for the attention of the secretary of the Company ("Company Secretary") via email (ir@bphl.com.hk) or directed to the Company's head office and principal place of business in Hong Kong at 66th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong. Shareholders may also make enquiries with the Board at the general meetings of the Company.

Procedures for putting forward proposals at shareholders' meetings

If a shareholder of the Company wishes to put forward proposals at the annual general meeting (the "AGM")/SGM which is to be held, such shareholder, who is duly qualified to attend and vote at such general meeting, shall follow the procedures as set out below which are required in accordance with the Bye-laws and the Listing Rules.

1. A shareholder shall validly serve on the Company Secretary his/her written and signed notice of intention to propose a resolution at the AGM/SGM.
2. The foregoing documents shall be lodged at the Company's head office and principal place of business in Hong Kong at 66th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

Corporate Governance Report

SHAREHOLDERS' RIGHTS (Continued)

Procedures for putting forward proposals at shareholders' meetings (Continued)

3. The period for lodgment of the foregoing notices required under the Bye-Laws shall commence on the day after the despatch of the notice of the AGM/SGM and end no later than 7 days prior to the date of the AGM/SGM and such period shall be at least 7 days.
4. If the foregoing notices shall be received less than 10 business days prior to the date of such AGM/SGM, the Company needs to consider the adjournment of such AGM/SGM in order to allow shareholders of the Company 14 days' notice (the notice period must include 10 business days) of the proposal.
5. The foregoing notice of intention to propose a resolution will be verified by the Company's branch share registrar in Hong Kong (the "Branch Share Registrar"). Upon confirmation from the Branch Share Registrar, the Company Secretary will present to the board of Directors for their approval on the inclusion of the proposed resolutions in the AGM/SGM.

INVESTOR RELATIONS

Communication with shareholders

The Board believes that effective and proper investor relations play an important role in creating shareholders' value, enhancing the corporate transparency as well as establishing market confidence. The Company endeavours to maintain an on-going dialogue with its shareholders.

During the financial year ended 31 December 2023, the Company has proactively established the following channels to ensure effective shareholders' communication and enhance our transparency:

1. the Company maintained frequent contacts with institutional shareholders and investors through various channels such as meetings, telephone and emails;
2. the Company updated regularly its news and developments through the "investor relations" section of the Company's website;
3. corporate communications such as annual reports, interim reports and circulars were published in printed form and on the websites of the Stock Exchange and the Company at www.hkexnews.hk and www.bphl.com.hk, respectively;
4. the Company held annual and special general meetings, which acted as a forum for the shareholders to make comments and exchange views with the Directors and senior management; and
5. enquiries from the shareholders may be sent at any time to the Board for the attention of the Company Secretary via email (ir@bphl.com.hk) or directed to the Company's head office and principal place of business in Hong Kong at 66th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

The above channels will provide shareholders with the latest development of the Group as well as the real estate including high-end and modern general warehouse, cold chain logistics warehouse and trading business, specialised wholesale market, industrial property, commercial property and primary land development. The Company has reviewed the implementation and effectiveness of the shareholders' communication policy and considered it to be effective.

Constitutional documents

The special resolution regarding the amendments to the Bye-laws had been passed by the shareholders of the Company at the AGM held on 15 June 2023. There was no change to the Company's Memorandum of Association and Bye-laws during the year ended 31 December 2023. An updated consolidated version of the Memorandum of Association and Bye-Laws is available on both the websites of the Company and the Stock Exchange.

Independent Auditor's Report



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To the shareholders of Beijing Properties (Holdings) Limited

(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Beijing Properties (Holdings) Limited (the "Company") and its subsidiaries (the "Group") set out on pages 62 to 162, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2.1 to the financial statements which indicates that as at 31 December 2023, the Group's had net current assets of RMB2.7 billion, which included the net assets of disposal groups classified as held for sale of RMB2.3 billion, and incurred a net loss of RMB910 million for the year then ended. There are identified events or conditions that indicate the existence of a material uncertainty related to going concern, when considering that the Group's current portion of bank and other borrowings which are due to be settled within one year from the end of the reporting period. This condition, along with other matters as set forth in Note 2.1, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. In addition to the matters described in the Material Uncertainty Related to Going Concern section of our report, we have determined the matters described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Independent Auditor's Report

KEY AUDIT MATTERS (Continued)

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter

How our audit addressed the key audit matter

Valuation of investment properties, and net realisable value of land held for development or sale, properties held for sale and properties under development for sale

At 31 December 2023, the Group had investment properties with a total carrying amount of approximately RMB6,128 million, of which approximately RMB2,660 million was included in assets of disposal groups classified as held for sale. These properties were all located in Chinese Mainland of the People's Republic of China (the "PRC") and are either leased to third parties or under construction. The Group adopts the fair value model to measure its investment properties in accordance with Hong Kong Accounting Standard ("HKAS") 40 *Investment Property* and, for the purpose of assisting management in their assessment of the fair values, engaged an independent professional valuer to perform fair value valuations of all its investment properties.

We evaluated the objectivity, independence and competence of the external valuers engaged by the Group. We reviewed the data used as inputs for the valuations and also involved our internal valuation specialists to assist us in evaluating the valuation methodologies adopted, the discount rate used and performing market value benchmarking against comparable properties, on a sample basis. Finally, we assessed the adequacy of the related disclosures in the notes to the consolidated financial statements.

In addition, as at 31 December 2023, the Group had land held for development or sale located in Cambodia, properties held for sale and properties under development for sale located in Chinese Mainland of the PRC amounting to approximately RMB3,705 million, RMB1,721 million and RMB22 million, respectively. Land held for development or sale, properties held for sale and properties under development for sale are stated at the lower of cost and net realisable value. The net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal. The Group engaged independent professional valuers to perform fair value valuations of all these assets for the purpose of assisting management in their net realisable value assessment.

The valuations of investment properties and land held for development or sale, properties held for sale and properties under development for sale involve significant judgements and estimation.

The significant accounting judgements and estimates and disclosures for fair value measurement of these assets are included in notes 3 and 14 to the consolidated financial statements.

Independent Auditor's Report

KEY AUDIT MATTERS (Continued)

Key audit matter

How our audit addressed the key audit matter

Impairment testing of interests in associates

The Group held interests in associates, which is accounted for using the equity method. In accordance with HKAS 36 *Impairment of Assets*, where an indication of impairment of these assets exists, the Group will estimate the recoverable amounts of the relevant assets based on the higher of the value-in-use and the fair value less costs of disposal. An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount.

As at 31 December 2023, the gross carrying amount of the Group's interest in associates amounted to RMB584 million before provision for impairment of RMB357 million.

The management considered there were indications that the Group's interests in associates may be impaired. Accordingly, management has performed impairment assessment to determine the recoverable amounts of the interests in associates as at 31 December 2023.

Based on the assessment result, impairment loss of approximately RMB210 million was recognised during the year. An accumulated impairment loss of approximately RMB357 million had been recorded by the Group on the investment of the associates as at 31 December 2023.

The significant accounting judgements and estimates and disclosures for the impairment testing of investment in an associate are included in notes 3 and 19 to the consolidated financial statements.

We evaluated the objectivity, independence and competence of the external specialist engaged by the Group where appropriate. We assessed management's process for identifying the objective evidence of impairment in respect of the interests in associates. We evaluated and tested the assumptions and methodologies used by management/management's external specialist in the determination of the recoverable amounts. We also involved our internal specialists to assess the appropriateness of the key assumptions where appropriate. Finally, we assessed the adequacy of the related disclosures in the notes to the consolidated financial statements.

Independent Auditor's Report

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is TSANG, Chiu Hang.

Ernst & Young

Certified Public Accountants

Hong Kong

28 March 2024

Consolidated Statement of Profit or Loss

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000 (Restated)
REVENUE	5	1,468,336	1,125,947
Cost of sales and services		(1,234,240)	(726,126)
Gross profit		234,096	399,821
Changes in fair value of investment properties, net	14	(280,487)	35,376
Gain on disposal of subsidiaries	40	465	545,995
Other income and gains, net	6	55,236	48,243
Selling and distribution expenses		(15,762)	(6,492)
Administrative expenses		(130,670)	(185,226)
Other expenses, net		(12,450)	(27,564)
Finance costs	7	(474,288)	(525,271)
Share of profits and losses of:			
Joint ventures	18(b)	(15,004)	15,602
Associates	19(b)	(285,783)	(40,478)
(LOSS)/PROFIT BEFORE TAX	8	(924,647)	260,006
Income tax credit/(expense)	11	14,764	(196,493)
(LOSS)/PROFIT FOR THE YEAR		(909,883)	63,513
Attributable to:			
Shareholders of the Company		(901,406)	(70,973)
Non-controlling interests		(8,477)	134,486
		(909,883)	63,513
LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
Basic and diluted	12	(RMB12.93 cents)	(RMB1.02 cents)

Consolidated Statement of Comprehensive Income

Year ended 31 December 2023

Notes	2023 RMB'000	2022 RMB'000 (Restated)
(LOSS)/PROFIT FOR THE YEAR	(909,883)	63,513
OTHER COMPREHENSIVE INCOME/(LOSS)		
<i>Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:</i>		
– Exchange differences		
Translation of foreign operations	(128,735)	(299,653)
Disposal of subsidiaries	20,699	16,969
– Share of other comprehensive loss of:		
Associates	5,676	7,435
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	(102,360)	(275,249)
<i>Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:</i>		
– Exchange differences on translation of the Company's financial statements	(5,071)	31,955
– Changes in fair value of an equity investment at fair value through other comprehensive income, net of income tax of nil	(7,718)	651
– Actuarial losses of defined benefit plans	(350)	(20)
– Share of other comprehensive loss of associates	(8,627)	(2,882)
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods	(21,766)	29,704
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF INCOME TAX OF NIL	(124,126)	(245,545)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(1,034,009)	(182,032)
Attributable to:		
Shareholders of the Company	(1,044,689)	(359,808)
Non-controlling interests	10,680	177,776
	(1,034,009)	(182,032)

Consolidated Statement of Financial Position

31 December 2023

	Notes	31 December 2023 RMB'000	31 December 2022 RMB'000 (Restated)	1 January 2022 RMB'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	13	433,478	436,691	447,891
Investment properties	14	3,467,683	4,089,995	6,905,754
Right-of-use assets	16(a)	57,782	60,368	62,954
Goodwill	17	91,953	89,549	138,342
Interests in joint ventures	18	70,936	204,736	193,422
Interests in associates	19	227,376	515,909	544,376
Equity investments at fair value through other comprehensive income	20	11,254	18,702	17,034
Deposits	26	–	–	8,450
Land held for development or sale	22	3,705,151	3,673,608	3,393,691
Pledged and restricted bank deposits		–	–	805
Total non-current assets		8,065,613	9,089,558	11,712,719
CURRENT ASSETS				
Properties under development for sale	22	22,138	19,419	1,477,860
Properties held for sale	23	1,720,614	1,699,202	80,832
Inventories	24	316,911	374,921	55,881
Trade receivables	25	90,333	99,086	73,848
Prepayments, deposits and other receivables	26	250,236	548,300	196,460
Due from joint ventures	18	5,046	4,977	47,187
Financial asset at fair value through profit or loss	21	–	180,000	–
Pledged and restricted bank deposits	28	9,090	5,837	81,558
Cash and cash equivalents	28	366,010	647,403	887,037
Assets of disposal groups classified as held for sale	15	2,780,378 2,757,091	3,579,145 3,008,558	2,900,663 3,345,145
Total current assets		5,537,469	6,587,703	6,245,808

Consolidated Statement of Financial Position

31 December 2023

	Notes	31 December 2023 RMB'000	31 December 2022 RMB'000 (Restated)	1 January 2022 RMB'000 (Restated)
CURRENT LIABILITIES				
Trade payables	29	136,867	212,834	539,401
Other payables and accruals	30	494,036	595,541	509,221
Due to other related parties	27	503,623	233,930	442,401
Bank and other borrowings	31	898,317	1,509,028	1,929,263
Guaranteed bonds	32	–	4,926,286	–
Income tax payables		58,744	103,648	39,612
Provision for compensation	33	201,357	203,077	203,839
		2,292,944	7,784,344	3,663,737
Liability directly associated with the assets of disposal groups classified as held for sale	15	495,504	794,429	1,094,024
Total current liabilities		2,788,448	8,578,773	4,757,761
NET CURRENT ASSETS/(LIABILITIES)				
		2,749,021	(1,991,070)	1,488,047
TOTAL ASSETS LESS CURRENT LIABILITIES				
		10,814,634	7,098,488	13,200,766
NON-CURRENT LIABILITIES				
Due to a joint venture	18	176,809	176,809	176,809
Due to other related parties	27	–	54,278	59,908
Bank and other borrowings	31	6,533,100	1,412,165	2,142,159
Guaranteed bonds	32	–	–	4,680,539
Deferred revenue	34	19,946	70,759	72,295
Defined benefit obligations		7,810	11,559	11,727
Deferred tax liabilities	35	1,073,192	1,162,309	1,453,328
Total non-current liabilities		7,810,857	2,887,879	8,596,765
Net assets		3,003,777	4,210,609	4,604,001

Consolidated Statement of Financial Position

31 December 2023

	Notes	31 December 2023 RMB'000	31 December 2022 RMB'000 (Restated)	1 January 2022 RMB'000 (Restated)
EQUITY				
Equity attributable to shareholders of the Company				
Issued capital	36	566,979	566,979	566,979
Reserves	38(a)	808,678	1,853,166	2,212,743
		1,375,657	2,420,145	2,779,722
Non-controlling interests				
		1,628,120	1,790,464	1,824,279
Total equity		3,003,777	4,210,609	4,604,001

Siu Kin Wai
Director

Cheng Ching Fu
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2023

Notes	Attributable to shareholders of the Company													Total	Non-controlling interests	Total equity
	Issued capital	Share premium account	Contributed surplus	Share option reserve	Property revaluation reserve	Capital and other reserves	Financial asset revaluation reserve	Defined benefit plan reserve	Exchange fluctuation reserve	PRC statutory reserves	Retained profits					
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000			
		(note 38(b))	(note 38(c))	(note 38(d))		(note 38(e))					(note 38(f))					
At 1 January 2022 (Restated)	566,979	1,434,273	298,002	44,360	(8,666)	123,893	(107,278)	(5,828)	43,552	21,637	368,798	2,779,722	1,824,279	4,604,001		
Profit/(loss) for the year	-	-	-	-	-	-	-	-	-	-	(70,973)	(70,973)	134,486	63,513		
Other comprehensive income/(loss) for the year:																
- Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	(310,988)	-	-	(310,988)	43,290	(267,698)		
- Changes in fair value of equity investment at fair value through other comprehensive loss, net of income tax of nil	-	-	-	-	-	-	651	-	-	-	-	651	-	651		
- Share of other comprehensive income of associates	-	-	-	-	-	-	(2,882)	-	7,435	-	-	4,553	-	4,553		
- Actuarial losses of defined benefit plans	-	-	-	-	-	-	-	(20)	-	-	-	(20)	-	(20)		
- Release of translation reserve upon disposal of subsidiaries	40	-	-	-	-	-	-	-	16,969	-	-	16,969	-	16,969		
Total comprehensive income/(loss) for the year	-	-	-	-	-	-	(2,231)	(20)	(286,584)	-	(70,973)	(359,808)	177,776	(182,032)		
Transfer of share option reserve upon expiry of share options	37(c)	-	-	(15,106)	-	-	-	-	-	-	15,106	-	-	-		
Share of reserves of associates	-	-	-	-	-	231	-	-	-	-	-	231	-	231		
Deregistration of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(867)	(867)		
Transfer to reserves	-	-	-	-	-	-	-	-	-	5,319	(5,319)	-	-	-		
Disposal of subsidiaries	40	-	-	-	-	-	-	-	-	-	-	-	(139,734)	(139,734)		
Transfer of reserves upon disposal of subsidiaries	-	-	-	-	-	(176,648)	-	-	-	(13,790)	190,438	-	-	-		
Dividends paid to non-controlling equity holders	-	-	-	-	-	-	-	-	-	-	-	-	(70,990)	(70,990)		
At 31 December 2022 (Restated)	566,979	1,434,273*	298,002*	29,254*	(8,666)*	(52,524)*	(109,509)*	(5,848)*	(243,032)*	13,166*	498,050	2,420,145	1,790,464	4,210,609		

Consolidated Statement of Changes in Equity

Year ended 31 December 2023

Notes	Attributable to shareholders of the Company													Total equity RMB'000
	Issued capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Share option reserve RMB'000	Property revaluation reserve RMB'000	Capital and other reserves RMB'000	Financial asset revaluation reserve RMB'000	Defined benefit plan reserve RMB'000	Exchange fluctuation reserve RMB'000	PRC statutory reserves RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	
	(note 38(b))	(note 38(c))	(note 38(d))	(note 38(d))	(note 38(e))	(note 38(e))	(note 38(f))	(note 38(f))	(note 38(f))	(note 38(f))	(note 38(f))	(note 38(f))	(note 38(f))	
At 1 January 2023	566,979	1,434,273	298,002	29,254	(8,666)	(52,524)	(109,509)	(5,848)	(243,032)	13,166	498,050	2,420,145	1,790,464	4,210,609
Loss for the year	-	-	-	-	-	-	-	-	-	-	(901,406)	(901,406)	(8,477)	(909,883)
Other comprehensive income/(loss) for the year:														
- Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	(152,963)	-	-	(152,963)	19,157	(133,806)
- Changes in fair value of equity investment at fair value through other comprehensive loss, net of income tax of nil	-	-	-	-	-	-	(7,718)	-	-	-	-	(7,718)	-	(7,718)
- Share of other comprehensive income/(loss) of associates	-	-	-	-	-	-	(8,627)	-	5,676	-	-	(2,951)	-	(2,951)
- Actuarial gains of defined benefit plans	-	-	-	-	-	-	-	(350)	-	-	-	(350)	-	(350)
- Release of translation reserve upon disposal of subsidiaries	40	-	-	-	-	-	-	-	20,699	-	-	20,699	-	20,699
Total comprehensive income/(loss) for the year	-	-	-	-	-	-	(16,345)	(350)	(126,588)	-	(901,406)	(1,044,689)	10,680	(1,034,009)
Transfer of share option reserve upon expiry of share options	37(c)	-	-	(12,638)	-	-	-	-	-	-	12,638	-	-	-
Share of reserves of associates	-	-	-	-	-	201	-	-	-	-	-	201	-	201
Transfer to reserves	-	-	-	-	-	-	-	-	-	676	(676)	-	-	-
Disposal of subsidiaries	40	-	-	-	-	-	-	-	-	-	-	-	(90,464)	(90,464)
Transfer of reserves upon disposal of subsidiaries	-	-	-	-	-	-	-	-	-	(3,605)	3,605	-	-	-
Dividends paid to non-controlling equity holders	-	-	-	-	-	-	-	-	-	-	-	-	(82,560)	(82,560)
At 31 December 2023	566,979	1,434,273*	298,002*	16,616*	(8,666)*	(52,323)*	(125,854)*	(6,198)*	(369,620)*	10,237*	(387,789)	1,375,657	1,628,120	3,003,777

* These reserve accounts comprise the consolidated reserves of RMB1,196,467,000 (2022: RMB1,355,116,000) in the consolidated statement of financial position as at 31 December 2023.

Consolidated Statement of Cash Flows

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/Profit before tax		(924,647)	260,006
Adjustments for:			
Bank interest income	6	(11,674)	(9,395)
Other interest income	6	(68)	(1,692)
Government grants	6	(4,053)	(7,459)
Gain on disposal of a joint venture	6	(26,988)	–
Gain on disposal of subsidiaries	40	(465)	(545,995)
Fair value loss/(gain) of investment properties, net	14(a)	280,487	(35,376)
Gain on early redemption of guaranteed bonds	8	–	(3,040)
Loss on disposal of items of property, plant and equipment	8	460	462
Depreciation of property, plant and equipment	8	14,171	15,428
Depreciation of right-of-use assets	8	2,586	2,586
Provision for compensation, net	8	2,959	3,154
(Net reversal)/cost of defined benefit plans	8	(2,121)	450
Finance costs	7	474,288	525,271
Share of profits and losses of joint ventures		15,004	(15,602)
Share of profits and losses of associates		285,783	40,478
		105,722	229,276
Decrease/(increase) in inventories		58,010	(319,040)
Increase in land for development or sale		(24,804)	(148,452)
Decrease/(increase) in trade receivables		7,994	(32,650)
Decrease in prepayments, deposits and other receivables		82,667	57,816
Decrease in amounts due from joint ventures		–	1,404
Decrease in trade payables		(75,965)	(326,569)
(Decrease)/increase in other payables and accruals		(99,207)	146,751
Decrease in defined benefit obligations		(2,128)	(609)
		52,289	(392,073)
Cash generated from/(used in) operations		52,289	(392,073)
Chinese Mainland income tax paid		(78,197)	(70,033)
Settlement for compensation	33	(4,679)	(3,916)
		(30,587)	(466,022)
Net cash flows used in operating activities		(30,587)	(466,022)

Consolidated Statement of Cash Flows

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(12,830)	(8,142)
Acquisition of investment properties		(12,171)	(107,702)
Disposal of subsidiaries	40	387,427	2,156,066
Proceeds from disposal of a joint venture		376,512	–
Government grants received		1,193	333
Purchase of equity investments designated at fair value through other comprehensive income		–	(100)
Proceeds from disposal of financial assets at fair value through profit or loss		180,100	–
Repayment of loans advanced to a joint venture		–	25,000
Interest received		11,673	26,875
Decrease in time deposits with maturity of more than three months when acquired		–	10,065
Net cash flows from investing activities		931,904	2,102,395
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		4,538,985	523,613
Repayment of bank loans		(2,441,159)	(709,575)
New other loans		5,308,000	30,000
Repayment of other loans		(3,273,000)	(627,000)
Repayment of guaranteed bonds		(5,044,524)	(156,908)
Refund of capital contribution to a non-controlling equity holder upon deregistration of a subsidiary		–	(867)
Repayment to the intermediate holding company		–	(349,997)
Net advances from/(repayment to) other related parties		249,825	(30,148)
Interest paid		(450,344)	(542,747)
Dividends paid to non-controlling equity holders		(82,560)	(70,990)
Net cash flows used in financing activities		(1,194,777)	(1,934,619)

Consolidated Statement of Cash Flows

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000 (Restated)
NET DECREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year		728,318	1,033,424
Effect of foreign exchange rate changes, net		(22,800)	(6,860)
CASH AND CASH EQUIVALENTS AT END OF YEAR			
		412,058	728,318
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Deposits placed with a fellow subsidiary	28	56,929	305,731
Time deposits	28	24,848	186,151
Other cash and bank balances	28	293,323	161,358
Less: Restricted cash and pledged deposits	28	(9,090)	(5,837)
Cash and cash equivalents as stated in the consolidated statement of financial position	28	366,010	647,403
Add: Restricted cash and pledged deposits in connection with bank borrowings		9,090	5,837
Pledged and restricted bank deposits, and cash and cash equivalents attributable to disposal groups held for sale	15	36,958	75,078
Cash and cash equivalents as stated in the consolidated statement of cash flows		412,058	728,318

Notes to Financial Statements

31 December 2023

1. CORPORATE AND GROUP INFORMATION

Beijing Properties (Holdings) Limited (the “Company”) is a limited liability company incorporated in Bermuda and shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

During the year, the Company and its subsidiaries (collectively the “Group”) were involved in the following principal activities:

- leasing of commercial properties and a health care property in the mainland (“Chinese Mainland”) of the People’s Republic of China (the “PRC”) and provision of related management services;
- provision of logistics services, including leasing of general warehouses, cold chain logistics warehouses and specialised wholesale market, and provision of related logistics and management services;
- leasing of industrial plants and provision of related management services, and sales of properties;
- sale of land for development or sale, provision of primary land development services; and
- sale of frozen products.

The immediate holding company of the Company is Beijing Enterprises Real Estate (HK) Limited (“BEREHK”), which is a limited liability company incorporated in the British Virgin Islands, and, in the opinion of the directors, the ultimate holding company of the Company is 北京控股集團有限公司 (“BE Group”), which is a state-owned enterprise established in the PRC and wholly owned by The State-owned Assets Supervision and Administration Commission of the People’s Government of Beijing Municipality (the “Beijing SASAC”).

Notes to Financial Statements

31 December 2023

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about principal subsidiaries

Particulars of the Company's principal subsidiaries as at 31 December 2023 are as follows:

Company name	Place of incorporation/ registration and business	Registered/ issued and paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
China Logistics infrastructures (Holdings) Limited ("China Logistics") ^Ω	British Virgin Islands/ Hong Kong	US\$100	100	–	Investment holding
廣州光明房產建設有限公司 ("Guangzhou Guangming") [®]	The PRC/ Chinese Mainland	US\$28,080,000	–	98.90	Shopping mall holding and leasing
北京允中創富企業管理有限公司 ("Stable Charmfull") [^]	The PRC/ Chinese Mainland	US\$11,520,000	–	100	Health care property holding and leasing
Zhong Jian Jin Bian Jing Ji Te Qu Ltd ("Zhong Jian Jin Bian")	Cambodia	US\$10,000,000	–	60	Primary land development
天津萬士隆國際物流有限公司 [®]	The PRC/ Chinese Mainland	US\$6,660,000	–	100	General warehouse leasing
北建(上海)倉儲有限公司 [^]	The PRC/ Chinese Mainland	US\$98,500,000	–	100	General warehouse leasing
眉山遜達洪通倉儲有限責任公司 ("Meishan Xunda") [®]	The PRC/ Chinese Mainland	RMB140,000,000	–	60	General warehouse leasing
天域萬隆物流(天津)有限公司 [^]	The PRC/ Chinese Mainland	US\$9,800,000	–	100	General warehouse leasing
天津通達優智物流有限公司 ("Tianjin Tong Da You Zh") [^]	The PRC/ Chinese Mainland	HK\$20,000,000	–	100	General warehouse leasing
通達大華物流有限責任公司 [†]	The PRC/ Chinese Mainland	RMB23,848,800	–	100	General warehouse leasing and provision of logistics services

Notes to Financial Statements

31 December 2023

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about principal subsidiaries (Continued)

Company name	Place of incorporation/ registration and business	Registered/ issued and paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
衢州通成農業發展有限公司 [Ⓐ]	The PRC/ Chinese Mainland	RMB249,800,000	–	100	Specialised wholesale market leasing for the trading and distribution of local agricultural products
天津中漁置業有限公司 [Ⓐ]	The PRC/ Chinese Mainland	RMB112,500,000	–	60	Provision of cold chain logistics warehouse management services
寶地工業地產發展(嘉興)有限公司 [Ⓐ]	The PRC/ Chinese Mainland	US\$32,000,000	–	54.36	Industrial plant management
江蘇蘇南智城科技發展有限公司 [Ⓐ]	The PRC/ Chinese Mainland	RMB800,000,000	–	72.48	Primary land development
北京養頤國際貿易有限公司 [Ⓐ]	The PRC/ Chinese Mainland	RMB25,000,000	–	100	Trading of frozen products
北京允中管理諮詢有限公司	The PRC/ Chinese Mainland	RMB10,000,000	–	100	Trading of frozen products
北京允中投資諮詢有限公司 [Ⓐ]	The PRC/ Chinese Mainland	US\$10,000,000	100	–	Office management

[Ⓐ] Registered as Sino-foreign joint ventures under PRC law

[Ⓐ] Registered as wholly-foreign-owned enterprises under PRC law

[#] Registered as a limited liability company under PRC law

[Ⓐ] Except for these entities which are directly held by the Company, all other principal subsidiaries are indirectly held by the Company

The above table lists the subsidiaries of the Company, which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Notes to Financial Statements

31 December 2023

2.1 BASIS OF PRESENTATION

At 31 December 2023, the Group had net current assets of RMB2.7 billion, which included the net assets of disposal groups classified as held for sale of RMB2.3 billion, and incurred a net loss of RMB910 million for the year then ended. There are identified events or conditions that indicate the existence of a material uncertainty related to going concern, when considering that the Group's current portion of bank and other borrowings which are due to be settled within one year from the end of the reporting period. This condition indicates the existence of a material uncertainty relating to going concern. In assessing the Group's ability to operate as a going concern, a cash flow projection has been prepared by the management, after giving careful consideration to the Group's future liquidity requirements, operating performance and available sources of financing for a period of not less than twelve months from the end of the reporting period.

The directors of the Company have reviewed the Group's cashflow projection prepared by management and they are of the opinion that, after taking into account the measures implemented or being implemented, the Group will have sufficient working capital to finance its operation and to meet its financial obligations as and when they fall due. The measures that the Group has implemented or is in the process of implementing are as follows:

- (i) subsequent to the reporting period, in January 2024, the Group has received the consideration of RMB402 million upon the completion of some disposal projects;
- (ii) the Group is in the process of realising certain of its investments or properties, including certain warehouses in Chinese Mainland (the "China Logistics Disposal", details of which are disclosed in note 15 to the financial statements and the circular dated 3 August 2022) and certain commercial properties in Jiangsu;
- (iii) the Group is currently arranging additional banking facilities with banks to further support the Group's funding needs should the aforesaid realisation of investments and/or properties not be completed in the upcoming year;
- (iv) a fellow subsidiary of the Company has agreed not to demand repayment of the amounts due to it until such time when the Group is in a position to repay without impairing its liquidity and financial position; and
- (v) should the Group fails to further dispose the Group's properties or fail to obtain additional banking facilities as set out in (ii) and (iii) above, the Group plans to utilise standby facilities provided by Beijing Enterprises Group Company Limited ("BE Group"), the ultimate controlling shareholder of the Company in accordance with the keepwell and liquidity support deeds signed between the Group, BE Group and certain banks for the repayment of the loans due to those banks.

Notwithstanding the above, whether the Group will be able to generate adequate cash flows to continue as a going concern would depend on (i) the successful disposal of the Group's properties; (ii) the success in obtaining additional funds from banks; or failing which, (iii) obtaining standby facilities from BE Group.

The directors believe that, taking into account the above factors, the Group will have sufficient working capital to continue as a going concern. However, should the disposal of the Group's properties be delayed or additional funds from banks not be obtained and standby facilities from BE Group not be provided, the Group may be unable to continue as a going concern, in which case adjustments would have to be made to adjust the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

Notes to Financial Statements

31 December 2023

2.2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, equity investments at fair value through other comprehensive income, financial assets at fair value through profit or loss, defined benefit obligations and disposal groups held for sale which have been measured in accordance with the accounting policy as further explained in note 2.5 to the financial statements. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

Change of functional currency of the Company

The Company changed its functional currency from United States dollar (“US\$”) to RMB from 31 December 2023. The reason for the change in functional currency of the Company was after taking into consideration of, inter alia, the facts that (i) majority of the Company’s cash flows arose from investing and financing activities which have been predominately transacted in RMB since the second half of 2023, including recent debt financing activities; and (ii) the Company had comparatively less cash flows denominated in US\$.

The change in functional currency of the Company was applied prospectively from the date of change in accordance with HKAS 21 *The Effect of Changes in Foreign Exchange Rates*.

Change of presentation currency

The Company’s presentation currency for its consolidated financial statements has been changed from Hong Kong dollar to RMB. Taking into account that most of the Group’s transactions and assets and liabilities are denominated and settled in RMB, the change of presentation currency will enable the shareholders and potential investors of the Company to have a more accurate picture of the Group’s financial performance. The Board considers that it is more appropriate to use RMB as the presentation currency for the Group’s consolidated financial statements.

The change in presentation currency of the consolidated financial statements of the Group has been accounted for in accordance with HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

The effects of the change in the presentation currency have been accounted for retrospectively with comparative figures restated. The comparative amounts in the consolidated financial statements are presented as if RMB had always been the presentation currency of the consolidated financial statements. The Group has also presented the consolidated statement of financial position as at 1 January 2022 without related notes.

Notes to Financial Statements

31 December 2023

2.2 BASIS OF PREPARATION (Continued)

Change of presentation currency (Continued)

The following methodology was adopted to restate the comparative figures including those in the notes to financial statements, which were originally reported in HK\$:

- (i) income and expenses denominated in non-RMB currencies were translated at the average rates of exchange prevailing at the dates of transactions;
- (ii) significant disposal of subsidiaries were translated at the spot rates prevailing on the date of the disposals;
- (iii) assets and liabilities denominated in non-RMB currencies were translated at the rates of exchange at the end of the reporting periods;
- (iv) issued capital and other reserves were translated at the applicable historical rates of exchange; and
- (v) all resulting exchange differences were recognised in other comprehensive income and accumulated in the exchange fluctuation reserve.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Notes to Financial Statements

31 December 2023

2.2 BASIS OF PREPARATION (Continued)**Basis of consolidation (Continued)**

Profit or loss and each component of other comprehensive income are attributed to shareholders of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements:

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Asset and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the "2020 Amendments")</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the "2022 Amendments")</i>

The nature and the impact of the new and revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2.5 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

Notes to Financial Statements

31 December 2023

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

- (b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.
- (c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

Upon the application of the amendments, the Group has determined the temporary differences arising from right-of-use assets and lease liabilities separately, which have been reflected in the reconciliation disclosed in note 35 to the financial statements. However, they did not have any material impact on the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualified for offsetting under HKAS 12.

- (d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.
- (e) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

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

The Group early adopted the 2020 Amendments and 2022 Amendments from 1 January 2023 and in accordance with the transition provisions of the amendments, the Group adopted the amendments retrospectively. The Group had assessed the impact of the amendments and based on the assessment, the amendments have no material impact on the Group's financial statements.

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2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following revised HKFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised HKFRSs, if applicable, when they become effective.

Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Amendments to HKFRS 16	<i>Lease liability in a Sale and Leaseback</i> ¹
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i> ¹
Amendments to HKAS 21	<i>Lack of Exchangeability</i> ²

¹ Effective for annual periods beginning on or after 1 January 2024

² Effective for annual periods beginning on or after 1 January 2025

³ No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below:

- (a) Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the HKICPA. However, the amendments are available for adoption now.
- (b) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
- (c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.
- (d) Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

Notes to Financial Statements

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2.5 MATERIAL ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any accumulated impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

Notes to Financial Statements

31 December 2023

2.5 MATERIAL ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Notes to Financial Statements

31 December 2023

2.5 MATERIAL ACCOUNTING POLICIES (Continued)

Fair value measurement

The Group measures its investment properties, a derivative financial liability, defined benefit plans and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Notes to Financial Statements

31 December 2023

2.5 MATERIAL ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for non-financial asset is required (other than investment properties, deferred tax assets, land held for development or sale, properties under development or held for sales, inventories and disposal groups classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of a non-financial asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

Notes to Financial Statements

31 December 2023

2.5 MATERIAL ACCOUNTING POLICIES (Continued)

Related parties (Continued)

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a holding company, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a holding company of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to a holding company of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any accumulated impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for “Non-current assets and disposal groups held for sale”. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Notes to Financial Statements

31 December 2023

2.5 MATERIAL ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of different categories of property, plant and equipment are as follows:

Buildings and warehouses	Over the shorter of the lease terms and 40 years
Leasehold improvements	Over the shorter of the lease terms and 4 years
Plant and machinery	5 to 10 years
Furniture, fixtures and equipment	3 to 5 years
Motor vehicles	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents building refurbishment, which is stated at cost less any accumulated impairment losses, and is not depreciated. Cost comprises the direct costs of construction. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties include both completed investment properties and investment properties under construction.

Completed investment properties are interests in land and buildings (including right-of-use assets) held to earn rental income and/or for capital appreciation. Such properties are measured initially at cost, including transaction costs and, subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Investment properties under construction or development for future use as investment properties are classified as investment properties under construction. Such properties under construction are measured initially at cost, including transaction costs, and, subsequent to initial recognition, are stated at fair value at the end of the reporting period when the fair value can be determined reliably.

Gains or losses arising from changes in the fair values of completed investment properties and investment properties under construction are included in profit or loss in the period in which they arise.

Any gains or losses on the retirement or disposal of completed investment properties or investment properties under construction are recognised in profit or loss in the period of the retirement or disposal.

Notes to Financial Statements

31 December 2023

2.5 MATERIAL ACCOUNTING POLICIES (Continued)

Disposal groups held for sale

Disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on the straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	50 years
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If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of office premises (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Notes to Financial Statements

31 December 2023

2.5 MATERIAL ACCOUNTING POLICIES (Continued)

Leases (Continued)

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss, as appropriate.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction cost.

In order for a financial asset (debt instrument) to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Notes to Financial Statements

31 December 2023

2.5 MATERIAL ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(a) *Financial assets at amortised cost (debt instruments)*

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

(b) *Financial assets at fair value through other comprehensive income (equity investments)*

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are never recycled to profit or loss. Dividend are recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments at fair value through other comprehensive income are not subject to impairment assessment.

(c) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Notes to Financial Statements

31 December 2023

2.5 MATERIAL ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Derecognition of financial assets (Continued)

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Notes to Financial Statements

31 December 2023

2.5 MATERIAL ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Impairment of financial assets (Continued)

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or financial liabilities at amortised cost, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of financial liabilities at amortised cost, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables and other payables, amounts due to related parties, bank and other borrowings and guaranteed bonds.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

(a) *Financial liabilities at amortised cost (trade and other payables, and borrowings)*

After initial recognition, trade and other payables, and interest-bearing borrowings financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in consolidated statement of profit or loss.

Notes to Financial Statements

31 December 2023

2.5 MATERIAL ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Land held for development or sale

Land held for development or sale is stated at the lower of cost and net realisable value and comprises the land acquisition cost, property transfer tax and other costs directly attributable to such land during the development period.

Net realisable value takes into account the Group's proceeds derived from the sale of land held for development or sale, less costs to completion and the costs to be incurred in realising the revenue derived from the sale of land held for development or sale, based on prevailing market conditions, less the estimated costs necessary to make the sale of the land.

Any excess of cost over the net realisable value of individual items of land held for development or sale is recognised as an expense in profit or loss.

Properties under development for sale

Properties under development for sale are intended to be held for sale after development. They are stated at the lower of cost and net realisable value. The costs comprise acquisition land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period. Net realisable value represents the estimated selling price, based on prevailing market conditions, less any estimated costs to be incurred to completion and in selling the property.

Properties under development for sale are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond the normal operating cycle. On completion, the properties are transferred to properties held for sale.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost of completed properties held for sale is determined by an apportionment of total land and building costs attributable to the unsold properties. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale of the properties.

Notes to Financial Statements

31 December 2023

2.5 MATERIAL ACCOUNTING POLICIES (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and includes all cost of purchase, cost of conversion and other costs incurred in bring the inventories to their present location and condition. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to disposal.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included as finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Notes to Financial Statements

31 December 2023

2.5 MATERIAL ACCOUNTING POLICIES (Continued)

Income tax (Continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries, joint ventures and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries, joint ventures and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Notes to Financial Statements

31 December 2023

2.5 MATERIAL ACCOUNTING POLICIES (Continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) *Sale of land*

Revenue from the sale of land is recognised at the point in time when control of the asset is transferred to the customer.

(b) *Sale of properties*

Revenue from the sale of properties is recognised at the point in time when the purchasers obtained the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

(c) *Provision of logistics and other ancillary services*

Revenue from provision of logistics and other ancillary services is recognised as services are rendered.

Notes to Financial Statements

31 December 2023

2.5 MATERIAL ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

(d) *Provision of property management services*

Revenue from provision of property management services is recognised over the scheduled period on the straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

(e) *Sale of frozen products*

Revenue from the sale of frozen products is recognised at the point in time when control of the asset is transferred to the customer.

Revenue from other sources

(a) *Rental income*

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Other income

(a) *Interest income*

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

(b) *Dividend income*

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made received or the a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Notes to Financial Statements

31 December 2023

2.5 MATERIAL ACCOUNTING POLICIES (Continued)

Share-based payments

The Company operates a share option scheme. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (“equity – settled transactions”). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group’s best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Notes to Financial Statements

31 December 2023

2.5 MATERIAL ACCOUNTING POLICIES (Continued)

Share-based payments (Continued)

Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. In addition, at the time when the share options are exercised, the amount previously recognised in the share option reserve will be transferred to the share premium account.

Options which are cancelled prior to their exercise date or lapsed are deleted from the register of outstanding options. When the share options are still not exercised at the expiry date, the amount previously recognised in the share option reserve will be transferred to retained profits/accumulated losses as a movement in reserves.

Other employee benefits (pension schemes)

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees’ basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group’s subsidiaries which operates in Chinese Mainland are required to participate in a central pension scheme operated by the local municipal government. Contributions are made based on a percentage of the participating employee’s salaries and are charged to profit or loss as they became payable in accordance with the rules of the central pension scheme. The employer contributions vest fully once made.

The Group also provided supplementary pension subsidies to retired employees. Such supplementary pension subsidies are considered to be defined benefit plans as they oblige the Group to provide post-employment benefits to employees. The benefits are unfunded. The liability recognised in the consolidated statements of financial position in respect of these defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent qualified actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government securities which have maturity approximating to the terms of the related pension liability. Actuarial gains and losses arising from changes in actuarial assumptions and experience adjustments are recognised in other comprehensive income as they occur.

Borrowing costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Borrowing costs directly attributable to the construction of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred.

Notes to Financial Statements

31 December 2023

2.5 MATERIAL ACCOUNTING POLICIES (Continued)

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain subsidiaries and an associate established in Cambodia and Hong Kong are currencies other than RMB. At the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of certain subsidiaries established in Cambodia and Hong Kong are translated into RMB at the exchange rates prevailing at the dates of the cash flows. Frequently recurring cash flows of these subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

Notes to Financial Statements

31 December 2023

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

The major judgements, estimates and assumptions that have the most significant effect on the amounts recognised in the financial statements and have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

Property lease classification – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is also made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation of fair value of investment properties, and net realisable value of land held for development or sale, properties held for sale and properties under development for sale

The Group adopts the fair value model to measure its investment properties in accordance with HKAS 40 *Investment Property* and engaged an independent professional valuer to perform fair value valuations of all its investment properties. In addition, the Group's land held for development or sale, properties held for sale and properties under development for sale are stated at the lower of cost and net realisable value and the Group engaged an independent professional valuer to perform fair value valuations of all its land held for development or sale, properties held for sale and properties under development for sale for impairment assessment.

Notes to Financial Statements

31 December 2023

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation of fair value of investment properties, and net realisable value of land held for development or sale, properties held for sale and properties under development for sale (Continued)

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

- (a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;
- (b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and
- (c) annual rental income supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the relevant cash-generating units (“CGUs”) to which the goodwill is allocated, which is the higher of the fair value less costs of disposal and value in use. In determining the fair value less cost of disposal of the CGUs, references are made to the valuation of investment properties, properties held for sale, buildings, warehouses and/or health care property held and the carrying amount of the business unit’s other assets and liabilities which approximated to their fair values, excluding any deferred tax liabilities initially recognised on acquisition of the relevant business. The assessment of the recoverable amount requires the use of estimates and assumptions such as identifying comparable market transactions for completed investment properties and certain investment properties under construction. These estimates and assumptions are subject to risk and uncertainty. The assumptions were affected by expectations of future market or economic conditions. Therefore, there is a possibility that changes in circumstances will impact on these projections, which will have a corresponding impact on the recoverable amounts of the CGUs, thus the goodwill impairment assessment. The carrying amount of goodwill carried as an asset in the consolidated statement of financial position as at 31 December 2023 was RMB91,953,000 (2022: RMB89,549,000), details of which are set out in note 17 to the financial statements.

Impairment of interests in associates

The Group determines that an indication of impairment existed for the interests in associates when there is objective evidence of impairment. The determination of recoverable amount requires significant judgements by management, in particular management’s view on key internal inputs and external market conditions. Based on management’s assessment, impairment loss of RMB210,300,000 (2022: RMB28,312,000) was recognised in profit or loss during the year ended 31 December 2023, details of which are set out in note 19 to the financial statements.

Notes to Financial Statements

31 December 2023

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Provision for compensation

As further disclosed in note 33 to the financial statements, Guangzhou Guangming, a subsidiary of the Group, involved in certain legal proceedings, arising from its failure to fulfill the compensation obligations liable to certain indigenous properties owners and tenants in accordance with the resettlement schedule agreed in prior years. Management determines the provision for compensation based on their best estimate, after considering all the available information such as the results of historical lawsuits, latest negotiations with local government authorities, certain indigenous properties owners and tenants, relevant rules and law and legal advice. If the final outcome of the claims and negotiations is different from the estimation made by management, such difference will impact on the provision for compensation in the period in which the liabilities of the compensation are concluded.

Current tax and deferred tax

The Group is subject to income taxes in Hong Kong, Chinese Mainland and Cambodia. The Group carefully evaluates tax implications of its transactions in accordance with prevailing tax regulations and makes tax provision accordingly. However, judgement is required in determining the Group's provision for income taxes as there are many transactions and calculations, of which the ultimate tax determination is uncertain, during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, the differences will impact on the income tax and deferred tax provision in the periods in which the determination is made. The carrying amount of current tax payables carried as liabilities in the consolidated statement of financial position as at 31 December 2023 was RMB58,744,000 (2022: HK\$103,648,000).

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies, details of which are set out in note 35 to the financial statement.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on usages of properties held and has five reportable operating segments as follows:

- (a) the property business segment engages in the leasing of commercial properties and a health care property in Chinese Mainland, and the provision of related management services;
- (b) the logistics business segment engages in the leasing of general warehouses, cold chain logistics warehouses and a specialised wholesale market, and the provision of related logistics and management services;
- (c) the industrial business segment engages in the leasing of industrial plants, provision of related management services, and sale of properties;
- (d) the trading business segment engages in the trading of frozen products; and
- (e) the primary land development business segment engages in the sale of land held for development or sale and the provision of primary land development services.

Notes to Financial Statements

31 December 2023

4. OPERATING SEGMENT INFORMATION (Continued)

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment's profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that foreign exchange differences, interest income and finance costs, as well as head office and corporate income/expenses are excluded from such measurement.

Segment assets exclude amounts due from joint ventures and associates, deferred tax assets, pledged and restricted bank deposits, cash and cash equivalents, equity investment at fair value through other comprehensive income, financial assets at fair value through profit or loss and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude bank and other borrowings, amounts due to joint ventures and other related parties, guaranteed bonds, income tax payables, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Notes to Financial Statements

31 December 2023

4. OPERATING SEGMENT INFORMATION (Continued)

	Property business		Logistics business		Industrial business		Trading business		Primary land development business		Total	
	2023 RMB'000	2022 RMB'000 (Restated)	2023 RMB'000	2022 RMB'000 (Restated)	2023 RMB'000	2022 RMB'000 (Restated)	2023 RMB'000	2022 RMB'000 (Restated)	2023 RMB'000	2022 RMB'000 (Restated)	2023 RMB'000	2022 RMB'000 (Restated)
Segment revenue:												
Sales to external customers	74,883	68,994	180,534	263,453	80,724	151,626	1,132,195	641,874	-	-	1,468,336	1,125,947
Change in fair value of investment properties, net	(218,214)	(2,459)	(45,273)	(13,165)	(17,000)	51,000	-	-	-	-	(280,487)	35,376
Segment results:												
The Group	(172,569)	28,310	63,711	127,583	9,038	164,100	(53,273)	(698)	(1,150)	(1,010)	(154,243)	318,285
Share of profits and losses of:												
Joint ventures	-	-	(15,004)	15,602	-	-	-	-	-	-	(15,004)	15,602
Associates	(45,826)	(41,580)	-	-	-	-	-	-	(239,957)	1,102	(285,783)	(40,478)
	(218,395)	(13,270)	48,707	143,185	9,038	164,100	(53,273)	(698)	(241,107)	92	(455,030)	293,409
Reconciliation:												
Gain on disposal of subsidiaries											465	545,995
Gain on disposal of a joint venture											26,988	-
Foreign exchange differences, net											2,498	(15,885)
Bank interest income											11,674	9,395
Other interest income											68	1,692
Finance costs											(474,288)	(525,271)
Corporate and other unallocated income and expenses, net											(37,022)	(49,329)
(Loss)/profit before tax											(924,647)	260,006
Segment assets	2,230,300	2,488,252	4,599,461	5,598,827	2,091,552	2,431,387	517,965	504,417	3,846,801	3,882,151	13,286,079	14,905,034
Reconciliation:												
Corporate and other unallocated assets											317,003	772,227
Total assets											13,603,082	15,677,261
Segment liabilities	362,375	356,572	499,670	955,431	347,648	295,989	129,384	149,194	9	9	1,339,086	1,757,195
Reconciliation:												
Corporate and other unallocated liabilities											9,260,219	9,709,457
Total liabilities											10,599,305	11,466,652

Notes to Financial Statements

31 December 2023

4. OPERATING SEGMENT INFORMATION (Continued)

	Property business		Logistics business		Industrial business		Trading business		Primary land development business		Total	
	2023 RMB'000	2022 RMB'000 (Restated)	2023 RMB'000	2022 RMB'000 (Restated)	2023 RMB'000	2022 RMB'000 (Restated)	2023 RMB'000	2022 RMB'000 (Restated)	2023 RMB'000	2022 RMB'000 (Restated)	2023 RMB'000	2022 RMB'000 (Restated)
Other segment information												
Depreciation of property, plant and equipment*:												
Segment assets	2,814	2,822	8,242	8,973	293	703	419	454	-	-	11,768	12,952
Reconciliation:												
Corporate and other unallocated assets											2,403	2,476
											14,171	15,428
Depreciation of right-of-use assets	1,744	1,744	842	842	-	-	-	-	-	-	2,586	2,586
Provision for compensation, net	2,959	3,154	-	-	-	-	-	-	-	-	2,959	3,154
Interests in joint ventures	-	-	70,936	204,736	-	-	-	-	-	-	70,936	204,736
Interests in associates	227,376	275,952	-	-	-	-	-	-	-	239,957	227,376	515,909
Impairment of investments in associates	34,943	28,312	-	-	-	-	-	-	175,357	-	210,300	28,312
Capital expenditure**:												
Segment assets	7,106	2,720	11,657	13,760	270	441	4,664	3,251	-	-	23,697	20,172
Corporate and other unallocated assets											778	63
											24,475	20,235

* During the year, depreciation of property, plant and equipment included amounts of RMB78,000 (2022: Nil) associated with assets of disposal groups classified as held for sale in prior year.

** Capital expenditure consists of additions of items of property, plant and equipment and investment properties.

Notes to Financial Statements

31 December 2023

4. OPERATING SEGMENT INFORMATION (Continued)**Geographical information**

(a) Geographical information of revenue is not presented since over 90% of the Group's revenue from external customers is generated in Chinese Mainland.

(b) Non-current assets

	2023 RMB'000	2022 RMB'000 (Restated)
Chinese Mainland	4,382,998	5,430,364
Cambodia	3,671,361	3,640,492
Total non-current assets	8,054,359	9,070,856

The non-current asset information of above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about a major customer

During the years ended 31 December 2023 and 2022, the Group had no single external customer which contributed over 10% of the Group's total revenue for each of the year.

5. REVENUE

An analysis of revenue is as follows:

	2023 RMB'000	2022 RMB'000 (Restated)
Revenue from contracts with customers	1,224,373	794,488
Revenue from other sources		
Gross rental income from investment property operating leases:		
Other lease payments, including fixed payments	243,963	331,459
Total revenue	1,468,336	1,125,947

Notes to Financial Statements

31 December 2023

5. REVENUE (Continued)

Revenue from contracts with customers

(a) Disaggregated revenue information

For the year ended 31 December 2023

Segments	Property business RMB'000	Logistics business RMB'000	Industrial business RMB'000	Trading business RMB'000	Primary land development business RMB'000	Total RMB'000
Types of goods and services						
Logistics and other ancillary services	-	25,784	-	-	-	25,784
Property management fee	2,259	8,626	12,233	-	-	23,118
Sales of properties	-	-	43,277	-	-	43,277
Sales of frozen products	-	-	-	1,132,194	-	1,132,194
Total revenue from contracts with customers	2,259	34,410	55,510	1,132,194	-	1,224,373
Geographical markets						
Chinese Mainland	2,259	34,410	55,510	1,132,194	-	1,224,373
Total revenue from contracts with customers	2,259	34,410	55,510	1,132,194	-	1,224,373
Timing of revenue recognition						
Goods transferred at a point of time	-	-	43,277	1,132,194	-	1,175,471
Services transferred over time	2,259	34,410	12,233	-	-	48,902
Total revenue from contracts with customers	2,259	34,410	55,510	1,132,194	-	1,224,373

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31 December 2023

5. REVENUE (Continued)

Revenue from contracts with customers (Continued)

(a) Disaggregated revenue information (Continued)

For the year ended 31 December 2022 (Restated)

Segments	Property business RMB'000	Logistics business RMB'000	Industrial business RMB'000	Trading business RMB'000	Primary land development business RMB'000	Total RMB'000
Types of goods and services						
Logistics and other ancillary services	-	74,142	-	-	-	74,142
Property management fee	1,731	23,289	17,656	-	-	42,676
Sales of properties	-	-	35,796	-	-	35,796
Sales of frozen products	-	-	-	641,874	-	641,874
Total revenue from contracts with customers	1,731	97,431	53,452	641,874	-	794,488
Geographical markets						
Chinese Mainland	1,731	97,431	53,452	641,874	-	794,488
Total revenue from contracts with customers	1,731	97,431	53,452	641,874	-	794,488
Timing of revenue recognition						
Goods transferred at a point of time	-	-	35,796	641,874	-	677,670
Services transferred over time	1,731	97,431	17,656	-	-	116,818
Total revenue from contracts with customers	1,731	97,431	53,452	641,874	-	794,488

The following table shows the amount of revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period:

	2023 RMB'000	2022 RMB'000 (Restated)
Revenue recognised that was included in contract liabilities at the beginning of the reporting period	116,453	17,360

Notes to Financial Statements

31 December 2023

5. REVENUE (Continued)

Revenue from contracts with customers (Continued)

(b) Performance obligations

Information about the Group's performance obligations in contracts with customers is summarised below:

Logistics and other ancillary services

The performance obligation is satisfied over time as services are rendered.

Property management fee

The performance obligation is satisfied over time as services are rendered.

Sale of frozen products

The performance obligation is satisfied upon transfer of the control of frozen products and payment in advance is normally required.

Sale of land

The performance obligation is satisfied upon transfer of the control of land use rights and payment in advance is normally required.

Sale of properties

The performance obligation is satisfied when the physical possession or the legal title of the completed property is obtained by the purchaser.

Notes to Financial Statements

31 December 2023

6. OTHER INCOME AND GAINS, NET

An analysis of the Group's other income and gains, net is as follows:

	2023 RMB'000	2022 RMB'000 (Restated)
Other income		
Bank interest income	11,674	9,395
Other interest income	68	1,692
Government grants*	4,053	7,459
Gain on disposal of a joint venture	26,988	–
Others	9,955	29,697
Total other income	52,738	48,243
Gains, net		
Foreign exchange differences, net	2,498	–
Other income and gains, net	55,236	48,243

* The government grants recognised during the years ended 31 December 2023 and 2022 represented grants received from certain government authorities in respect of the fulfilment of certain specific requirements in respect of the Group's investments in certain subsidiaries, construction of warehouses and purchase of land use rights and items of property, plant and equipment in Chinese Mainland.

7. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

	2023 RMB'000	2022 RMB'000 (Restated)
Interest on bank and other borrowings	421,718	229,829
Interest on loans from related parties	744	1,099
Interest on guaranteed bonds	51,826	315,685
Total finance costs	474,288	546,613
Less: Amount capitalised in properties under development for sale	–	(21,342)
Total	474,288	525,271

Notes to Financial Statements

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8. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	Notes	2023 RMB'000	2022 RMB'000 (Restated)
Direct cost of rental income		22,745	23,959
Cost of services provided		36,291	52,024
Cost of sale of properties		28,064	22,444
Cost of goods sold		1,147,140	627,699
Depreciation of property, plant and equipment#	13	14,171	15,428
Less: Amount associated with disposal group classified as held for sale#		(168)	(571)
		14,003	14,857
Less: Amount included in cost of sales and services		(8,328)	(8,371)
Total		5,675	6,486
Depreciation of right-of-use assets	16	2,586	2,586
Lease payments that not included in the measurement of lease liabilities		6,284	4,757
Loss on disposal of items of property, plant and equipment*		460	462
Gain on early redemption of guaranteed bonds		–	(3,040)
Impairment of investments in associates**	19(c)	210,300	28,312
Auditor's remuneration		1,808	3,636
Employee benefit expense (including directors' remuneration (note 9))		68,116	70,694
Salaries, allowances and benefits in kind		21,343	18,599
Defined contribution scheme contributions		(2,121)	450
(Net reversal)/cost of defined benefit plans			
		87,338	89,743
Less: Amount included in cost of sales and services		(24,045)	(11,176)
Total		63,293	78,567
Provision for compensation, net*	33	2,959	3,154

* These items are included in "Other expenses, net" on the face of the consolidated statement of profit or loss and included amounts of RMB82,000 (2022: Nil) associated with assets of disposal groups classified as held for sale in prior year.

** This item is included in "Share of profits and losses of associates" on the face of the consolidated statement of profit or loss.

During the year, depreciation of property, plant and equipment included amounts of RMB78,000 (2022: Nil) associated with assets of disposal groups classified as held for sale in prior year.

Notes to Financial Statements

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9. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to The Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2023 RMB'000	2022 RMB'000 (Restated)
Fees	998	1,795
Other emoluments:		
Salaries, allowances and benefits in kind	4,111	4,460
Performance related bonuses	30	85
Pension scheme contributions	387	450
Subtotal	4,528	4,995
Total fees and other emoluments	5,526	6,790

Notes to Financial Statements

31 December 2023

9. DIRECTORS' REMUNERATION (Continued)

An analysis of directors' remuneration, on a named basis, is as follows:

Year ended 31 December 2023

Name of director	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Executive directors:					
Mr. Zhu Yingying (<i>Chairman</i>) ¹	–	–	–	–	–
Mr. Qian Xu (<i>Chairman</i>) ¹	27	–	–	–	27
Mr. Siu Kin Wai (<i>General Manager</i>)	27	1,466	–	23	1,516
Mr. Xu Zhigang ²	–	–	–	–	–
Mr. Yu Luning ³	108	–	–	–	108
Mr. Dong Qilin	22	–	–	–	22
Mr. Zhao Jiansuo ⁴	22	–	–	–	22
Mr. Cheng Ching Fu (<i>Chief Financial Officer</i>)	22	1,231	30	23	1,306
Mr. Ng Kin Nam ⁵	108	–	–	–	108
Mr. Zhang Xudong ⁶	22	795	–	170	987
Mr. Ren Lin ⁷	22	619	–	171	812
Subtotal	380	4,111	30	387	4,908
Independent non-executive directors:					
Mr. Goh Gen Cheung	130	–	–	–	130
Mr. James Chan	130	–	–	–	130
Mr. Zhu Wuxiang ⁸	120	–	–	–	120
Mr. Song Lishui ⁹	108	–	–	–	108
Mr. Xie Ming	130	–	–	–	130
Subtotal	618	–	–	–	618
Total	998	4,111	30	387	5,526

¹ Mr. Zhu Yingying has been appointed as an executive director and the chairman of the Board of the Company with effect from 21 July 2023 to fill the casual vacancy arising from the retirement of Mr. Qian Xu

² Appointed as an executive director of the Company on 21 July 2023

³ Resigned as an executive director, the member of Remuneration Committee and the member of Nomination Committee of the Company on 2 November 2023

⁴ Retired on 21 July 2023

⁵ Resigned as an executive director on 16 November 2023

⁶ Re-designated from an executive director and the member of Sustainability Committee of the Company to a deputy general manager of the Company on 9 November 2023

⁷ Re-designated from an executive director to a deputy secretary of the Party Committee of the Company on 9 November 2023

⁸ Resigned as an independent non-executive director on 16 November 2023

⁹ Resigned as an independent non-executive director, the member of Audit Committee, the member of Remuneration Committee and the member of Nomination Committee on 2 November 2023

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9. DIRECTORS' REMUNERATION (Continued)

Year ended 31 December 2022 (Restated)

Name of director	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Executive directors:					
Mr. Qian Xu (<i>Chairman</i>)	154	–	–	–	154
Mr. Siu Kin Wai (<i>Chief Executive Officer</i>)	154	1,263	–	22	1,439
Mr. Yu Luning	124	–	–	–	124
Mr. Dong Qilin	124	–	–	–	124
Mr. Zhao Jiansuo	124	–	–	–	124
Mr. Cheng Ching Fu	124	1,096	–	22	1,242
Mr. Ng Kin Nam	124	–	–	–	124
Mr. Zhang Xudong	124	1,015	51	188	1,378
Mr. Ren Lin (<i>appointed on 8 July 2022</i>)	59	909	34	188	1,190
Mr. Li Changfeng (<i>resigned on 7 July 2022</i>)	64	177	–	30	271
Subtotal	1,175	4,460	85	450	6,170
Independent non-executive directors:					
Mr. Goh Gen Cheung	124	–	–	–	124
Mr. James Chan	124	–	–	–	124
Mr. Zhu Wuxiang	124	–	–	–	124
Mr. Song Lishui	124	–	–	–	124
Mr. Xie Ming	124	–	–	–	124
Subtotal	620	–	–	–	620
Total	1,795	4,460	85	450	6,790

Note: There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2022: Nil).

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10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year ended 31 December 2023 included two (2022: three) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining three (2022: two) highest paid employees who are neither a director nor chief executive of the Group are as follows:

	2023 RMB'000	2022 RMB'000 (Restated)
Salaries, allowances and benefits in kind	2,613	2,116
Performance related bonuses	35	256
Pension scheme contributions	427	375
Total	3,075	2,747

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2023	2022
Nil to HK\$1,000,000	1	–
HK\$1,000,001 to HK\$1,500,000	2	1
HK\$1,500,001 to HK\$2,000,000	–	1
Total	3	2

11. INCOME TAX EXPENSES

An analysis of the Group's income tax is as follows:

	2023 RMB'000	2022 RMB'000 (Restated)
Current – Hong Kong	–	–
Current – Chinese Mainland		
Charge for the year	38,510	146,125
Over provision in prior years	(5,124)	(8,131)
Withholding tax on interest income from intercompany loans	–	2,229
Deferred (note 35)	(48,150)	56,270
Total income tax (credit)/expense for the year	(14,764)	196,493

Notes to Financial Statements

31 December 2023

11. INCOME TAX EXPENSES (Continued)

Notes:

- (a) No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2022: Nil).

The PRC and Cambodia corporate income tax provisions in respect of operations in Chinese Mainland and Cambodia are calculated at the applicable tax rates on the estimated assessable profits for the year based on the prevailing legislation, interpretations and practices in respect thereof.

- (b) A reconciliation of the tax applicable to (loss)/profit before tax at the statutory tax rates of the jurisdictions in which the Company and majority of its subsidiaries operate to the tax expense at the effective tax rates, and a reconciliation of the applicable tax rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

Year ended 31 December 2023

	Hong Kong		Chinese Mainland		Cambodia		Total	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Profit/(loss) before tax	(426,927)		(498,320)		600		(924,647)	
Tax expense/(credit) at the statutory tax rate	(70,445)	16.5	(124,580)	25.0	120	20.0	(194,905)	21.1
Effect of tax payment in respect of the disposal of subsidiaries registered in the PRC	-	-	21,011	(4.2)	-	-	21,011	(2.3)
Effect of deferred tax in respect of the proposed disposal of subsidiaries registered in the PRC	-	-	(640)	0.1	-	-	(640)	0.1
Adjustments in respect of current tax of previous tax	-	-	(5,124)	1.0	-	-	(5,124)	0.5
Profits and losses attributable to joint ventures and associates	7,561	(1.8)	63,741	(12.7)	-	-	71,302	(7.7)
Income not subject to tax	(1,436)	0.3	(2,499)	0.5	(120)	(20.0)	(4,055)	0.4
Expenses not deductible for tax	60,132	(14.0)	28,888	(5.8)	-	-	89,020	(9.6)
Tax losses not recognised as deferred tax assets	4,188	(1.0)	9,569	(1.9)	-	-	13,757	(1.5)
Tax losses utilised from previous periods	-	-	(5,130)	1.0	-	-	(5,130)	0.6
Tax credit at the Group's effective tax rate	-	-	(14,764)	3.0	-	-	(14,764)	1.6

Notes to Financial Statements

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11. INCOME TAX EXPENSES (Continued)

Notes: (Continued)

(b) (Continued)

Year ended 31 December 2022 (Restated)

	Hong Kong		Chinese Mainland		Cambodia		Total	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Profit/(loss) before tax	(59,712)		319,594		124		260,006	
Tax expense/(credit) at the statutory tax rate	(9,834)	16.5	79,899	25.0	25	20.0	70,090	27.0
Effect of tax payment in respect of the disposal of subsidiaries registered in the PRC	–	–	115,874	36.3	–	–	115,874	44.6
Effect of deferred tax in respect of the proposed disposal of subsidiaries registered in the PRC	–	–	12,672	4.0	–	–	12,672	4.9
Effect of withholding tax on interest income from intercompany loans	–	–	2,229	0.7	–	–	2,229	0.9
Adjustments in respect of current tax of previous tax	–	–	(8,131)	(2.5)	–	–	(8,131)	(3.1)
Profits/(losses) attributable to joint ventures and associates	6,857	(11.5)	(4,222)	(1.3)	–	–	2,635	1.0
Income not subject to tax	(86,331)	144.6	(15,121)	(4.8)	(25)	(20.0)	(101,477)	(39.0)
Expenses not deductible for tax	86,839	(145.4)	12,198	3.7	–	–	99,037	38.0
Tax losses not recognised as deferred tax assets	2,469	(4.2)	14,291	4.5	–	–	16,760	6.4
Tax losses utilised from previous periods	–	–	(13,196)	(4.1)	–	–	(13,196)	(5.1)
Tax expense at the Group's effective tax rate	–	–	196,493	61.5	–	–	196,493	75.6

The share of income tax attributable to joint ventures and associates amounting to income tax expense of RMB1,000 (2022: RMB10,527,000) and income tax credit of RMB1,235,000 (2022: RMB2,643,000), respectively, are included in "Share of profits and losses of joint ventures" and "Share of profits and losses of associates" on the face of the consolidated statement of profit or loss.

12. LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic loss per share amounts is based on the loss for the year attributable to shareholders of the Company and the weighted average number of 6,969,331,680 (2022: 6,969,331,680) ordinary shares in issue during the year.

In respect of the diluted loss per share amounts for the years ended 31 December 2023 and 2022, no adjustment has been made to the basic loss per share amounts presented as the impact of the share options outstanding during these years had an anti-dilutive effect on the basic loss per share amounts presented.

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13. PROPERTY, PLANT AND EQUIPMENT

Year ended 31 December 2023

	Building and warehouses RMB'000 (note)	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures, equipment, and motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2023:						
Cost	496,358	32,908	59,784	22,876	7,868	619,794
Accumulated depreciation and impairment	(98,003)	(15,893)	(52,283)	(16,924)	-	(183,103)
Net carrying amount	398,355	17,015	7,501	5,952	7,868	436,691
Net carrying amount:						
At 1 January 2023	398,355	17,015	7,501	5,952	7,868	436,691
Additions	7,603	3,591	352	953	485	12,984
Depreciation provided during the year	(11,094)	(578)	(780)	(1,641)	-	(14,093)
Disposal	-	-	-	(378)	-	(378)
Transfer to investment Properties (note 14)	-	-	-	-	(1,529)	(1,529)
Transfer to disposal groups classified as held for sale (note 15)	-	-	-	(203)	-	(203)
Exchange realignment	-	-	-	6	-	6
At 31 December 2023	394,864	20,028	7,073	4,689	6,824	433,478
At 31 December 2023:						
Cost	503,961	36,499	60,136	21,371	6,824	628,791
Accumulated depreciation and impairment	(109,097)	(16,471)	(53,063)	(16,682)	-	(195,313)
Net carrying amount	394,864	20,028	7,073	4,689	6,824	433,478

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13. PROPERTY, PLANT AND EQUIPMENT (Continued)

Year ended 31 December 2022 (Restated)

	Building and warehouses RMB'000 (note)	Leasehold improve- ments RMB'000	Plant and machinery RMB'000	Furniture, fixtures, equipment, and motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2022:						
Cost	496,579	30,015	64,045	24,669	6,762	622,070
Accumulated depreciation and impairment	(88,853)	(14,071)	(53,380)	(17,875)	-	(174,179)
Net carrying amount	407,726	15,944	10,665	6,794	6,762	447,891
Net carrying amount:						
At 1 January 2022	407,726	15,944	10,665	6,794	6,762	447,891
Additions	3,541	3,086	101	1,239	1,106	9,073
Depreciation provided during the year	(10,452)	(1,882)	(1,341)	(1,753)	-	(15,428)
Disposal	(130)	(133)	(163)	(36)	-	(462)
Transfer to disposal groups classified as held for sale (note 15)	(2,330)	-	(1,761)	(293)	-	(4,384)
Exchange realignment	-	-	-	1	-	1
At 31 December 2022	398,355	17,015	7,501	5,952	7,868	436,691
At 31 December 2022:						
Cost	496,358	32,908	59,784	22,876	7,868	619,794
Accumulated depreciation and impairment	(98,003)	(15,893)	(52,283)	(16,924)	-	(183,103)
Net carrying amount	398,355	17,015	7,501	5,952	7,868	436,691

Note: At 31 December 2023, certain of the above buildings and warehouses of the Group with an aggregate net carrying amount of RMB251,578,000 (2022: RMB269,446,000) were pledged to secure certain bank loans granted to the Group (note 31(a)).

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14. INVESTMENT PROPERTIES

	Notes	Completed RMB'000	Under construction RMB'000	Total RMB'000
Carrying amount as at 1 January 2022 (Restated)		6,096,299	809,455	6,905,754
Additions		6,358	4,507	10,865
Net gain/(loss) on fair value adjustments		38,783	(3,407)	35,376
Transfers		493,954	(493,954)	–
Transfer to assets of disposal groups classified as held for sale	15	(2,862,000)	–	(2,862,000)
Carrying amount as at 31 December 2022 (Restated) and 1 January 2023		3,773,394	316,601	4,089,995
Additions		7,474	4,172	11,646
Net loss on fair value adjustments		(256,914)	(10,573)	(267,487)
Transfer from owner-occupied property	13	1,529	–	1,529
Transfer to assets of disposal groups classified as held for sale	15(a)(ii)	(368,000)	–	(368,000)
Carrying amount as at 31 December 2023		3,157,483	310,200	3,467,683

Notes:

- (a) At 31 December 2023, the Group's investment properties, including those included in assets of disposal groups (note 15), consisted of twelve (2022: fourteen) completed properties and three (2022: three) properties under construction.

The completed investment properties are leased to third parties and related companies under operating leases, further summary details of which are included in note 16 to the financial statements.

During the year, the net fair value loss of investment properties of RMB280,487,000 (2022: net fair value gain of RMB35,376,000) was recognised in profit or loss during the year, of which fair value loss of RMB13,000,000 (2022: fair value gain of RMB24,854,000) was recognised for investment properties included in assets of disposal groups classified as held for sale.

At 31 December 2023, certain investment properties of the Group with an aggregate carrying amount of RMB2,152,000,000 (2022: RMB4,602,400,000), of which Nil (2022: RMB1,839,000,000) is included in assets of disposal groups classified as held for sale (note 15), were pledged to secure certain bank loans granted to the Group (note 31(a)).

- (b) The Group's investment properties were revalued on 31 December 2023 based on valuations performed by Vincorn Consulting and Appraisal Limited and Beijing Zhonghong Xinchang Assets Appraisal Co., Ltd., the independent professionally qualified valuers, at RMB6,127,683,000 (2022: RMB6,951,995,000), of which RMB2,660,000,000 (2022: RMB2,862,000,000) are included in assets of disposal groups classified as held for sale (note 15). Each year, the Group's senior management decides which external valuers to be appointed for the external valuations of the Group's investment properties. Selection criteria include market knowledge, independence and whether professional standards are maintained. The Group's financial controller has on-going discussions with the valuers on the valuation assumptions and valuation results when the valuation is performed.

Notes to Financial Statements

31 December 2023

14. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy disclosure

At at 31 December 2023, fair value measurements of all the Group's investment properties are using significant unobservable inputs (Level 3 as defined in HKFRS 13). During the year, there were no transfers of fair value measurements between Level 1 (quoted prices in active markets) and Level 2 (significant observable inputs) and no transfers into or out of Level 3.

Below is a summary of the valuation techniques used and the key inputs to the valuation of the Group's investment properties (including those of disposal groups classified as held for sale):

Valuation techniques	Significant unobservable inputs	Input/range of input	
		2023	2022
<i>Completed investment properties</i>			
Direct comparison method	(i) Price per square metre (sq.m)	RMB3,060– RMB81,924 per sq.m	RMB3,380– RMB85,461 per sq.m.
Income capitalisation method	(i) Capitalisation rate (%)	4.3–7.3%	4–11%
	(ii) Monthly rental income per sq.m	RMB16.3– RMB669 per sq.m	RMB16.8– RMB572 per sq.m.
<i>Investment properties under construction</i>			
Depreciated replacement cost method	(i) Construction cost per sq.m	RMB1,472 per sq.m	RMB1,655 per sq.m
	(ii) Professional fee (%)	6%	6%
	(iii) Contingency (%)	5%	6%
	(iv) Finance cost (%)	7%	5%
	(v) Developer's profit (%)	10%	N/A
Direct comparison method	(i) Adjusted unit land price	RMB159– RMB488 per sq.m	RMB164– RMB499 per sq.m.

Under the direct comparison method, comparison based on prices realised or market prices of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital value.

The income capitalisation method is applied based on net rental income that can be generated from the properties under the master lease to be executed for the properties with the allowance on the reversionary interest upon expiry of the master lease.

Notes to Financial Statements

31 December 2023

14. INVESTMENT PROPERTIES (Continued)**Fair value hierarchy disclosure (Continued)**

The depreciated replacement cost method involves estimation of the mark redevelopment costs of the properties which includes construction costs, professional fee, contingency, finance costs and developer's profit.

The above-mentioned valuations have been made on the assumption that the Group sells the properties in the market without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the values of the properties. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the properties and no allowance has been made for the properties to be sold in one lot or to a single purchaser.

An increase (decrease) in the capitalisation rate in isolation would result in a decrease (increase) in the fair value of the investment properties, while an increase (decrease) in the annual rental income, price per square metre, adjusted unit land price and the gross replacement costs in isolation would each result in an increase (decrease) in the fair value of the investment properties.

15. ASSETS OF DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH THE ASSETS OF DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

The major classes of assets and liabilities classified as held for sale at as the end of reporting period are as follows:

	2023 RMB'000 (note (a))	2022 RMB'000 (Restated) (note (b))
Property, plant and equipment	658	4,384
Investment properties	2,660,000	2,862,000
Goodwill	56,951	61,403
Trade receivables	1,510	2,160
Prepayment, deposits and other receivables	1,014	3,533
Pledged and restricted bank deposits	–	40,549
Cash and cash equivalents	36,958	34,529
Assets of disposal groups classified as held for sale	2,757,091	3,008,558
Bank and other borrowings	–	361,516
Other payables and accruals	35,570	44,411
Due to other related parties	–	7,676
Income tax payables	887	1,511
Due to a non-controlling shareholder	54,278	–
Deferred revenue	49,056	–
Deferred tax liabilities	355,713	379,315
Liabilities directly associated with the assets of disposal groups classified as held for sale	495,504	794,429
Net assets of disposal groups held for sale	2,261,587	2,214,129

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15. ASSETS OF DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH THE ASSETS OF DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE (Continued)

Notes:

- (a) At 31 December 2023, assets of disposal group classified as held for sale and liabilities directly associated with which represented two undergoing very substantial disposals of the Group. Further details of the aforesaid disposals are as follows:

(i) *China Logistics Disposal*

On 18 March 2022, the Group announced the decision to dispose of its entire equity interests in certain subsidiaries which hold six warehouses in Shanghai, Tianjin, Xiamen and Haikou (the "China Logistics Disposal") by way of public tender through China Beijing Equity Exchange ("CBEX"). Since the Company is a state-owned enterprise, the disposal of the state-owned assets is required to undergo the process of public tender through an approved equity exchange in accordance with the relevant PRC laws and regulations governing the disposal of state-controlled assets. The China Logistics Disposal will be carried out through CBEX and the successful bidder(s) will enter into asset transaction agreements with the Group according to relevant rules and regulations of CBEX. The Company has issued the circular in relation to its proposed mandate of the China Logistics Disposal on 3 August 2022 and the shareholders of the Company approved the China Logistics Disposal in the special general meeting held on 23 August 2022.

On 28 April 2023, the Group entered into two sets sale and purchase agreements and the respective ancillary agreements with the successful bidder, Sinotrans Logistic Investment Holding Co. Ltd, in respect of the disposal of two subsidiaries (the "Disposal of Logistic Project") included in the China Logistics Disposal for a total cash consideration of approximately RMB395 million. The transaction was completed in October 2023. Details of the disposal of two subsidiaries are set out in note 40(a).

The public tender process of the remaining subsidiaries included in the China Logistics Disposal is still ongoing up to the date of approval of these financial statements. In the opinion of the directors, the aforesaid remaining subsidiaries are available for immediate sale in their present conditions and will be completed in one year after the reporting period. Further details of the China Logistics Disposal are set out in the Company's announcement dated 3 August 2022.

(ii) *Disposal of Jiaxing Project*

On 28 August 2023, the Group announced the decision to dispose of its entire equity interests in a subsidiary which hold one industrial warehouse in Jiangsu (the "Disposal of Jiaxing Project"), through public tender on CBEX. Further to the abovementioned announcement, the Company has issued the circular in relation to its proposed mandate of the Disposal of Jiaxing Project on 6 October 2023 and the shareholders of the Company approved the Disposal of Jiaxing Project in the special general meeting held on 24 October 2023.

On 13 December 2023, the Group entered into the sale and purchase agreement with the successful bidder, WXYZ GEM (BVI) Holdings Limited, for a total cash consideration of approximately RMB273 million. Subsequent to the reporting period, the transaction was completed in January 2024.

- (b) At 31 December 2022, assets of disposal group classified as held for sale and liabilities directly associated with which represented the China Logistics Disposal holding six warehouses in Shanghai, Tianjin, Xiamen and Haikou as disclosed in note 15 (a)(i).

Notes to Financial Statements

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16. LEASES**The Group as a lessee**

The Group has lease contracts on land use right located in Chinese Mainland used in its operation. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. The details of lease contracts are further discussed below.

(a) Right-of-use assets

The Group's right-of-use assets are leasehold land and the movements during the year are as follows:

	RMB'000
At 1 January 2022 (Restated)	62,954
Depreciation charge	(2,586)
At 31 December 2022 (Restated) and 1 January 2023	60,368
Depreciation charge	(2,586)
At 31 December 2023	57,782

Note: At 31 December 2023, certain of the Group's right-of-use assets with a carrying amount of RMB14,702,000 (2022: RMB14,962,000) were sub-leased from certain grantees of the land use rights and therefore, the relevant land use rights were not registered under the name of the Group.

(b) The amounts recognised in profit or loss in relation to leases are as follows:

	2023 RMB'000	2022 RMB'000 (Restated)
Depreciation charge of right-of-use assets	2,586	2,586
Expense relating to short-term lease	6,284	4,757
Total amount recognised in profit or loss	8,870	7,343

(c) The total cash outflow for leases is disclosed in notes 41(c) to the financial statements.

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16. LEASES (Continued)

The Group as a lessor

The Group leases its investment properties (note 14) consisting of one commercial property, one health care property and ten warehouses (2022: one commercial property, one health care property and twelve warehouses) in Chinese Mainland under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB243,963,000 (2022: RMB331,459,000), details of which are included in note 5 to the financial statements.

At 31 December 2023 and 2022, the undiscounted lease payments receivables by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2023 RMB'000	2022 RMB'000 (Restated)
Within one year	251,322	192,415
After one year but within two years	138,842	108,536
After two years but within three years	106,017	73,266
After three years but within four years	78,233	66,196
After four years but within five years	65,265	59,329
After five years	545,198	595,055
	1,184,877	1,094,797

17. GOODWILL

	Properties business RMB'000	2023 Logistics business RMB'000	Total RMB'000	Properties business RMB'000 (Restated)	2022 Logistics business RMB'000 (Restated)	Total RMB'000 (Restated)
Cost and net carrying amount as at 1 January	38,904	50,645	89,549	35,920	102,422	138,342
Transfer to assets of disposal groups held for sale (note 15)	-	-	-	-	(61,403)	(61,403)
Exchange realignment	1,143	1,261	2,404	2,984	9,626	12,610
Cost and net carrying amount as at 31 December	40,047	51,906	91,953	38,904	50,645	89,549

Notes to Financial Statements

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17. GOODWILL (Continued)

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following operating segments for impairment testing:

- Properties business
- Logistics business

(i) **Properties business**

The recoverable amount of the properties business has been determined by reference to the fair value less costs of disposal of each relevant business unit comprising the segment.

In assessing the fair value less costs of disposal of each individual business unit, references were made to the valuation of the investment properties, properties held for sale, buildings and/or health care property held and the carrying amount of the business unit's other assets and liabilities which approximated to their fair value, excluding any deferred tax liabilities initially recognised on acquisition of the relevant business unit. Fair values of the properties were determined based on valuations performed by independent valuers at year end or close to year end using direct comparison method, which has used significant unobservable inputs (Level 3 of the fair value hierarchy as defined in HKFRS 13).

Based on the result of the impairment testing of goodwill, in the opinion of the directors, no impairment provision was considered necessary for the Group's goodwill which has been allocated to the properties business segment as at 31 December 2023.

(ii) **Logistics business**

The recoverable amount of the logistics business has been determined by reference to the fair value less costs of disposal of each relevant business unit comprising the segment.

In assessing the fair value less costs of disposal of each individual business unit, references were made to the valuation of the investment properties, land under development or sale and warehouses in property, plant and equipment, and the carrying amount of the business unit's other assets and liabilities which approximated to their fair value, excluding any deferred tax liabilities initially recognised on acquisition of the relevant business unit. Fair values of the properties were determined based on valuations performed by independent valuers at year end using direct comparison method which have used significant unobservable inputs (Level 3 of the fair value hierarchy as defined in HKFRS 13).

Based on the result of the impairment testing of goodwill, in the opinion of the directors, no impairment provision was considered necessary for the Group's goodwill which has been allocated to the logistics business segment as at 31 December 2023.

Notes to Financial Statements

31 December 2023

17. GOODWILL (Continued)**Key assumptions used in assessing the fair value less costs of disposal**

The following describes each key assumption adopted by management for the purpose of impairment testing of goodwill:

- **Fair value change**

There is no major material adverse change in the fair value of the property held by each cash-generating unit from the date of valuation.

- **Realisation of assets and liabilities**

The identifiable assets and liabilities, excluding deferred tax liabilities recognised arising from the acquisition, can be realised at their book values.

- **Business environment**

There are no major changes in the existing political, legal and economic conditions in Chinese Mainland.

The directors of the Company believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the respective carrying amount of the logistics business segment and properties business segment cash-generating units to exceed its respective recoverable amount.

18. INTERESTS IN JOINT VENTURES

	Notes	2023 RMB'000	2022 RMB'000 (Restated)
Investments in joint ventures:			
Share of net assets		70,910	195,293
Goodwill on acquisition		26	9,443
Investments in joint ventures, included in non-current assets	(b)	70,936	204,736
Interests in joint ventures, included in non-current assets		70,936	204,736
Due from a joint venture, included in current assets	(c)	5,046	4,977
Total interests in joint ventures		75,982	209,713
Due to a joint venture, included in non-current liabilities	(d)	(176,809)	(176,809)

Notes to Financial Statements

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18. INTERESTS IN JOINT VENTURES (Continued)

Notes:

(a) Particulars of the Group's joint ventures, which are all indirectly held by the Company, are as follows:

Company name	Place of registration and business	Registered capital	Percentage of			Principal activities
			Ownership interest	Voting power	Profit sharing	
天津港北建通城國際物流有限公司*	The PRC/Chinese Mainland	RMB240,000,000	50	50	50	Logistic facilities development
北京京泰物流置業有限公司	The PRC/Chinese Mainland	US\$20,000,000	40	40	40	Storage and logistic facilities development

* The entity was classified as a joint venture of the Group as at 31 December 2022. During the year, the entity was ceased to be a joint venture of the Group upon the completion of the disposal of its entire equity interest. Further details of the disposal are set out in the Company's announcement dated 14 July 2023.

(b) Joint ventures' summarised financial information disclosure

The following table illustrates the financial information of the Group's joint ventures that are not individually material:

	2023 RMB'000	2022 RMB'000 (Restated)
Share of the joint ventures' profit for the year	(15,004)	15,602
Aggregate carrying amount of the Group's investments in the joint ventures	70,936	204,736

(c) At 31 December 2023 and 2022, the Group's amount due from a joint venture is unsecured, interest-free and repayable within one year.

(d) At 31 December 2023 and 2022, the amounts due to a joint venture of RMB176,809,000 (2022: RMB176,809,000) are unsecured, interest-free and repayable after one year from the end of the reporting period.

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19. INTERESTS IN ASSOCIATES

	Notes	2023 RMB'000	2022 RMB'000 (Restated)
Investments in associates, included in non-current assets:			
Share of net assets		480,714	557,619
Goodwill on acquisition		103,176	100,232
Total investments in associates		583,890	657,851
Provision for impairment	(c)	(356,514)	(141,942)
Total interests in associates	(b)	227,376	515,909

Notes:

(a) Particulars of the Group's principal associates, which are all indirectly held by the Company, are as follows:

Company name	Place of registration and business	Registered capital	Percentage of ownership interest attributable to the Group	Principal activities
Beijing Health (Holdings) Limited ("BJ Health")	Cayman Islands/Chinese Mainland	HK\$1,211,754,000	15.60%*	Provision of medical care, health care and geriatric care related services and products
北控城投控股集團有限公司 ("BECI")	The PRC/Chinese Mainland	RMB700,000,000	35%	Primary land development

* In the opinion of the directors, notwithstanding that the Group has only 15.60% (2022: 15.60%) equity interest in BJ Health, the Group has been able to exercise significant influence over BJ Health because the Group has appointed two (2022: three) representatives as directors of BJ Health for the year ended 31 December 2023.

The above table lists the associates of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length. BJ Health and BECI are considered material associates of the Group and are accounted for using the equity method in the consolidated financial statements.

Notes to Financial Statements

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19. INTERESTS IN ASSOCIATES (Continued)

Notes: (Continued)

(b) Associates' summarised financial information disclosure

The following tables illustrate the summarised financial information of BJ Health and BECI, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	BJ Health		BECI	
	2023 RMB'000	2022 RMB'000 (Restated)	2023 RMB'000	2022 RMB'000 (Restated)
Summarised statement of financial position of the material associates:				
Current assets	655,031	565,314	2,040,616	2,494,094
Non-current assets	1,575,780	1,811,296	247,033	77,036
Current liabilities	(135,273)	(161,107)	(1,242,874)	(334,682)
Non-current liabilities	(68,294)	(79,016)	(570,880)	(1,532,300)
Non-controlling interests	(93,199)	(123,550)	27,124	(18,558)
Net assets	1,934,045	2,012,937	501,019	685,590
Reconciliation to the Group's investment in the material associates:				
Proportion of the Group's ownership	15.60%	15.60%	35%	35%
Group's share of net assets of the material associates, excluding goodwill	301,657	313,962	175,357	239,957
Goodwill on acquisition	103,176	100,232	-	-
Cumulative impairment ^f	404,833 (177,457)	414,194 (138,242)	175,357 (175,357)	239,957 -
Carrying amount of the investment	227,376	275,952	-	239,957

Notes to Financial Statements

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19. INTERESTS IN ASSOCIATES (Continued)

Notes: (Continued)

(b) Associates' summarised financial information disclosure (Continued)

	BJ Health		BECI	
	2023 RMB'000	2022 RMB'000 (Restated)	2023 RMB'000	2022 RMB'000 (Restated)
Summarised statement of profit or loss and other comprehensive income of the material associates:				
Revenue	126,873	142,831	67,735	97,940
Loss for the year	(69,780)	(85,068)	(184,571)	3,149
Other comprehensive loss for the year	(18,914)	29,185	–	–
Total comprehensive loss for the year	(88,694)	(55,883)	(184,571)	3,149
Share of the associates' loss for the year	(10,883)	(13,268)	(64,600)	1,102
Impairment of the associate for the year [#]	(34,943)	(28,312)	(175,357)	–
Total share of loss of the associate for the year	(45,826)	(41,580)	(239,957)	1,102

[#] This amount included impairment of associates recognised in the current year for BJ Health and BECI amounted to RMB34,943,000 (2022: RMB28,312,000) and RMB175,357,000 (2022: Nil), respectively, which are included in "Share of profits and losses of associates" on the face of the consolidated statement of profit or loss.

BJ Health

Shares of BJ Health are listed on the Main Board of the Stock Exchange. The market value of the shares of BJ Health held by the Group as at 31 December 2023, based on their then quoted market price, amounted to approximately RMB57,585,000 (2022: RMB56,777,000). Since its market value was lower than its carrying amount, the Group performed an impairment assessment of the investment in BJ Health.

The recoverable amount is determined based on value-in-use by the discounted cash flow model of the BJ Health's core businesses, and the fair value of the BJ Health's non-core businesses assets, including lands, properties, listed equity investments and etc., and discount of lack of control in computation of the recoverable amount. Based on the assessment result, RMB34,943,000 (2022: RMB28,312,000) impairment loss had been recognised by the Group during the year ended 31 December 2023.

BECI

As BECI has been loss marking and involved in a litigation case during the year ended 31 December 2023, the Group performed an impairment assessment of the investment in BECI. Further details of the litigation case are set out in note 42 to the financial statements.

The recoverable amount is determined based on a value-in-use calculation, based on the recoverable amounts of the assets of BECI, which mainly comprised on other receivables, prepayments and contract assets. Based on the assessment result, RMB175,357,000 (2022: Nil) of impairment loss had been recognised by the Group during the year ended 31 December 2023.

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19. INTERESTS IN ASSOCIATES (Continued)

Notes: (Continued)

(c) The movement in provision for impairment of the investment in associates is as follows:

	2023 RMB'000	2022 RMB'000 (Restated)
At 1 January	141,942	104,418
Impairment loss (note 8)	210,300	28,312
Exchange realignment	4,272	9,212
At 31 December	356,514	141,942

20. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Notes	2023 RMB'000	2022 RMB'000 (Restated)
Listed equity investment, at fair value:			
CAQ Holdings Limited	(a)	5,254	12,602
江蘇網博視界網絡科技公司	(b)	6,000	6,000
Subtotal		11,254	18,602
Unlisted equity investment, at fair value		-	100
Total		11,254	18,702

Notes:

- (a) The fair value of the listed equity investment is determined by reference to its published quotations. The market value of the listed equity investment as at the date of approval of these financial statements was approximately RMB4,092,000 (2022: RMB4,995,000).
- (b) The fair value of the listed equity investment is determined by reference to its published quotations. The market value of the listed equity investment as at the date of approval of these financial statements was approximately RMB6,000,000 (2022: RMB6,000,000).

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21. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 RMB'000	2022 RMB'000 (Restated)
Unlisted equity investment, at fair value	–	180,000

Notes: At 31 December 2022, the equity investment was classified as financial assets at fair value through profit or loss as the Group has not elected to recognise the fair value gain or loss through other comprehensive income. The fair value of financial asset at fair value through profit or loss has been estimated based on the minimum purchase price of the above equity investment which has been stipulated in the sales and purchase agreement with the purchaser for the Group's put option over these non-controlling interests. Details of the agreement are set out in note 40(c).

On 2 August 2023, the Group entered into the sale and purchase and ancillary agreements with the purchaser for the acquisition of the aforesaid equity investment. Details of the transaction was set out in the Company's announcement dated 2 August 2023. The transaction was completed in on 10 August 2023.

22. LAND HELD FOR DEVELOPMENT OR SALE AND PROPERTIES UNDER DEVELOPMENT FOR SALES

At 31 December 2023 and 2022, land held for development or sale mainly represented a freehold land located in Cambodia (the "Cambodia Land") with a total area of 14.67 square kilometres, which was classified as non-current assets since the development or sale of which is expected to be completed after one year from the end of the reporting period.

Properties under development for sale represented the development project in Changzhou, the PRC and is expected to be completed within the normal operating cycle and hence they are classified as current assets.

At 31 December 2023, part of the PRC Land with a carrying amount of RMB63,786,000 (2022: RMB60,393,000) was pledged to secure certain bank loans granted to the Group (note 31(a)).

23. PROPERTIES HELD FOR SALE

At 31 December 2023 and 2022, properties held for sale mainly represented the development project in Changzhou, the PRC. The amount also included certain portion of the Group's shopping mall in Guangzhou, the PRC, which are held by the Group for ultimate transfer to certain indigenous properties owners (note 33) as compensation and seized by the local government authority until such time when the compensation is settled.

At 31 December 2023, part of the properties of RMB1,697,216,000 (2022: RMB1,688,393,000) were pledged to secure certain bank loans granted to the Group (note 31(a)).

24. INVENTORIES

Inventories of the Group as at 31 December 2023 and 2022 are mainly frozen products held by the Group in respect of its trading business.

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25. TRADE RECEIVABLES

	Note	2023 RMB'000	2022 RMB'000 (Restated)
Trade receivables		95,616	104,369
Impairment	(b)	(5,283)	(5,283)
		90,333	99,086

Notes:

- (a) Trade receivables of the Group included rental income receivable from tenants of the Group's investment properties, service fees receivable from customers of the Group's logistics centres and receivable from customers of trading business. The various group companies have different credit policies, depending on the requirements of their markets and the businesses which they operate. Ageing analysis of trade receivables is prepared and closely monitored in order to minimise any credit risk associated with the receivables. The Group does not hold any collateral or other credit enhancement over its trade receivables, except for trade receivables in relation to rental income were fully collateralised by the security deposits paid by the relevant customers.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2023 RMB'000	2022 RMB'000 (Restated)
Billed:		
Within one month	6,905	3,467
One to three months	679	3,213
Over three months	540	427
	8,124	7,107
Unbilled	82,209	91,979
	90,333	99,086

- (b) There was no movement in loss allowance for impairment of trade receivables during the year ended 31 December 2023 and 2022.
- (c) The Company applies the simplified approach to provide for ECLs prescribed by HKFRS 9, which permits the use of the lifetime expected loss for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The ECLs have also incorporated forward looking information. The ECLs allowances for trade receivables as at 31 December 2023 and 2022 were considered as insignificant, except for a loss allowance of RMB5,283,000 (2022: RMB5,283,000) which was made in respect of rental income receivable.
- (d) At 31 December 2023, trade receivables of Nil (2022: RMB1,005,000) were pledged to secure certain bank loans granted to the Group (note 31(a)).

Notes to Financial Statements

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26. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Notes	2023 RMB'000	2022 RMB'000 (Restated)
Prepayments		45,352	110,975
Deposits and other receivables	(a)	6,756	18,815
Consideration receivables	(b)	171,911	396,018
Value-added tax recoverable		26,217	22,492
		250,236	548,300
Portion classified as current assets		(250,236)	(548,300)
Non-current portion		–	–

Notes:

- (a) Deposits and other receivables mainly represent utility deposits and construction deposits. An impairment analysis is performed at each reporting date by considering the expected credit losses which are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The ECLs allowance for deposits and other receivables as at 31 December 2023 and 2022 were considered as insignificant.
- (b) As at 31 December 2023 and 2022, the balance represent the outstanding consideration arising from the disposal projects of the Group which will be settled in accordance with the terms of the sales and purchase agreement.

27. BALANCES WITH OTHER RELATED PARTIES

	2023 RMB'000	2022 RMB'000 (Restated)
Due to other related parties:		
The immediate holding company	261	42
A fellow subsidiary	482,585	212,726
Non-controlling equity holders of subsidiaries	20,777	75,440
	503,623	288,208
Portion classified as current liabilities	(503,623)	(233,930)
Non-current portion	–	54,278

Note: The amounts due to other related parties included in current liabilities are unsecured, interest-free and repayable on demand.

At 31 December 2023 and 2022, the amounts due to other related parties included in non-current liabilities are unsecured, interest-free and repayable after one year from the end of the reporting period, except for loans of RMB450,000,000 (2022: loans of RMB200,000,000) from a fellow subsidiary which are unsecured, bear interest at the rate of 5.95% (2022: 5.95%) per annum, and are repayable after one year from the end of the reporting period.

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28. PLEDGED AND RESTRICTED BANK DEPOSITS, AND CASH AND CASH EQUIVALENTS

	Notes	2023 RMB'000	2022 RMB'000 (Restated)
Deposits placed with a fellow subsidiary	44(a)(ii)	56,929	305,731
Time deposits placed in banks		24,848	186,151
Other cash and bank balances		293,323	161,358
Total cash and bank balances	(a)	375,100	653,240
Less: Pledged and restricted bank balances included in current assets	(b)	(9,090)	(5,837)
Cash and cash equivalents		366,010	647,403

Notes:

- (a) Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between seven days and one year depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

At 31 December 2023, the cash and bank balances of the Group denominated in RMB amounted to RMB385,825,000 (2022: RMB509,978,000), of which RMB36,915,000 (2022: RMB69,485,000) are included in assets of disposal groups classified as held for sale (note 15). The RMB is not freely convertible into other currencies, however, under Chinese Mainland Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

- (b) At 31 December 2023, the Group's bank balances amounting to RMB9,090,000 (2022: RMB46,386,000), of which Nil (2022: RMB40,549,000) is included in assets of disposal groups classified as held for sale (note 15), were restricted as to their use in accordance with the bank loan agreements of certain bank loans granted to the Group (note 31(a)).

29. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2023 RMB'000	2022 RMB'000 (Restated)
Billed:		
Within one month	2,535	1,494
One to three months	–	9
Over three months	30	5,601
Unbilled	2,565 134,302	7,104 205,730
	136,867	212,834

The trade payables are non-interest-bearing and are repayable within the normal operating cycle or on demand.

Notes to Financial Statements

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30. OTHER PAYABLES AND ACCRUALS

	Notes	2023 RMB'000	2022 RMB'000 (Restated)
Interest payable of guaranteed bonds		–	102,867
Accruals		13,639	24,095
Receipts in advance and rental deposits received from tenants		10,770	30,964
Contract liabilities	(a)	128,494	145,433
Other payables	(b)	255,899	205,217
Contingent consideration payable for the disposal of subsidiaries	(c)	59,625	59,625
Construction cost payables		24,280	24,807
Deferred revenue – current portion	34	839	1,893
Defined benefit obligations – current portion		490	640
		494,036	595,541

Notes:

(a) Details of contract liabilities are as follows:

	31 December 2023 RMB'000	31 December 2022 RMB'000 (Restated)	1 January 2022 RMB'000 (Restated)
Receipts in advance from customers	128,494	145,433	17,360

Contract liabilities represented customers' deposits received for the sales of frozen products. The decrease in contract liabilities in 2023 was mainly due to less sales order received close to the end of the reporting period.

(b) Other payables are non-interest-bearing and have an average term of three months.

(c) As at 31 December 2023 and 2022, the balance represented a contingent consideration payable for the Disposal of Industrial Project as disclosed in note 40(d) to the financial statements.

Notes to Financial Statements

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31. BANK AND OTHER BORROWINGS

	Notes	2023 RMB'000	2022 RMB'000 (Restated)
Bank loans:			
Secured	(a)	1,306,440	1,383,688
Unsecured		3,941,277	1,388,805
Total bank loans	(b)	5,247,717	2,772,493
Other loans – Unsecured		2,183,700	348,700
Transfer to an amount due to a fellow subsidiary		–	(200,000)
Total other loans	(c)	2,183,700	148,700
Total bank and other loans		7,431,417	2,921,193
Portion classified as current liabilities		(898,317)	(1,509,028)
Non-current portion		6,533,100	1,412,165
		2023 RMB'000	2022 RMB'000 (Restated)
Analysis into:			
Bank loans repayable:			
Within one year or on demand		861,317	1,465,028
In the second year		742,073	183,837
In the third year to fifth years, inclusive		3,307,955	637,827
After five years		336,372	485,801
		5,247,717	2,772,493
Other borrowings repayable:			
Within one year or on demand		37,000	44,000
In the second year		16,000	72,700
In the third year to fifth years, inclusive		48,000	32,000
After five years		2,082,700	–
		2,183,700	148,700
		7,431,417	2,921,193

Notes to Financial Statements

31 December 2023

31. BANK AND OTHER BORROWINGS (Continued)

Notes:

- (a) The secured bank loans of the Group are secured by the following assets:

	Notes	Carrying amount	
		2023 RMB'000	2022 RMB'000 (Restated)
Buildings and warehouses included in property, plant and equipment	13	251,578	269,446
Investment properties	14(a)	2,152,000	4,602,400
Properties held for sale	23	1,697,216	1,688,393
Land held for development or sale and properties under development for sale	22	63,786	60,393
Net asset value of certain subsidiaries*		779,258	2,870,815
Trade receivables	25	–	1,005

* At 31 December 2023, certain equity interests of subsidiaries with an aggregate net asset value of RMB779,258,000 (2022: RMB2,870,815,000) were pledged to secure certain bank loans granted to the Group.

In addition, certain bank loans of the Group are guaranteed by the Company and BE City, an intermediate holding company of the Company.

- (b) An analysis of the bank borrowings denominated in different currencies is as follows:

	Carrying amount	
	2023 RMB'000	2022 RMB'000 (Restated)
HK\$	107,942	682,528
RMB	4,932,417	1,302,397
US\$	207,358	787,568
	5,247,717	2,772,493

As at 31 December 2023 and 2022, the bank loans bear interests at floating rates with interests at specified periods' LIBOR or HIBOR or the benchmark lending rate of the People's Bank of China plus a margin and at fixed rates ranging from of 2.3% to 5.5% per annum.

- (c) The other borrowings of the Group represent:

- (i) as at 31 December 2023, funds were obtained from a asset management company (the "Investee") in Chinese Mainland for the investment in certain warehouse projects of the Group. The aggregate fund available to the Group amounted to RMB2.5 billion, in which RMB2.05 billion has been utilised by the Group as at 31 December 2023. The funds are repayable to the Investee in 2029 and fixed investment return ranging from 4.06% to 4.32% are payable by the Group to the Investee annually. The repayment of the funds and payment of the annual investment return are guaranteed by the Company's intermediate holding company. In addition, according to a keepwell and liquidity support deed signed by BE Group, BE Group is obliged to provide a standby facility to the Group for the repayment of the funds and payment of the annual investment return if necessary. The Group accounted for the investment funds as liabilities and are included in the Group's non-current other borrowings.
- (ii) as at 31 December 2023, loans of RMB125,700,000 (2022: RMB148,700,000) from Beijing Enterprises Group Finance Co., Ltd. ("BG Finance", a fellow subsidiary and an authorised financial institution under China Banking Regulatory Commission), which are denominated in RMB, unsecured and bear interest according to the benchmark lending rate of the People's Bank of China plus a margin.

Notes to Financial Statements

31 December 2023

31. BANK AND OTHER BORROWINGS (Continued)

Notes: (Continued)

- (d) As at 31 December 2023 and 2022, certain loan agreements governing the bank and other borrowings, as the case may be, contain covenants that, subject to certain exceptions and conditions, among other things: (i) BE Group shall, directly or indirectly, own not less than 40% of issued share capital of the Company; (ii) Beijing SASAC shall, directly or indirectly, own not less than 90% of equity interest of BE Group; (iii) the Company shall main listed on the Stock Exchange and maximum consecutive trading days requirements for temporary cease of listing or trading of shares of the Company; (iv) usage of the borrowings; and (v) financial covenants including, but not limited to, consolidated tangible net worth, consolidated net borrowings to consolidated tangible net worth, dividend payout ratio, loan-to-value ratio and minimum total equity requirements with respective applicable test dates of each year until maturity.

32. GUARANTEED BONDS

	2023 RMB'000	2022 RMB'000 (Restated)
5.95% guaranteed bond due 2023	–	4,926,286

Note: The Group's guaranteed bonds as at 31 December 2022 were all denominated in US\$ and guaranteed by the Company, and interest thereon are payable semi-annually in arrears. In February 2023, the bonds were fully repaid by the Group.

33. PROVISION FOR COMPENSATION

	2023 RMB'000	2022 RMB'000 (Restated)
At 1 January	203,077	203,839
Addition of provision (note 8)	2,959	3,154
Settlement during the year	(4,679)	(3,916)
At 31 December	201,357	203,077

The provision for compensation was a provision for resettlement compensations payable to certain indigenous properties owners and tenants (the "Concerned Residents") affected by the construction works of a residential and commercial complex (the "Metro Mall") undertaken by Guangzhou Guangming, a subsidiary of the Company, in prior years.

Notes to Financial Statements

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33. PROVISION FOR COMPENSATION (Continued)

During the construction of the Metro Mall by Guangzhou Guangming in the 1990s, properties owned/rented by the Concerned Residents were demolished and it was agreed between the Concerned Residents and Guangzhou Guangming that new residential flats to be built by Guangzhou Guangming will be used as compensation to the Concerned Residents for the demolished properties. However, due to changes in the development plan, no residential flats can be built and Guangzhou Guangming was unable to resettle those Concerned Residents in the agreed manner. In prior years, some of the Concerned Residents had lodged litigations against Guangzhou Guangming for its breach of agreements and requested monetary compensation. Guangzhou Guangming lost some of those lawsuits and was required to pay compensation together with overdue penalties.

In this regard, Guangzhou Guangming has been in negotiation with certain local government authorities for an arrangement (the "Compensation Arrangement") to construct resettlement buildings for the Concerned Residents. Under the Compensation Arrangement, resettlement buildings will be constructed and allocated to each Concerned Resident based on their respective areas of the demolished properties they previously owned. Guangzhou Guangming shall then be discharged from its legal obligation for the replacement flats to the Concerned Residents. The Compensation Arrangement has not yet been finalised as at the date of approval of these financial statements and is still subject to further negotiation with the local government authorities.

In arriving at the best estimate of the amount of the provision for the resettlement compensation, management of the Group had made reference to the latest plan of the Compensation Arrangement, judgements of the lawsuits and all other available information. As a result of the new development on the latest plan of the Compensation Arrangement, in the opinion of the directors, the amount of compensation cost that the Group may incur would be RMB201,357,000 (2022: RMB203,077,000) as at 31 December 2023.

34. DEFERRED REVENUE

	2023	2022
	RMB'000	RMB'000 (Restated)
Deferred income expected to be recognised in profit or loss:		
Within one year, included in current liabilities under other payables and accruals (note 30)	839	1,893
After one year, included in non-current liabilities	19,946	70,759
	20,785	72,652
Deferred income included in liabilities directly associated with the assets of disposal groups classified as held for sale (note 15)	49,056	–
	69,841	72,652

Deferred revenue of the Group mainly represented government subsidies received in respect of the Group's investments in certain subsidiaries, construction of warehouses and purchase of land use rights and property, plant and equipment in Chinese Mainland. These subsidies are recognised in profit or loss on the straight-line basis over the expected useful lives of the underlying assets.

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35. DEFERRED TAX

Net deferred tax assets and liabilities recognised in the consolidated statement of financial position are as follows:

	2023	2022
	RMB'000	RMB'000 (Restated)
Deferred tax liabilities	(1,073,192)	(1,162,309)
Deferred tax liabilities included in liabilities directly associated with the assets of disposal groups classified as held for sale (note 15)	(355,713)	(379,315)
	(1,428,905)	(1,541,624)

	Attributable to					Total RMB'000
	Government grants RMB'000	Adjustments arising from acquisition of subsidiaries RMB'000	Revaluation of investment properties RMB'000	Withholding tax on dividend RMB'000	Capital gain RMB'000 (note (d))	
At 1 January 2022 (Restated)	43,798	(823,305)	(781,066)	(2,092)	(58,898)	(1,621,563)
Net deferred tax credited/(charged) to profit or loss during the year	1,897	268	(40,486)	(8)	(17,941)	(56,270)
Disposal of subsidiaries (note 40)	(46,438)	-	180,547	2,100	-	136,209
At 31 December 2022 (Restated) and 1 January 2023	(743)	(823,037)	(641,005)	-	(76,839)	(1,541,624)
Net deferred tax credited/(charged) to profit or loss during the year	(331)	(1,883)	49,724	-	640	48,150
Disposal of subsidiaries (note 40)	1,074	34,082	29,413	-	-	64,569
At 31 December 2023	-	(790,838)	(561,568)	-	(76,199)	(1,428,905)

Notes to Financial Statements

31 December 2023

35. DEFERRED TAX (Continued)

Notes:

- (a) At 31 December 2023, deferred tax assets have not been recognised in respect of unused tax losses of RMB390,933,000 (2022: RMB402,249,000) that will expire in one to five years as they have arisen in subsidiaries that have been loss-making for some time and it is not probable that taxable profits will be available against which such tax losses can be utilised.
- (b) Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Chinese Mainland. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Chinese Mainland and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Chinese Mainland in respect of earnings generated from 1 January 2008.

At 31 December 2023, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of the Group's subsidiaries established in Chinese Mainland that are subject to withholding taxes (2022: Nil). In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Chinese Mainland for which deferred tax liabilities have not been recognised was approximately RMB232,751,000 (2022: RMB292,387,000) in aggregate as at 31 December 2023.

- (c) There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders (2022: Nil).
- (d) As at 31 December 2023, the deferred capital gain tax is arising from the China Logistics Disposal and the Disposal of Jiaying Project (2022: arose from the China Logistics Disposal). Further details are set out in notes 15 to the financial statements.

36. SHARE CAPITAL**Shares**

	2023	2022
	HK\$'000	HK\$'000
Authorised:		
10,000,000,000 ordinary shares of HK\$0.10 each	1,000,000	1,000,000
Issued and fully paid:		
6,969,331,680 (2022: 6,969,331,680) ordinary shares of HK\$0.10 each	696,933	696,933
Equivalent to RMB'000	566,979	566,979

There was no movement in the Company's issued capital and share premium account during the years ended 31 December 2023 and 2022.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 37 to the financial statements.

Notes to Financial Statements

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37. SHARE OPTION SCHEME

On 18 March 2010, the Company adopted a share option scheme (the “Scheme”) and, unless otherwise cancelled or amended, the Scheme will remain in force for 10 years from that date. The purpose of the Scheme is to attract and retain the best quality personnel of the Group for the development of the Group’s business; to provide additional incentives to employees, officers and directors, contractors, suppliers, advisors and consultants who have contribution to the Group; and to promote the long term financial success of the Group by aligning the interests of option holders to shareholders of the Company. The directors of the Company may, at their discretion, invite employees (including executive directors) and non-executive directors of the Company and any of its subsidiaries, to take up options to subscribe for ordinary shares of the Company at HK\$1 per grant of options.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 30% of the ordinary shares of the Company in issue at any time. The total number of ordinary shares of the Company issued and to be issued upon exercise of options (whether exercised or outstanding) in any 12-month period granted to any one person must not exceed 1% of the total number of ordinary shares of the Company in issue.

An option granted under the Scheme is personal to the grantee and shall not be assignable or transferable.

The period during which an option granted under the Scheme may be exercised will be determined by the board of directors at their discretion, save that no option may be exercised later than 10 years after the grant date. No option may be granted more than 10 years after the date of approval of the Scheme.

The exercise price of the share options is determinable by the board of directors, but may not be less than the highest of (i) the closing price of the Company’s ordinary shares on the Stock Exchange on the date of grant, which must be a trading day; (ii) the average closing price of the Company’s ordinary shares on the Stock Exchange for the five trading days immediately preceding the date of grant of the option; and (iii) the nominal value of an ordinary share of the Company.

Share options do not confer rights on the holders to dividends or to vote at shareholders’ meetings. The following share options were outstanding under the Scheme during the year:

	2023		2022	
	Weighted average exercise price (HK\$ per share)	Number of options '000	Weighted average exercise price (HK\$ per share)	Number of options '000
At 1 January	0.757	116,200	0.622	152,213
Expired during the year	0.574	(36,400)	0.410	(36,013)
Cancelled during the year	0.833	(12,100)	–	–
At 31 December	0.841	67,700	0.757	116,200

Notes to Financial Statements

31 December 2023

37. SHARE OPTION SCHEME (Continued)

Notes:

- (a) The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

Number of options outstanding		Exercise price* (HK\$ per share)		Exercise period#	
2023 '000	2022 '000				
-	36,400	0.574		24 May 2013 to 23 May 2023	
36,100	42,200	0.940		31 March 2014 to 30 March 2024	
9,100	10,100	0.750		28 August 2014 to 27 August 2024	
22,500	27,500	0.720		8 April 2015 to 7 April 2025	
67,700	116,200				

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

The share options have no vesting period.

- (b) At 31 December 2023, the Company had 67,700,000 (2022: 116,200,000) share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 67,700,000 (2022: 116,200,000) additional ordinary shares of the Company and additional share capital of HK\$6,770,000 (2022: HK\$11,620,000) and share premium of HK\$50,189,000 (2022: HK\$76,317,000) (before issue expenses and without taking into account any transfer of share option reserve to the share premium account).
- (c) During the year, 36,400,000 share options and 12,100,000 share options (2022: 36,013,000 share options and no share options) were expired and cancelled, respectively. Accordingly, the portion of share option reserve of HK\$13,897,000 (equivalent to RMB12,638,000) (2022: HK\$17,095,000 (equivalent to RMB15,106,000)) was transferred to retained profits during the year.

38. RESERVES

- (a) The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.
- (b) The share premium account represents the aggregate differences between the nominal value of the ordinary shares and the carrying amount of the shares upon issuance of new shares.
- (c) The contributed surplus of the Company mainly derived from the reduction in the share premium account of the Company and certain amounts of the aforesaid reduction was credited to the contributed surplus account of the Company on 2 July 2012. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is available for distribution to the shareholders of the Company under certain circumstances.
- (d) The share option reserve of the Group comprises the fair value of share options granted which are yet to exercise, as further explained in the accounting policy for the "Share-based payments" in note 2.5 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

Notes to Financial Statements

31 December 2023

38. RESERVES (Continued)

- (e) The capital and other reserve of the Group includes (i) gains or losses on acquisition of the non-controlling interests of existing subsidiaries and/or disposal of partial interests in subsidiaries without a loss of control; and (ii) share of capital and other reserves of associates and joint ventures.
- (f) The PRC statutory reserves are reserves set aside in accordance with the PRC Companies Law or the Law of the PRC on Joint Ventures Using Chinese and Foreign Investment as applicable to the Group's subsidiaries, joint ventures and associates established in Chinese Mainland. None of the Group's PRC statutory reserves as at 31 December 2023 and 2022 were distributable in the form of cash dividends.

39. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

Zhong Jian Jin Bian was considered subsidiary that has material non-controlling interests during the years ended 31 December 2023 and 2022, and details of which are set out below:

	Zhong Jian Jin Bian	
	2023	2022
	RMB'000	RMB'000 (Restated)
Percentage of equity interest held by non-controlling equity holders of subsidiaries	40%	40%
Consolidated profit/(loss) for the year allocated to non-controlling interests	(662)	272
Dividends paid	–	–
Accumulated balances of non-controlling interests at the reporting date	1,256,603	1,238,106

Notes to Financial Statements

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39. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS (Continued)

The following tables illustrate the summarised consolidated financial information of Zhong Jian Jin Bian:

	Zhong Jian Jin Bian	
	2023	2022
	RMB'000	RMB'000 (Restated)
Revenue	–	–
Total expenses	1,151	1,060
Profit/(loss) for the year	(1,653)	681
Total comprehensive income for the year	17,179	681
Current assets [#]	2,279	3,835
Non-current assets	3,671,361	3,640,492
Current liabilities [#]	(10,002)	(9,448)
Non-current liabilities	(525,066)	(920,764)
Net cash flows from operating activities	61	3
Net cash flows from investing activities	–	–
Net cash flows used in financing activities	–	–
Net increase in cash and cash equivalents	61	3

[#] The amounts disclosed above are before any inter-company eliminations.

Notes to Financial Statements

31 December 2023

40. DISPOSAL OF SUBSIDIARIES

Details of the net assets of the subsidiaries disposed of during the year and their financial impacts are summarised below:

31 December 2023

	Disposal of Logistics Project RMB'000 (note (a))
Property, plant and equipment	3,693
Investment properties	557,000
Goodwill	6,878
Trade receivables	1,410
Prepayments, deposits and other receivables	554
Cash and cash equivalents	4,375
Other payables, accruals and deposits received	(9,511)
Amounts due to group companies	(16,036)
Income tax payables	(671)
Amount due to non-controlling shareholders	(3,525)
Bank and other borrowings	(20,400)
Deferred tax liabilities	(64,569)
Non-controlling interests	(90,464)
	<hr/>
Exchange fluctuation reserve	368,734
Gain on disposal of subsidiaries recognised in profit or loss	20,699
Transactions costs of the disposal	465
	5,450
	<hr/>
	395,348
	<hr/>
Satisfied by:	
Cash	395,348

An analysis of the net inflow in respect of the disposal of subsidiaries is as follow:

	Note	Disposal of Logistics Project RMB'000 (note (a))
Cash consideration		395,348
Cash and bank balances disposed of		(4,375)
		<hr/>
Less: Consideration not yet satisfied by cash	(b)	390,973 (3,546)
		<hr/>
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries		387,427

Notes to Financial Statements

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40. DISPOSAL OF SUBSIDIARIES (Continued)

Details of the net assets of the subsidiaries disposed of during the year and their financial impacts are summarised below:

31 December 2022 (Restated)

Notes	Disposal of Majuqiao Project RMB'000 (note(c))	Disposal of Industrial Project RMB'000 (note(d))	Total RMB'000
Property, plant and equipment	–	2,252	2,252
Investment properties	–	1,831,868	1,831,868
Goodwill	–	585	585
Interests in joint ventures	1,407,649	–	1,407,649
Trade receivables	–	11,828	11,828
Prepayments, deposits and other receivables	–	34,237	34,237
Pledged and restricted bank deposits	–	3,150	3,150
Cash and cash equivalents	7	54,949	54,956
Other payables, accruals and deposits received	(1)	(82,773)	(82,774)
Amounts due to group companies	–	(335,139)	(335,139)
Income tax payables	–	(2,817)	(2,817)
Deferred income	–	(69,085)	(69,085)
Amount due to non-controlling shareholders	–	(111,711)	(111,711)
Bank and other borrowings	–	(640,494)	(640,494)
Deferred tax liabilities	–	(136,209)	(136,209)
Non-controlling interests	–	(139,734)	(139,734)
	1,407,655	420,907	1,828,562
Exchange fluctuation reserve	16,472	497	16,969
Reclassification to equity investment at fair value through profit or loss	(c), 21 (180,000)	–	(180,000)
	1,244,127	421,404	1,665,531
Gain on disposal of subsidiaries recognised in profit or loss	134,843	411,152	545,995
Settlement of amounts due to group companies	–	335,088	335,088
Transactions costs of the disposal	801	–	801
	1,379,771	1,167,644	2,547,415
Satisfied by:			
Cash	1,379,771	1,227,269	2,607,040
Contingent consideration payable	30(c) –	(59,625)	(59,625)
	1,379,771	1,167,644	2,547,415

Notes to Financial Statements

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40. DISPOSAL OF SUBSIDIARIES (Continued)

An analysis of the net inflow in respect of the disposal of subsidiaries is as follow:

	Notes	Disposal of Majuqiao Project RMB'000 (note(c))	Disposal of Industrial Project RMB'000 (note(d))	Total RMB'000
Cash consideration		1,379,771	1,227,269	2,607,040
Cash and bank balances disposed of		(7)	(54,949)	(54,956)
		1,379,764	1,172,320	2,552,084
Less: Consideration not yet satisfied by cash	(b)	–	(396,018)	(396,018)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries		1,379,764	776,302	2,156,066

Notes:

- (a) On 28 April 2023, the Group entered into two sets sale and purchase agreements and the respective ancillary agreements with the successful bidder, Sinotrans Logistic Investment Holding Co. Ltd, in respect of the disposal of its entire equity interests in two subsidiaries which hold two logistics warehouses located in Hainan and Xiamen for a total cash consideration of approximately RMB395 million. The transaction was completed in October 2023. As a result of the transaction, a gain on disposal of approximately RMB465,000 was recognised in profit or loss during the year upon the completion of the transaction.
- (b) The amount is included in "Prepayments, other receivables and other assets" on the consolidated statement of financial position.
- (c) On 28 February 2022, the Group entered into the sales and purchase agreement with the successful bidder, JD Oriental Development III Limited ("JD"), for the disposal of its 90% equity interests of New Concord Properties Limited and New Fine International Development Limited, which in total holds 76% equity interest of BIPL owning several warehouse buildings located in Beijing (the "Disposal of Industrial Majuqiao Project") for a total cash consideration of RMB1.4 billion. The transaction was completed on 6 June 2022. As a result of the transaction, a gain on disposal of approximately RMB134,843,000 was recognised in profit or loss for the year ended 31 December 2022 upon the completion of the transaction. The remaining interests in the then subsidiaries were reclassified to financial assets at fair value through profit or loss as, in the opinion of the directors of the Company, the Group has the intention to dispose of the remaining interests to JD with the minimum purchase price as stipulated in the sales and purchase agreement.
- (d) On 17 October 2022, the Group entered into the sales and purchase agreement with the successful bidder, WXYZ I (BVI) Holdings Limited, for the disposal of its entire (i.e., 75%) equity interests in certain subsidiaries which hold four logistics and industrial warehouses located in Jiangsu (the "Disposal of Industrial Project") for a total cash consideration of RMB1.1 billion. As a result of the transaction, a gain on disposal of approximately RMB411,152,000 was recognised in profit or loss during the year upon the completion of the transaction.

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41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS**(a) Major non-cash transactions**

The Group had no major non-cash transactions of investing and financing activities during the years ended 31 December 2023 and 2022.

(b) Changes in liabilities arising from financing activities

	Bank and other borrowings	Guaranteed bonds	Due to other related parties	Due to joint ventures
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022 (Restated)	4,071,422	4,680,539	502,309	176,809
Changes from financing cash flows	(782,962)	(156,908)	(445,799)	–
Gain on early redemption of guaranteed bonds	–	(3,040)	–	–
Interest expense	–	21,144	27,034	–
Attributable to disposal groups held for sale	322,228	–	108,244	–
Attributable to disposal of subsidiaries	(640,494)	–	(111,711)	–
Transfer to amounts due to other related parties	(200,000)	–	200,000	–
Exchange realignment	150,999	384,551	8,131	–
At 31 December 2022 (Restated) and 1 January 2023	2,921,193	4,926,286	288,208	176,809
Changes from financing cash flows	4,132,826	(5,044,524)	249,825	–
Interest expense	–	4,208	19,735	–
Attributable to disposal groups held for sale	361,516	–	(46,602)	–
Attributable to disposal of subsidiaries	(20,400)	–	(4,284)	–
Exchange realignment	36,282	114,030	(3,259)	–
At 31 December 2023	7,431,417	–	503,623	176,809

(c) Total cash outflows for lease

All cash outflows for lease included in the consolidated statement of cash flow for the year ended 31 December 2023 are RMB6,284,000 (2022: RMB4,757,000) and within operating activities.

Notes to Financial Statements

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42. CONTINGENT LIABILITIES

In December 2023, a bank (the “plaintiff”) commenced a legal proceeding to the local court against a wholly-owned subsidiary of the Company (the “Subsidiary”), alleging that the Subsidiary bears supplementary compensation liability within the scope of RMB105 million in principal and interest in relation to the unpaid borrowings and interests owed to the plaintiff by a partial-owned subsidiary of BECI (“BECI Subsidiary”) that guaranteed by BECI (an associate of the Group). The claim amount of RMB105 million is being the unpaid capital commitment for BECI with a capital injection deadline in 2030 and no guarantee has been provided by the Group in respect of borrowings granted to BECI and its subsidiaries. In January 2024, the local court allowed the legal proceeding by the plaintiff in its claims against BECI and the Subsidiary, among others, and found BECI and the Subsidiary liable for losses and damages suffered by the plaintiff in connection with certain borrowings granted to BECI Subsidiary by the plaintiff.

Besides, due to the aforesaid legal proceeding, certain assets of the Subsidiary including the cash placed at the plaintiff and the investment in BECI were frozen by the local court. As advised by the legal adviser to the Subsidiary, having considered the facts and submissions made in relation to the legal proceeding, the Subsidiary may have a maximum supplementary compensation liability of RMB105 million. However, the amount of supplementary compensation liability to be payable by the Group depends on the eventual amounts to be settled by the BECI Subsidiary (as the borrower of the loan due to the plaintiff) and BECI (as the guarantor) and the amount will remain uncertain until the it is determined by the court. The management of the Group is of the opinion that the liability cannot be measured reliably and details of the matter are disclosed as contingent liabilities in the Group’s financial statements. The management also performed impairment assessment on the Group’s investment in BECI, details of which are disclosed in note 19 to the financial statements.

43. COMMITMENTS

At 31 December 2023 and 2022, the Group had the following capital commitments:

	2023	2022
	RMB’000	RMB’000 (Restated)
Contracted, but not provided for:		
Capital injection into an associate	105,000	105,000
Capital contribution to a joint venture	3,446	3,446
Construction of logistic facilities and industrial plants	581,542	577,743
Total capital commitments	689,988	686,189

Notes to Financial Statements

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44. RELATED PARTY DISCLOSURES

- (a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	Notes	2023 RMB'000	2022 RMB'000 (Restated)
Interest income from a joint venture	(i)	68	312
Interest income from a fellow subsidiary	(ii)	2,269	1,390
Interest expense to fellow subsidiaries	(iii)	46,233	36,113

Notes:

- (i) The interest income was charged on bank entrusted loans advanced to the joint venture at mutually-agreed rates.
- (ii) Pursuant to a deposit services master agreement (the "Deposit Agreement") entered into between the Company and BG Finance on 29 June 2015, the Group may, in its ordinary and usual course of business, place and maintain deposits with BG Finance on normal commercial terms from time to time. BG Finance is a non-wholly-owned subsidiary of BE Group and acts as a platform for members of BE Group for provision of intra-group facilities through financial products including deposit-taking, money-lending and custodian services.

The term of the Deposit Agreement shall commence on the date of the Deposit Agreement and continue up to and including 31 December 2023. The daily aggregate of deposits placed by the Group with BG Finance (including any interest accrued thereon) during the term of the Deposit Agreement shall not exceed of HK\$400,000,000. Further details of the Deposit Agreement are set out in the Company's announcement dated 29 October 2019 and 9 December 2022.

The deposits placed by the Group with BG Finance as at 31 December 2023 amounted to RMB62,060,000 (2022: RMB326,992,000), of which RMB5,131,000 (2022: RMB21,261,000) is included in assets of disposal groups classified as held for sale.

- (iii) The interest expense was charged on loans from BE City Development and BG Finance at mutually-agreed rates as disclosed in notes 27 and 31(c) to the financial statements.

Save as disclosed above and the balances detailed in notes 18, 27 and 31 to the financial statements, the Group had no material transactions and outstanding balances with related parties during the years ended 31 December 2023 and 2022.

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44. RELATED PARTY DISCLOSURES (Continued)**(b) Transactions with other state-owned entities in Chinese Mainland**

The Company is a state-owned enterprise of the PRC government and is subject to the control of the Beijing SASAC and ultimate control of the PRC government. The Group operates in an economic environment predominated by enterprises directly or indirectly owned and/or controlled by the PRC government through its numerous authorities, affiliates or other organisations (collectively the “Other SOEs”). During the year, the Group had transactions with the Other SOEs including, but not limited to, bank borrowings, deposits and utilities consumptions. The directors consider that the transactions with the Other SOEs are activities in the ordinary course of the Group’s businesses, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and the Other SOEs are ultimately controlled or owned by the PRC government. Having due regard to the substance of the relationships, the directors are of the opinion that none of these transactions are individually or collectively significant related party transactions that require separate disclosure in the financial statements.

(c) Compensation of key management personnel of the Group

	2023 RMB’000	2022 RMB’000 (Restated)
Short term employee benefits	10,158	15,587
Pension scheme contributions	1,705	2,118
Total compensation paid to key management personnel	11,863	17,705

Further details of directors’ emoluments are included in note 9 to the financial statements.

45. FINANCIAL INSTRUMENTS BY CATEGORY

Except for equity investments being classified as financial assets at fair value through other comprehensive income, and financial assets at fair value through profit or loss, as further detailed in note 20 and 21 to the financial statements, respectively, all financial assets and financial liabilities of the Group as at 31 December 2023 and 2022 were financial assets and financial liabilities at amortised cost, respectively.

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46. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of the financial assets and financial liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The Group's financial controller is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the financial controller analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the senior management.

The following table sets out a comparison, by carrying amount and fair value, of the Group's financial instruments that are carried in the financial statements at other than fair value:

	Carrying amount		Fair value	
	2023 RMB'000	2022 RMB'000 (Restated)	2023 RMB'000	2022 RMB'000 (Restated)
Non-current financial liabilities:				
Due to a joint venture	176,809	176,809	157,442	157,442
Due to other related parties	–	54,277	–	48,332
Bank and other borrowings	6,533,100	1,412,165	6,530,019	1,270,705
	6,709,909	1,643,251	6,687,461	1,476,479

Note: The fair values of the financial assets and financial liabilities which are due to be received or settled within one year approximate to their carrying amounts largely due to the short-term maturities of these instruments, therefore, no disclosure of the fair values of these financial instruments is made.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank borrowings, guaranteed bonds and cash and bank balances. The main purpose of these financial instruments is to finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, deposits and other receivables, trade payables, deposits received and other payables.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

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47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

The main risks arising from the Group's financial instruments are (a) interest rate risk, (b) foreign currency risk, (c) credit risk and (d) liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

(a) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's borrowings with floating interest rates. The Group's exposure to market risk arising from changes in interest rates in respect of cash and bank balances is considered relatively minimal.

At 31 December 2023, the Group's interest-bearing borrowings amounting to RMB3,080,939,000 (2022: RMB2,901,628,000) bore interest at floating rates.

At 31 December 2023, it was estimated that a general decrease/(increase) of 100 basis points in interest rate of average balances of bank loans and bank balances during the year, with all other variables held constant, would increase/(decrease) the Group's loss before tax by approximately RMB30,809,000.

At 31 December 2022, it was estimated that a general decrease/(increase) of 100 basis points in interest rate of average balances of bank loans and bank balances during the year, with all other variables held constant, would increase/(decrease) the Group's profit before tax by approximately RMB29,016,000.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the beginning of the reporting period and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis point decrease or increase represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next reporting period.

(b) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group's businesses are mainly carried out by subsidiaries located in Chinese Mainland and the majority of their transactions are conducted in RMB. The Group therefore has minimal transactional currency exposure which arises from sales or purchases by an operating unit in currencies other than the unit's functional currency.

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47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**(c) Credit risk**

The Group only leases its completed investment properties to recognised and creditworthy third parties. It is the Group's policy that security deposits equivalent to three month rentals are received in advance from the tenant upon each rental agreement is signed.

Since the Group only leases its completed investment properties to recognised and creditworthy third parties, and the trade receivables are fully collateralised by the security deposits paid by the relevant tenant, there is no requirement for further collateral. Over 90% of the Group's customers and operations are located in Chinese Mainland. Concentrations of credit risk are managed by diversity in customer base and geographical locations of warehouse portfolio.

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts of financial assets.

At 31 December 2023

	Maximum exposure to credit risk				
	12-month ECLs	Lifetime ECLs			Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	
Trade receivables	-	-	-	95,616	95,616
Financial assets included in prepayments, deposits and other receivables*	178,667	-	-	-	178,667
Due from joint ventures*	5,046	-	-	-	5,046
Pledged and restricted bank deposits, not yet past due	9,090	-	-	-	9,090
Cash and cash equivalents, not yet past due	366,010	-	-	-	366,010
	558,813	-	-	95,616	654,429

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47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**(c) Credit risk (Continued)**

At 31 December 2022 (Restated)

	Maximum exposure to credit risk					
	12-month ECLs	Lifetime ECLs			Simplified approach RMB'000	Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000			
Trade receivables	–	–	–	104,369	104,369	
Financial assets included in prepayments, deposits and other receivables*	414,607	–	–	–	414,607	
Due from joint ventures*	4,977	–	–	–	4,977	
Pledged and restricted bank deposits, not yet past due	5,837	–	–	–	5,837	
Cash and cash equivalents, not yet past due	647,403	–	–	–	647,403	
	1,072,824	–	–	104,369	1,177,193	

* The credit quality of the financial assets included in prepayments, deposits and other receivables, and due from joint ventures are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

For trade receivables to which the Group applies the simplified approach for impairment, information is disclosed in note 25 to the financial statements.

The credit risk of the Group's other financial assets, which comprise amounts due from joint ventures, deposits and other receivables and cash and bank balances, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

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47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**(d) Liquidity risk**

The Group's objective is to maintain a balance between the continuity of funding and flexibility through the use of bank and other borrowings and guaranteed bonds. In addition, banking facilities have been put in place for contingency purposes.

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of short term loans to cover expected cash demands, subject to approval by management of the Group. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	On demand RMB'000	Within 1 year RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 3 years RMB'000	More than 3 years RMB'000	Total RMB'000
At 31 December 2023						
Trade payables	-	136,867	-	-	-	136,867
Other payables and accruals	290,949	3,800	-	-	-	294,749
Due to other related parties	228,975	274,648	-	-	-	503,623
Due to joint ventures	-	-	176,809	-	-	176,809
Bank and other borrowings	-	898,317	758,073	184,214	5,590,813	7,431,417
	519,924	1,313,632	934,882	184,214	5,590,813	8,543,465
At 31 December 2022 (Restated)						
Trade payables	-	212,834	-	-	-	212,834
Other payables and accruals	237,612	155,226	-	-	-	392,838
Due to other related parties	221,204	12,726	54,278	-	-	288,208
Due to joint ventures	-	-	176,809	-	-	176,809
Bank and other borrowings	484,104	1,239,379	247,920	241,909	976,687	3,189,999
Guaranteed bonds	-	4,933,048	-	-	-	4,933,048
	942,920	6,553,213	479,007	241,909	976,687	9,193,736

Notes to Financial Statements

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47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**(e) Capital management**

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2023 and 2022.

Depending on the market conditions and funding arrangements, if at any time repurchase of the Company's shares will lead to an enhancement of the net asset value per share and/or earnings per share of the Group, the directors will authorise such transactions.

The Group monitors capital using a gearing ratio, which is total net borrowings divided by total equity. Total borrowings are calculated as total bank and other borrowings and guaranteed bonds. The gearing ratio as at the end of the reporting period was as follows:

	2023 RMB'000	2022 RMB'000 (Restated)
Sum of bank and other borrowings and guaranteed bonds, net of cash and cash equivalents and pledged and restricted bank deposits	7,056,317	7,194,239
Total equity	3,003,777	4,210,609
Gearing ratio	234.91%	170.86%

48. COMPARATIVE AMOUNTS

As further explained in note 2.1, due to the voluntary change in presentation currency during the current year, the comparative amounts have been restated to conform with the current year's presentation and disclosures and accounting treatment, and a third statement of financial position as at 1 January 2022 has been presented.

Notes to Financial Statements

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49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company as at the end of the reporting period is as follows:

	2023 RMB'000	2022 RMB'000 (Restated)
NON-CURRENT ASSETS		
Interests in subsidiaries	7,252,965	7,051,547
Equity investment at fair value through other comprehensive income	5,254	12,602
Total non-current assets	7,258,219	7,064,149
CURRENT ASSETS		
Prepayments, deposits and other receivables	3,885	3,858
Due from subsidiaries	1,678,919	1,230,119
Due from joint ventures	5,046	4,945
Cash and bank balances	95,719	308,077
Total current assets	1,783,569	1,546,999
CURRENT LIABILITIES		
Other payables and accruals	252,464	14,784
Due to subsidiaries	4,709,779	6,771,511
Bank borrowings	514,793	1,320,311
Income tax payables	25,056	24,341
Total current liabilities	5,502,092	8,130,947
NET CURRENT LIABILITIES	(3,718,523)	(6,583,948)
NON-CURRENT LIABILITIES		
Bank borrowings	2,841,401	–
Due to subsidiaries	659,634	273,208
Total non-current liabilities	3,501,035	273,208
Net assets	38,661	206,993
EQUITY		
Issued capital	566,979	566,979
Reserves (Note)	(528,318)	(359,986)
Total equity	38,661	206,993

Notes to Financial Statements

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49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note: A summary of the Company's reserves is as follows:

	Share Premium account RMB'000	Contributed surplus RMB'000	Share option reserve RMB'000	Financial asset revaluation reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2022 (Restated)	1,434,273	344,178	44,360	(106,336)	107,424	(1,887,939)	(64,040)
Loss for the year	-	-	-	-	-	(328,551)	(328,551)
Other comprehensive loss for the year							
– Change in fair value of equity investment at fair value through other comprehensive income, net of income tax of nil	-	-	-	651	-	-	651
Translation of foreign operations	-	-	-	-	31,954	-	31,954
Total comprehensive loss for the year	-	-	-	651	31,954	(328,551)	(295,946)
Transfer of share option reserve upon expiry of share options	-	-	(15,106)	-	-	15,106	-
At 31 December 2022 (Restated) and 1 January 2023	1,434,273	344,178	29,254	(105,685)	139,378	(2,201,384)	(359,986)
Loss for the year	-	-	-	-	-	(165,685)	(165,685)
Other comprehensive loss for the year							
– Change in fair value of equity investment at fair value through other comprehensive income, net of income tax of nil	-	-	-	(7,718)	-	-	(7,718)
Translation of foreign operations	-	-	-	-	5,071	-	5,071
Total comprehensive loss for the year	-	-	-	(7,718)	5,071	(165,685)	(168,332)
Transfer of share option reserve upon expiry of share options	-	-	(12,638)	-	-	12,638	-
At 31 December 2023	1,434,273	344,178	16,616	(113,403)	144,449	(2,354,431)	(528,318)

50. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2024.

Particulars of Properties

INVESTMENT PROPERTIES

Location	Use	Tenure	Attributable interest of the Group
Completed investment properties			
Level 1 on No. 89 Shenfei Road, Levels 1 and 2 on Nos. 59, 119, 159, 199, 239 Shenfei Road, and Levels 1 and 2 on Nos. 60, 90, 120, 160, 200 and 240 Shenyua Road, Shanghai Wai Gao Qiao Logistics Centre, Pudong New District, Shanghai City, the PRC#	Logistics Warehouse	Medium term lease	100%
No. 19, Third Avenue, Dongli District, Tianjin City, the PRC#	Logistics warehouse	Medium term lease	100%
Metro Mall (excluding Units 63 to 65, Basement I) No. 63 Xihu Road, Yuexiu District, Guangzhou City, Guangdong Province, the PRC*	Shopping mall	Medium term lease	98.9%
Peng Jia Tai Community, Xiazhuang Street, Chengyang District, Qingdao City, Shandong Province, the PRC	Cold chain warehouse	Medium term lease	80%
No. 3 Bencao Avenue South Section, Dongpo District, Meishan City, Sichuan Province, the PRC	Logistics warehouse	Medium term lease	60%
No. 1 Yihao Road, Dongli District, Tianjin City, the PRC#	Logistics warehouse	Medium term lease	100%
No. 168 Jing Bin Avenue, Binhai New District, Tianjin City, the PRC#	Logistics warehouse	Medium term lease	100%

Particulars of Properties

INVESTMENT PROPERTIES (Continued)

Location	Use	Tenure	Attributable interest of the Group
No. 1 Mojiahu Road, Kecheng District, Quzhou City Zhejiang Province, the PRC	Logistics center	Medium term lease	100%
Horqin 2nd Wei and 7th Jiefang, Horqin District, Tongliao City, the PRC	Logistics warehouse	Medium term lease	100%
No. 685 Fenghua Road, Nanhu District, Jiaxing City, Zhejiang Province, the PRC [#]	Industrial warehouse	Medium term lease	54.36%
Investment properties under construction			
Developing warehouses in South of China Railway 19th Bureau, East of Tongliao Hexi Inner Mongolia Autonomous Region Food Reserve, Horqin District, Tongliao City, the PRC	Logistics warehouse	Medium term lease	100%
A warehouse and various building structures in Qinghe Town, Horqin District, Tongliao City, the PRC	Logistics warehouse	Medium term lease	100%
Developing warehouses in the West of Jiada Avenue and South of Taohe Road, Jiaozhou City, Qingdao, Shandong Province, the PRC	Logistics warehouse	Medium term lease	100%
A healthcare property located in Holiday inn downtown Beijing, 98 Beilishi Road, Financial Street, Xichengqu, the PRC	Healthcare property	Long-term lease	100%

Particulars of Properties

BUILDING, WAREHOUSES AND LAND UNDER DEVELOPMENT FOR SALE OR HELD FOR SALE

Location	Use	Tenure	Attributable interest of the Group
No. 95 Hairong Road, Binhai New District, Tianjin City, the PRC	Cold chain warehouse	Medium term lease	60%
No. 28 Chuangke Road, Tianning District, Changzhou City, Jiangsu Province, the PRC	Industrial park	Medium term lease	72.48%
256 land parcels located in Kampong Tralach District and Samaki Meanchey District, Kampong Chhnang Province, The Kingdom of Cambodia	Complex	Freehold	60%

* The 6th Floor of Metro Mall was classified as properties held for sale since 31 December 2017 (note 23).

The properties were classified as held for sale as at 31 December 2023 (note 15).

Five Year Financial Summary

A summary of the results and of the assets, liabilities and total equity of the Group for the last five financial years, as extracted from the published annual report and audited financial statements, is set out below:

REVENUE

	2023 RMB'000	Year ended 31 December			
		2022 RMB'000 (Restated)	2021 RMB'000 (Restated)	2020 RMB'000 (Restated)	2019 RMB'000 (Restated)
Revenue	1,468,336	1,125,947	590,037	612,261	610,701
Profit/(loss) before tax	(924,647)	260,006	(212,840)	28,434	(236,338)
Income tax	14,764	(196,493)	(65,467)	(118,526)	(131,409)
Profit/(loss) for the year	(909,883)	63,513	(278,307)	(90,092)	(367,747)
Attributable to:					
Shareholders of the Company	(901,406)	(70,973)	(310,436)	(240,713)	(444,534)
Non-controlling interests	(8,477)	134,486	32,129	150,621	76,787
	(909,883)	63,513	(278,307)	(90,092)	(367,747)

ASSETS, LIABILITIES AND TOTAL EQUITY

	2023 RMB'000	At 31 December			
		2022 RMB'000 (Restated)	2021 RMB'000 (Restated)	2020 RMB'000 (Restated)	2019 RMB'000 (Restated)
Total assets	13,603,082	15,677,261	17,958,527	16,977,914	16,381,353
Total liabilities	(10,599,305)	(11,466,652)	(13,354,526)	(12,201,351)	(11,748,779)
NET ASSETS	3,003,777	4,210,609	4,604,001	4,776,563	4,632,574
Attributable to:					
Shareholders of the Company	1,375,657	2,420,145	2,779,722	2,937,480	2,869,778
Non-controlling interests	1,628,120	1,790,464	1,824,279	1,839,083	1,762,796
TOTAL EQUITY	3,003,777	4,210,609	4,604,001	4,776,563	4,632,574