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KWG GROUP HOLDINGS LIMITED

合景泰富集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

**(Stock Code: 1813 and Debt Stock Codes: 5008,
40338, 40465, 40683 and 40117)**

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

The board of directors (the “**Board**” or the “**Directors**”) of KWG Group Holdings Limited (the “**Company**”) announces the consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2023. The annual results have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
REVENUE	6	15,807,106	13,452,639
Cost of sales		<u>(18,446,337)</u>	<u>(15,548,424)</u>
Gross loss		(2,639,231)	(2,095,785)
Other income and gains, net	6	677,280	617,271
Selling and marketing expenses		(1,116,676)	(1,406,997)
Administrative expenses		(1,631,041)	(1,666,510)
Other operating expenses, net		(2,537,864)	(1,084,132)
Fair value losses on investment properties, net		(2,516,081)	(1,064,022)
Finance costs	7	(2,852,833)	(128,850)
Share of profits and losses of:			
Associates		(199,171)	104,882
Joint ventures		(4,811,431)	<u>(3,973,126)</u>
LOSS BEFORE TAX	8	(17,627,048)	(10,697,269)
Income tax (expense)/credit	9	(1,352,248)	<u>855,008</u>
LOSS FOR THE YEAR		<u>(18,979,296)</u>	<u>(9,842,261)</u>
Attributable to:			
Owners of the Company		(18,732,972)	(9,240,619)
Non-controlling interests		(246,324)	<u>(601,642)</u>
		<u>(18,979,296)</u>	<u>(9,842,261)</u>
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	11		
Basic		<u>RMB(548) cents</u>	<u>RMB(289) cents</u>
Diluted		<u>RMB(548) cents</u>	<u>RMB(289) cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*Year ended 31 December 2023*

	2023 RMB'000	2022 <i>RMB'000</i>
LOSS FOR THE YEAR	<u>(18,979,296)</u>	<u>(9,842,261)</u>
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation into presentation currency	(263,191)	(1,553,187)
Share of exchange differences on translation of joint ventures	<u>(49,643)</u>	<u>(898,992)</u>
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	(312,834)	(2,452,179)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation into presentation currency	<u>(226,333)</u>	<u>(1,316,580)</u>
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	<u>(226,333)</u>	<u>(1,316,580)</u>
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	<u>(539,167)</u>	<u>(3,768,759)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>(19,518,463)</u>	<u>(13,611,020)</u>
Attributable to:		
Owners of the Company	(19,272,139)	(13,009,378)
Non-controlling interests	<u>(246,324)</u>	<u>(601,642)</u>
	<u>(19,518,463)</u>	<u>(13,611,020)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	<i>Notes</i>	2023 RMB'000	2022 <i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	12	9,432,703	9,721,419
Investment properties		24,650,440	28,618,674
Land use rights		3,597,564	3,762,850
Interests in associates		8,217,365	9,772,013
Interests in joint ventures		32,306,108	35,717,694
Deferred tax assets		<u>2,033,463</u>	<u>3,537,738</u>
Total non-current assets		<u>80,237,643</u>	<u>91,130,388</u>
CURRENT ASSETS			
Properties under development		49,805,396	62,607,658
Completed properties held for sale		18,724,363	15,696,914
Trade receivables	13	331,647	491,382
Prepayments, other receivables and other assets		15,449,997	18,269,059
Due from a joint venture		21,532	22,532
Tax recoverables		1,175,422	1,328,260
Cash and bank balances		<u>1,719,395</u>	<u>10,337,890</u>
Total current assets		<u>87,227,752</u>	<u>108,753,695</u>
CURRENT LIABILITIES			
Trade and bills payables	14	19,402,520	15,540,743
Lease liabilities		51,491	144,326
Other payables and accruals		29,879,544	38,499,237
Due to joint ventures		8,028,741	9,996,546
Due to associates		2,483,159	3,328,395
Interest-bearing bank and other borrowings		41,087,060	22,245,015
Tax payables		<u>13,743,107</u>	<u>13,509,750</u>
Total current liabilities		<u>114,675,622</u>	<u>103,264,012</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(27,447,870)</u>	<u>5,489,683</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>52,789,773</u>	<u>96,620,071</u>
NON-CURRENT LIABILITIES			
Lease liabilities		518,806	751,415
Interest-bearing bank and other borrowings		32,248,912	53,145,577
Deferred tax liabilities		1,949,322	2,521,742
Deferred revenue		<u>2,042</u>	<u>2,042</u>
Total non-current liabilities		<u>34,719,082</u>	<u>56,420,776</u>
NET ASSETS		<u><u>18,070,691</u></u>	<u><u>40,199,295</u></u>

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
EQUITY		
Equity attributable to owners of the Company		
Issued capital	325,768	325,735
Treasury shares	—	(8)
Reserves	<u>12,406,166</u>	<u>31,174,049</u>
	12,731,934	31,499,776
Non-controlling interests	<u>5,338,757</u>	<u>8,699,519</u>
	18,070,691	40,199,295
TOTAL EQUITY	<u>18,070,691</u>	<u>40,199,295</u>

Notes:

1. CORPORATE AND GROUP INFORMATION

The Company was a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

During the year, the Group was involved in the following principal activities:

- Property development
- Property investment
- Hotel operation

In the opinion of the Directors, the immediate and ultimate holding company of the Company is Plus Earn Consultants Limited, which is incorporated in the British Virgin Islands.

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 (“**HKICPA**”) and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties which have been measured at fair value. These financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group 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).

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, using consistent accounting policies. The results of the subsidiaries are consolidated from the dates on which the Group obtains control, and continue to be consolidated until the dates that such control ceases.

Profit or loss and each component of other comprehensive income (“OCI”) are attributed to the owners of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets, 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 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 OCI 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.

The Company has set up a trust (the “Trust”) for the purpose of purchasing, administering and holding the Company’s shares for the share award scheme adopted on 19 January 2018. The Group has the power to govern the financial and operating policies of the Trust and derive benefits from the services of the employees who have been awarded the awarded shares through their continued employment with the Group. The assets and liabilities of the Trust are included in the consolidated statement of financial position and the shares held by the Trust are presented as a deduction in equity as shares held for the share award scheme.

Going concern basis

For the year ended 31 December 2023, the Group incurred a net loss of approximately RMB18,979,296,000, and as of that date, the Group had net current liabilities of approximately RMB27,447,870,000, and the Group’s current portion of bank and other borrowings amounted to approximately RMB41,087,060,000, while its cash and bank balances amounted to approximately RMB1,719,395,000.

As of 31 December 2023, the Group did not repay the principal and interest payables of several USD denominated senior notes and bank and other borrowings, triggering an event of default or cross default of various borrowings pursuant to the terms and conditions of respective agreements.

The Company had suspended trading of all its USD denominated senior notes listed on the Stock Exchange since May 2023 and no principal repayment had been made on the USD denominated senior notes during the year. As of 31 December 2023, the aggregate principal and interest payables of the said USD denominated senior notes and offshore bank and other borrowings in default or cross default was approximately RMB32,829,439,000.

The above conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. The following plans and measures are formulated to mitigate the liquidity pressure and to improve the financial position of the Group:

- (i) Based on the People's Bank of China's 16 Supportive Financial Measures, the Group has been actively negotiating with several financial institutions on the renewal and extension of existing onshore bank borrowings to improve the liquidity position of the Group.

Also, the project whitelist mechanism had been announced. Under the mechanism, city governments should provide a list of local property projects suitable for financing support, and coordinate with local financial institutions to meet the financing needs of these projects. The Group has submitted application to respective local authorities to add the Group's projects to the project whitelist. For instance, the local authority of Guangzhou has published 2 batches of project whitelist in February and March 2024 respectively, in which 16 projects of the Group have been included. This will facilitate the Group to obtain project development financing and/or refinancing for these projects with the financial institutions.

- (ii) The Group had been in negotiation with its onshore domestic bondholders to restructure the onshore bonds. During the year ended 31 December 2023, the Group had successfully restructured several onshore bonds with principal amount of approximately RMB6,734,468,000 and extended their final maturities to beyond 2027.
- (iii) The Group had engaged financial advisor and legal advisor to explore a holistic solution to the current offshore debts situation to secure the sustainable operations of the Group for the benefit of all of its stakeholders. The Group also had ongoing constructive discussions with a prospective ad hoc group of bondholders and its advisors on the holistic solution during the year.
- (iv) The Group will continue to implement measures to accelerate the pre-sales and sales of its properties under development and completed properties, and to speed up the collection of outstanding sales proceeds and other receivables. The Group is also negotiating with various interested parties on the disposal of en-bloc commercial properties, hotels, urban redevelopment projects and non-core property projects to further improve the cash position of the Group.
- (v) The Group will continue to take active measures to control administrative costs and maintain containment of capital expenditures.
- (vi) The Group will continue to seek suitable opportunities to dispose of its equity interests in joint ventures or associates which are engaged in property development projects in order to generate additional cash inflows.

The Directors have reviewed the Group's cash flow projections prepared by management, which cover not less than twelve months from 31 December 2023. They are of the opinion that, taking into account the abovementioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2023. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

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

- (i) The approval from local authorities to include the Group's property development projects in the project whitelist and the obtaining of project financing and/or refinancing as and when needed;
- (ii) The successful restructuring of the offshore debts of the Group;
- (iii) The successful negotiation with interested parties on the disposal of en-bloc commercial properties, hotels, urban redevelopment projects and non-core property projects;
- (iv) The successful disposal of the Group's equity interests in certain joint ventures or associates which are engaged in property development projects when suitable.

Should the Group be unable to achieve the above-mentioned plans and measures and operate as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively.

The effects of these adjustments have not been reflected in these consolidated financial statements.

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 HKFRS 17	<i>Insurance Contracts</i>
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform — Pillar Two Model Rules</i>

Except as described below, the adoption of the above new and revised standards has had no significant financial effect on these consolidated financial statements.

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The amendments to HKAS 1 and HKFRS Practice Statement 2 *Making Materiality Judgements* provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The application of the amendments has had no material impact on the Group's financial performance and positions, but has affected the disclosures of accounting policies in the consolidated financial statements.

4. ISSUED BUT NOT YET EFFECTIVE HKFRSs

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 1	<i>Classification of Liabilities as Current or Non-current (the "2020 Amendments")</i> ^{1, 4}
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants</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

⁴ As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that, these revised HKFRSs are unlikely to have a significant impact on the Group's financial statements.

5. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into three reportable operating segments as follows:

- (a) Property development: Sale of properties
- (b) Property investment: Leasing of properties
- (c) Hotel operation: Operation of hotels

The property development projects undertaken by the Group during the year are mainly located in Chinese Mainland and Hong Kong.

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 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 before tax except that interest income, finance costs, as well as head office and corporate income and expenses are excluded from such measurement.

The Group's revenue from external customers is derived solely from its operations in Chinese Mainland.

During 2023 and 2022, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

Year ended 31 December 2023

	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Hotel operation <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue:				
Sales to external customers	<u>14,047,330</u>	<u>930,999</u>	<u>828,777</u>	<u>15,807,106</u>
Segment results	(12,405,253)	(1,908,152)	251,095	(14,062,310)
<i>Reconciliation:</i>				
Interest income and unallocated income				677,280
Unallocated expenses				(1,389,185)
Finance costs				<u>(2,852,833)</u>
Loss before tax				(17,627,048)
Income tax expense				<u>(1,352,248)</u>
Loss for the year				<u><u>(18,979,296)</u></u>
Other segment information:				
Depreciation and amortisation	(116,615)	(25,402)	(208,887)	(350,904)
Fair value losses on investment properties, net	—	(2,516,081)	—	(2,516,081)
Share of profits and losses of:				
Associates	(199,171)	—	—	(199,171)
Joint ventures	<u>(4,811,431)</u>	<u>—</u>	<u>—</u>	<u>(4,811,431)</u>

Year ended 31 December 2022

	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Hotel operation <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue:				
Sales to external customers	<u>11,908,012</u>	<u>944,394</u>	<u>600,233</u>	<u>13,452,639</u>
Segment results	(9,367,224)	(451,217)	125,971	(9,692,470)
<i>Reconciliation:</i>				
Interest income and unallocated income				617,271
Unallocated expenses				(1,493,220)
Finance costs				<u>(128,850)</u>
Loss before tax				(10,697,269)
Income tax credit				<u>855,008</u>
Loss for the year				<u>(9,842,261)</u>
Other segment information:				
Depreciation and amortisation	(134,988)	(24,956)	(224,536)	(384,480)
Fair value losses on investment properties, net	—	(1,064,022)	—	(1,064,022)
Share of profits and losses of:				
Associates	104,882	—	—	104,882
Joint ventures	<u>(3,973,126)</u>	<u>—</u>	<u>—</u>	<u>(3,973,126)</u>

6. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue, other income and gains, net is as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Revenue:		
Revenue from contracts with customers		
Sale of properties	14,047,330	11,908,012
Hotel operation income	828,777	600,233
Revenue from other sources		
Gross rental income	930,999	944,394
	<u>15,807,106</u>	<u>13,452,639</u>
Other income and gains, net:		
Interest income	277,198	515,938
Others	400,082	101,333
	<u>677,280</u>	<u>617,271</u>

Set out below is the disaggregation of the Group's revenue from contracts with customers for the year ended 31 December 2023:

	Property development <i>RMB'000</i>	Hotel operation <i>RMB'000</i>	Total <i>RMB'000</i>
<i>Type of revenue recognition:</i>			
Sale of properties	14,047,330	—	14,047,330
Provision of services	—	828,777	828,777
	<u>14,047,330</u>	<u>828,777</u>	<u>14,876,107</u>
Total revenue from contracts with customers			
	<u>14,047,330</u>	<u>828,777</u>	<u>14,876,107</u>
<i>Timing of revenue recognition:</i>			
Recognised at a point in time	13,506,445	—	13,506,445
Recognised over time	540,885	828,777	1,369,662
	<u>14,047,330</u>	<u>828,777</u>	<u>14,876,107</u>
Total revenue from contracts with customers			
	<u>14,047,330</u>	<u>828,777</u>	<u>14,876,107</u>

Set out below is the disaggregation of the Group's revenue from contracts with customers for the year ended 31 December 2022:

	Property development <i>RMB'000</i>	Hotel operation <i>RMB'000</i>	Total <i>RMB'000</i>
<i>Type of revenue recognition:</i>			
Sale of properties	11,908,012	—	11,908,012
Provision of services	—	600,233	600,233
	<u>11,908,012</u>	<u>600,233</u>	<u>12,508,245</u>
Total revenue from contracts with customers	<u>11,908,012</u>	<u>600,233</u>	<u>12,508,245</u>
<i>Timing of revenue recognition:</i>			
Recognised at a point in time	10,077,743	—	10,077,743
Recognised over time	1,830,269	600,233	2,430,502
	<u>11,908,012</u>	<u>600,233</u>	<u>12,508,245</u>
Total revenue from contracts with customers	<u>11,908,012</u>	<u>600,233</u>	<u>12,508,245</u>

7. FINANCE COSTS

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Interest on bank and other borrowings	5,485,777	5,152,881
Interest on lease liabilities	38,058	59,583
Less: Interest capitalised	<u>(2,671,002)</u>	<u>(5,083,614)</u>
	<u>2,852,833</u>	<u>128,850</u>

8. LOSS BEFORE TAX

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

	2023	2022
	RMB'000	RMB'000
Cost of properties sold	<u>18,001,771</u>	<u>15,092,298</u>
Cost of services provided	444,566	456,126
Depreciation	317,790	352,954
Amortisation of land use rights	78,335	103,806
Less: Amount capitalised in assets under construction	<u>(45,221)</u>	<u>(72,280)</u>
	<u>33,114</u>	<u>31,526</u>
Employee benefit expenses* (excluding directors' and chief executive's remuneration):		
Wages and salaries	649,392	952,149
Share-based compensation expenses	451	2,763
Pension scheme contributions (defined benefit plans)	<u>35,147</u>	<u>55,029</u>
	684,990	1,009,941
Less: Amounts capitalised in assets under construction, properties under development and investment properties under development	<u>(143,682)</u>	<u>(281,613)</u>
	<u>541,308</u>	<u>728,328</u>
Foreign exchange gains, net	(86,924)	(335,562)
Gain on disposal of property, plant and equipment**	(1,487)	(201)
Direct operating expenses (including repairs and maintenance arising on rent-earning investment properties)	100,992	123,654
Impairment losses recognised for properties under development and completed properties held for sale***	<u>2,537,864</u>	<u>1,084,132</u>

* Employee benefit expenses are included in "Selling and marketing expenses" and "Administrative expenses" in the consolidated statement of profit or loss.

** The item is included in "Other income and gains, net" and "Administrative expenses" in the consolidated statement of profit or loss.

*** The item is included in "Other operating expenses, net" in the consolidated statement of profit or loss.

9. INCOME TAX (EXPENSE)/CREDIT

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current — PRC		
Corporate income tax (“CIT”)	(743,328)	(539,868)
Land appreciation tax (“LAT”)	<u>253,287</u>	<u>657,702</u>
	(490,041)	117,834
Deferred	<u>(862,207)</u>	<u>737,174</u>
Total tax (charge)/credit for the year	<u><u>(1,352,248)</u></u>	<u><u>855,008</u></u>

Hong Kong profits tax

No Hong Kong profits tax has been provided because the Group did not generate any assessable profits arising in Hong Kong during the years ended 31 December 2023 and 2022.

PRC CIT

PRC CIT in respect of operations in Chinese Mainland has been calculated at the applicable tax rate on the estimated assessable profits for the years ended 31 December 2023 and 2022, based on existing legislation, interpretations and practices in respect thereof.

PRC LAT

PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of the land value, being the proceeds from the sale of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures.

10. DIVIDENDS

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

11. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic loss per share amount is based on the loss for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 3,418,744,164 (2022: 3,195,104,109) in issue during the year.

For the year ended 31 December 2023, the calculation of the diluted loss per share amount was based on the loss for the year attributable to owners of the Company, and the weighted average number of ordinary shares used in the calculation was the number of ordinary shares in issue during the year, as used in the basic loss per share calculation of 3,418,744,164 (31 December 2022: 3,195,104,109). Diluted loss per share amount for the year ended 31 December 2023 was the same as the basic loss per share as the Group had no potentially dilutive ordinary shares in issue during the year (31 December 2022: 875,352).

The calculations of basic and diluted loss per share amounts are based on:

	2023	2022
	RMB'000	RMB'000
Earnings		
Loss attributable to owners of the Company	<u>(18,732,972)</u>	<u>(9,240,619)</u>
	Number of shares	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue during the year used in basic loss per share calculation	3,418,744,164	3,195,104,109
Effect of dilution — awarded shares	<u>—</u>	<u>875,352</u>
Weighted average number of ordinary shares during the year used in diluted loss per share calculation	<u>3,418,744,164</u>	<u>3,195,979,461</u>

12. PROPERTY, PLANT AND EQUIPMENT

For the year ended 31 December 2023, the Group had additions of property, plant and equipment at a total cost of approximately RMB925,735,000 (2022: approximately RMB1,056,779,000).

13. TRADE RECEIVABLES

Trade receivables mainly consist of receivables from the sale of properties, rentals under operating leases and hotel operation. The payment terms of the sale of properties are stipulated in the relevant sale and purchase agreements, whilst the Group's trading terms with its customers in relation to the provision of rental and other services are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally within 12 months for major customers. An ageing analysis of the trade receivables as at the end of the reporting period is as follows:

	2023 RMB'000	2022 <i>RMB'000</i>
Within 3 months	189,666	260,735
7 to 12 months	75,281	2,667
Over 1 year	66,700	227,980
	331,647	491,382

14. TRADE AND BILLS PAYABLES

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

	2023 RMB'000	2022 <i>RMB'000</i>
Within 1 year	11,732,746	6,343,606
Over 1 year	7,669,774	9,197,137
	19,402,520	15,540,743

The trade and bills payables are non-interest-bearing and are normally settled on demand.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

Revenue of the Group comprises primarily the (i) gross proceeds from the sale of properties, (ii) gross recurring revenue received and receivable from investment properties and (iii) gross revenue from hotel room rentals, food and beverage sales and other ancillary services when the services are rendered. The revenue is primarily generated from its three business segments: property development, property investment and hotel operation.

The revenue amounted to approximately RMB15,807.1 million in 2023, representing an increase of 17.5% from approximately RMB13,452.6 million in 2022.

In 2023, the revenue generated from property development, property investment and hotel operation were approximately RMB14,047.3 million, RMB931.0 million and RMB828.8 million, respectively.

Proportionate revenue amounted to approximately RMB26,604.6 million in 2023, representing an increase of 18.4% from approximately RMB22,462.0 million in 2022.

Property development

Revenue generated from property development increased by 18.0% to approximately RMB14,047.3 million in 2023 from approximately RMB11,908.0 million in 2022, primarily due to an increase in the total gross floor area (“GFA”) delivered to 924,958 sq.m. in 2023 from 806,218 sq.m. in 2022.

The average selling price (“ASP”) increased from RMB14,770 per sq.m. in 2022 to RMB15,187 per sq.m. in 2023, reflecting a change in delivery portfolio with different city mix and product mix as compared with that for the corresponding period in 2022.

Proportionate revenue generated from property development increased by 18.8% to approximately RMB24,450.1 million in 2023 from approximately RMB20,580.2 million in 2022, primarily due to an increase in the total GFA delivered to 1,531,453 sq.m. in 2023 from 1,348,216 sq.m. in 2022. The proportionate ASP increased from RMB15,265 per sq.m. in 2022 to RMB15,965 per sq.m. in 2023.

Property investment

Revenue generated from property investment slightly decreased by 1.4% to approximately RMB931.0 million in 2023 from approximately RMB944.4 million in 2022.

Hotel operation

Revenue generated from hotel operation increased by 38.1% to approximately RMB828.8 million in 2023 from approximately RMB600.2 million in 2022, primarily due to an increase in occupancy rate of the hotels.

Cost of Sales

Cost of sales of the Group primarily represents the costs incurred directly for the Group's property development activities. The principal component of cost of sales is cost of properties sold, which includes the direct cost of construction, cost of obtaining land use rights and capitalised borrowing costs on related borrowed funds during the period of construction.

Cost of sales increased by 18.6% to approximately RMB18,446.3 million in 2023 from approximately RMB15,548.4 million in 2022, mainly due to the increase in total GFA delivered in sale of properties and construction cost per sq.m..

Land cost per sq.m. decreased from RMB7,625 in 2022 to RMB7,106 in 2023.

Construction cost per sq.m. increased from RMB7,338 in 2022 to RMB8,922 in 2023, due to the change in delivery portfolio with different city mix compared with that in 2022.

Proportionate cost of sales increased by 15.9% to approximately RMB30,521.5 million in 2023 from approximately RMB26,331.7 million in 2022. Proportionate land cost per sq.m. decreased from RMB8,591 in 2022 to RMB8,351 in 2023. Proportionate construction cost per sq.m. increased from RMB7,133 in 2022 to RMB8,636 in 2023.

Gross Loss

Gross loss of the Group was approximately RMB2,639.2 million in 2023, whereas gross loss of approximately RMB2,095.8 million was recorded in 2022. The Group has taken certain actions to improve the sales, including the implementation of price reduction for certain projects. Also, certain properties with low or negative profit margins, including carparking spaces and serviced apartments, were delivered during the year, leading to the gross loss recorded.

Proportionate core gross loss of the Group was approximately RMB3,916.9 million in 2023, whereas a proportionate core gross loss of approximately RMB3,869.7 million was recorded in 2022.

Other Income and Gains, Net

Other income and gains increased by 9.7% to approximately RMB677.3 million in 2023 from approximately RMB617.3 million in 2022.

Selling and Marketing Expenses

Selling and marketing expenses of the Group decreased by 20.6% to approximately RMB1,116.7 million in 2023 from approximately RMB1,407.0 million in 2022. This was mainly attributable to the decrease in sales staff costs.

Administrative Expenses

Administrative expenses of the Group decreased by 2.1% to approximately RMB1,631.0 million in 2023 from approximately RMB1,666.5 million in 2022, mainly due to the optimization of corporate structure in order to save expenses.

Other Operating Expenses, Net

The Group reported other operating expenses of approximately RMB2,537.9 million for 2023 (2022: approximately RMB1,084.1 million). This is attributable to impairment losses made on properties developed by the Group.

Fair Value Losses on Investment Properties, Net

The Group reported fair value losses on investment properties of approximately RMB2,516.1 million for 2023 (2022: approximately RMB1,064.0 million). In response to the worsening of the PRC property market, a more prudent approach has been adopted during the revaluation process to reflect the current market condition, resulting in a more significant revaluation losses during the year.

Finance Costs

Finance costs of the Group being approximately RMB2,852.8 million in 2023 (2022: approximately RMB128.9 million), were related to the borrowing costs on certain general corporate loans and partial senior notes. Since such borrowings were not earmarked for project development, thus they have not been capitalised.

Share of Profits and Losses of Joint Ventures

The Group recorded a share of losses of joint ventures of approximately RMB4,811.4 million in 2023 (2022: approximately RMB3,973.1 million).

This was mainly attributable to impairment losses made on properties under development and completed properties held for sale of approximately RMB2,633.0 million.

Income Tax (Expense)/Credit

The Group recorded income tax expense of approximately RMB1,352.2 million in 2023, whereas an income tax credit of approximately RMB855.0 million was recorded in 2022.

Loss for The Year

The Group reported loss for the year of approximately RMB18,979.3 million in 2023 (2022: approximately RMB9,842.3 million), as a result of the above-mentioned factors.

Interest in Joint Ventures

The decrease in the interest in joint ventures as at 31 December 2023 was mainly attributable to the decrease of share of net assets of joint ventures.

Prepayments, Other Receivables and Other Assets

Decrease in the balance of prepayments, other receivables and other assets as at 31 December 2023 was mainly attributable to the decrease in deposit and other receivables.

Liquidity, Financial and Capital Resources

Cash Position

As at 31 December 2023, the carrying amounts of the Group's cash and bank balances were approximately RMB1,719.4 million (31 December 2022: approximately RMB10,337.9 million).

Pursuant to relevant regulations in the PRC, certain property development companies of the Group are required to place certain amounts of pre-sales proceeds received at designated bank accounts as guarantee deposits for construction of the relevant properties.

Borrowings and Charges on the Group's Assets

As at 31 December 2023, the Group's bank and other loans, senior notes and domestic corporate bonds were approximately RMB42,150.2 million, RMB27,749.9 million and RMB3,435.8 million respectively. Amongst the bank and other loans, approximately RMB13,306.2 million will be repayable within 1 year, approximately RMB18,582.8 million will be repayable between 2 and 5 years and approximately RMB10,261.2 million will be repayable over 5 years. All of the senior notes have been presented as current liabilities. Amongst the domestic corporate bonds, approximately RMB30.9 million will be repayable within 1 year and approximately RMB3,404.9 million will be repayable between 2 and 5 years.

As at 31 December 2023, the Group's bank and other loans of approximately RMB41,385.9 million and domestic corporate bonds of approximately RMB3,435.8 million were secured by buildings, land use rights, investment properties, properties under development, completed properties held for sale, receivables from properties sold and equity interests of certain subsidiaries of the Group. The senior notes were jointly and severally guaranteed by certain subsidiaries of the Group and were secured by the pledges of their shares.

The carrying amounts of all the Group's bank and other loans were denominated in RMB except for certain loan balances with an aggregate amount of approximately RMB3,101.0 million as at 31 December 2023 which were denominated in Hong Kong dollar of approximately RMB1,811.7 million and denominated in U.S. dollar of approximately RMB1,289.3 million respectively. All of the Group's bank and other loans were charged at floating interest rates except for loan balances with an aggregate amount of approximately RMB9,487.3 million which were charged at fixed interest rates as at 31 December 2023. The Group's senior notes were denominated in U.S. dollar and charged at fixed interest rates as at 31 December 2023. The Group's domestic corporate bonds were denominated in RMB and charged at fixed interest rates as at 31 December 2023.

Gearing Ratio

The gearing ratio is measured by the net borrowings (total borrowings net of cash and bank balances) over the total equity. As at 31 December 2023, the gearing ratio was 396.3% (31 December 2022: 161.8%).

Risk of Exchange Rate Fluctuation

The Group mainly operates in Chinese Mainland, so most of its revenues and expenses are measured in RMB. In addition, except for the above mentioned, the Company's domestic corporate bonds were denominated in RMB. The value of RMB against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in the PRC's political and economic conditions. The conversion of RMB into foreign currencies, including the U.S. dollar and the Hong Kong dollar, has been based on rates set by the People's Bank of China.

During 2023, the exchange rates of RMB against the U.S. dollar and the Hong Kong dollar decreased and the Board expects that any fluctuation of RMB's exchange rate will not have material adverse effect on the operation of the Group.

Contingent Liabilities

- (i) As at 31 December 2023, the Group had the following contingent liabilities relating to guarantees in respect of mortgage facilities for certain purchasers amounting to approximately RMB13,484.3 million (31 December 2022: approximately RMB15,499.0 million). This represented the guarantees in respect of mortgage facilities granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interests and penalties owed by the defaulting purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon issuance of real estate ownership certificates which will generally be available within one to two years after the purchasers take possession of the relevant properties.

The fair value of the guarantees is not significant and the Board considers that in case of default in payments by the purchasers, the net realisable value of the related properties will be sufficient to cover the repayment of the outstanding mortgage principals together with the accrued interests and penalties and therefore no provision has been made in the financial statements as at 31 December 2023 and 2022 for the guarantees.

- (ii) As at 31 December 2023, the Group had provided guarantees in respect of certain bank loans for joint ventures and associates. As at 31 December 2022, the Group had provided guarantees in respect of 1) certain bank loans for joint ventures and associates, and 2) certain bank acceptance bills for third parties.

Industry Review

Throughout 2023, overall, the market recovery remained limited. The overall real estate policy environment has continued the easing trend since the end of last year to actively guide the recovery of market confidence and promote the stabilization of the real estate industry.

According to the statistical data of the National Bureau of Statistics of China, in 2023, the nationwide property development investment decreased by 9.6% year-on-year to RMB11,091.3 billion; the sales area of commodity properties decreased by 8.5% year-on-year to 1,117.35 million sq.m.; the sales of commodity properties decreased by 6.5% year-on-year to RMB11,662.2 billion. In 2023, the total financing volume of 80 regular real estate enterprises amounted to RMB569.2 billion, and year-on-year decline expanded to 28%. From an overall viewpoint, in 2023, the pressure on the financing of real estate enterprises was still under an unprecedented challenge.

In 2023, China's real estate market continued to adjust at the bottom. The central policies were steady at the beginning and loosened at the end, and the policy strength was gradually reinforced from a base level. On the demand side, a series of measures were introduced, including lower down payment, lower interest rates, and the policy of "housing recognition without loan recognition", to support home buying on mortgage, and on the supply side, the entities support measures were successively launched, including "Three Minimum Thresholds (三個不低於)" and non-discriminatory financial support, to alleviate the capital pressure of real estate enterprises. Local policy easing has been accelerated, with 622 policies lifting in 273 provinces and municipalities, relaxing from the third- and fourth-tier to the core first- and second-tier in a reverse direction.

Business Review

At present, the industry is still undergoing in-depth adjustment. KWG Group has always adhered to its strategic direction of steady operation, ensure delivery and actively resolve the debt issues.

In 2023, the Group's gross pre-sales amounted to RMB25.243 billion, and the area pre-sold was 1,379,200 sq.m., with an average pre-selling price of RMB18,288 per sq.m. Among the 102 projects for sale, in terms of contribution to pre-sales amount, 24% were from the Greater Bay Area and 25% were from the Yangtze River Delta Region; and in terms of city tiers, 70% were from first- and second-tier cities, and the Group continued its efforts in the in-depth development in high-tier cities.

During the reporting period, the Group launched key projects such as Guangzhou Landmark Arte Masterpiece, Guangzhou Richmond Greenville, Canton Financial Center, Hong Kong The Corniche, Foshan Oriental Bund, Shenzhen Grand Oasis, Yancheng KWG Haya City and International Commercial Plaza in Jiaying. Under the policy call of “guaranteeing delivery” and “guaranteeing people’s livelihood”, various regions have made every effort to guarantee delivery by launching existing and quasi-existing buildings, focusing on the completion of preparations and improving the quality of delivery. According to the CRIC’s data, in 2023, the completion area of property enterprises increased by 19.8% year-on-year. Throughout the year that the delivery capabilities of property enterprises put to test, KWG was fully committed to ensuring the delivery in the market, delivering nearly 20,000 units in the year, while actively responding to the promotion of the work of “guaranteeing the delivery of buildings and stabilizing people’s livelihood” with its apparent delivery capability.

As at 31 December 2023, the Group had a total of 163 projects (exclude tail part of projects) located in 43 cities in Chinese Mainland and Hong Kong, China, and owned attributable land bank of approximately 12.93 million sq.m. and a total GFA of approximately 17.43 million sq.m., representing an attributable ratio of approximately 74%. The Group deployed its resources for the in-depth development in high-tier cities with the focus on the core cities in the Greater Bay Area.

Currently, the Group is working with the relevant creditors on debt restructuring issues and seeking a comprehensive solution to the offshore debts to ensure the sustainable operation of the Company. Up till now, the offshore debt restructuring work is progressing smoothly, and we will endeavor to complete the restructuring plan as soon as possible, so that the Company can start from fresh.

Outlook

Looking ahead to 2024, the property policy at the central level is expected to focus on three aspects: first, financial support for the construction of the “three major projects” as a means to promote the construction of a new model of property development; second, the implementation of the supply-side financial supports such as “Three Minimum Threshold”; and third, the downward adjustment of transaction fees to stabilize demand and in turn stabilize the market. Local regulatory policies are expected to be further optimized, and there is still room for relaxation of regulatory policies in first-tier and some strong second-tier cities, which is expected to play a positive role in restoring sales and stabilizing expectations. All in all, the new home sales market will continue to face adjustment pressure in 2024. However, if the economy continues to recover and the willingness to purchase homes improves, coupled with the progress of the urban village renovation as scheduled, the growth in sales scale may realize.

Overview of the Group’s Property Development

As at 31 December 2023, the Group’s major projects are located in Guangzhou, Suzhou, Chengdu, Beijing, Lingshui, Wenchang, Shanghai, Tianjin, Nanning, Hangzhou, Nanjing, Foshan, Wuhan, Jiaxing, Taizhou, Chongqing, Taicang, Liuzhou, Shenzhen, Wuzhou, Xi’an, Kunming, Yancheng, Fuzhou, Sanya, Hong Kong and etc.

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest (<i>'000 sq.m.</i>)	Interest Attributable to the Group (%)
1	The Summit	Guangzhou	Residential/villa/serviced apartment/office/commercial/ hotel	826	100
2	International Metropolitan Plaza	Guangzhou	Office/commercial	40	50
3	Tian Hui Plaza (including The Riviera and Top Plaza)	Guangzhou	Serviced apartment/office/ commercial/hotel	45	33.33
4	KWG Flourishing Biotech Square	Guangzhou	Office/commercial	84	100
5	KWG Skysite	Guangzhou	Villa/serviced apartment/office/ commercial/hotel	297	100
6	The Eden	Guangzhou	Residential/commercial	2	50
7	Paradise by Moony Sky	Guangzhou	Villa/hotel	40	100
8	Essence of City	Guangzhou	Residential/villa/commercial	15	100
9	International Commerce Place	Guangzhou	Office/commercial	50	50
10	CFC (including Mayfair and IFE (International Finance Edifice))	Guangzhou	Serviced apartment/office/ commercial	14	33.33
11	The Horizon	Guangzhou	Residential/villa/serviced apartment/office/commercial/ hotel	14	50
12	Blooming River	Guangzhou	Residential/villa/commercial	44	50
13	Nansha River Paradise	Guangzhou	Residential/commercial	4	50
14	V-city	Guangzhou	Serviced apartment/commercial	135	70
15	Montkam	Guangzhou	Residential/villa	9	30
16	E-city	Guangzhou	Serviced apartment/commercial	448	67
17	The Beryl (Guangzhou Development Area Hotel A Project)	Guangzhou	Villa/serviced apartment/ commercial/hotel	11	60
18	The Beryl (Guangzhou Development Area Hotel B Project)	Guangzhou	Villa/serviced apartment/office/ commercial	27	100
19	Landmark Arte Masterpiece	Guangzhou	Residential/serviced apartment/ commercial	95	100
20	Clover Shades	Guangzhou	Residential/commercial	48	62.5
21	The Emerald	Guangzhou	Residential	60	100
22	KWG Biovalley	Guangzhou	Villa/serviced apartment/office/ commercial	192	80
23	Longyatt Mansion	Guangzhou	Residential/commercial	90	100
24	Dreams Garden	Guangzhou	Residential/commercial	244	100
25	Lakeside Mansion	Guangzhou	Residential/commercial	310	100

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest (<i>'000 sq.m.</i>)	Interest Attributable to the Group (%)
26	Richmond Greenville	Guangzhou	Residential	91	100
27	Guangzhou Nansha Project	Guangzhou	Educational	89	60
28	The Star Garden	Guangzhou	Residential/commercial	194	87.5
29	ONE68	Guangzhou	Serviced apartment/office/ commercial/hotel	69	100
30	IFP	Guangzhou	Office/commercial	61	100
31	Four Points by Sheraton Guangzhou, Dongpu	Guangzhou	Hotel	35	100
32	The Mulian Huadu	Guangzhou	Hotel	25	100
33	W Hotel/W Serviced Apartments	Guangzhou	Hotel/serviced apartment	80	100
34	The Mulian Guangzhou	Guangzhou	Hotel	8	100
35	The Sapphire	Suzhou	Residential/serviced apartment/ office/commercial/hotel	36	100
36	Suzhou Apex	Suzhou	Residential/serviced apartment/ commercial/hotel	127	100
37	Leader Plaza	Suzhou	Serviced apartment/office/ commercial	21	100
38	Fortune Plaza	Suzhou	Office/commercial/hotel	21	100
39	Suzhou Jade Garden	Suzhou	Residential/commercial	2	100
40	Orient Aesthetics	Suzhou	Residential/commercial	3	20
41	Swan Harbor Park	Suzhou	Residential/serviced apartment/ office/commercial/hotel	111	50
42	Blessedness Seasons	Suzhou	Residential/commercial	2	49
43	The Vision of the World	Chengdu	Residential/serviced apartment/ commercial	39	100
44	Chengdu Cosmos	Chengdu	Residential/serviced apartment/ office/commercial/hotel	230	100
45	Yunshang Retreat	Chengdu	Residential/villa/serviced apartment/commercial/hotel	576	55
46	The Jadeite	Chengdu	Residential/villa/commercial/ hotel	24	100
47	Fragrant Seasons	Beijing	Residential/villa/serviced apartment/commercial	1	100
48	La Villa	Beijing	Residential/villa/commercial	5	50
49	Beijing Apex	Beijing	Residential/villa/serviced apartment/commercial	2	50
50	M • Cube	Beijing	Commercial	16	100
51	Uptown Riverside I	Beijing	Serviced apartment/office/ commercial	128	100

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest (<i>'000 sq.m.</i>)	Interest Attributable to the Group (%)
52	Uptown Riverside II	Beijing	Serviced apartment/office/ commercial	61	100
53	Rose and Ginkgo Mansion	Beijing	Residential/villa/office/ commercial	27	33
54	The Core of Center (Beijing Niulanshan Complex Project)	Beijing	Residential/villa/commercial/ hotel	188	100
55	The Core of Center (Beijing Niulanshan 1107# Project)	Beijing	Residential	1	100
56	New Chang'an Mansion	Beijing	Residential/office/commercial/ hotel	31	100
57	Pearl Coast	Lingshui	Residential/villa/commercial/ hotel	97	100
58	Moon Bay	Wenchang	Residential/villa/commercial/ hotel	336	100
59	The Cloud World	Wenchang	Villa/commercial	76	100
60	International Metropolis Plaza	Shanghai	Office/commercial	39	100
61	Amazing Bay	Shanghai	Residential/serviced apartment/ office/commercial/hotel	26	50
62	Vision of the World	Shanghai	Residential/serviced apartment/ commercial/hotel	59	51
63	Glory Palace	Shanghai	Residential	3	100
64	KWG Biovalley	Shanghai	Office/commercial	121	90
65	Jinnan New Town	Tianjin	Residential/office/commercial/ hotel	197	25
66	Tianjin The Cosmos	Tianjin	Residential/villa/commercial	190	100
67	Tianjin Apex	Tianjin	Residential/office/commercial	32	100
68	Beautiful and Happy Life	Tianjin	Residential/commercial	51	100
69	Joy Fun City	Tianjin	Residential/commercial	173	60
70	The Core of Center	Nanning	Residential/villa/serviced apartment/commercial/hotel	242	100
71	International Finance Place	Nanning	Office/commercial	56	100
72	Top of World	Nanning	Residential/villa/serviced apartment/commercial/hotel	79	100
73	Fragrant Season	Nanning	Residential/villa/commercial	9	100
74	Impression Discovery Bay I	Nanning	Residential/commercial	1	34
75	Impression Discovery Bay II	Nanning	Residential/commercial	3	34
76	Emerald City	Nanning	Residential/serviced apartment/ commercial	272	100
77	The Mulian Hangzhou	Hangzhou	Commercial/hotel	18	100
78	The Moon Mansion	Hangzhou	Residential/villa	3	100

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest (<i>'000 sq.m.</i>)	Interest Attributable to the Group (%)
79	Sky Ville	Hangzhou	Residential/villa	1	100
80	Puli Oriental	Hangzhou	Residential/commercial	8	50
81	Malus Moon	Hangzhou	Residential/villa/commercial	4	100
82	Precious Mansion	Hangzhou	Residential/office/commercial	35	100
83	Season Mix	Hangzhou	Residential/commercial/hotel	16	25
84	Shine City	Nanjing	Residential/office/commercial	1	50
85	South Bank Palace	Nanjing	Residential/commercial	1	19.75
86	Ruyi Palace	Nanjing	Residential/commercial	1	50
87	Oriental Bund	Foshan	Residential/villa/serviced apartment/commercial/hotel	841	50
88	The Riviera	Foshan	Residential/commercial	16	100
89	Foshan Apex	Foshan	Residential/serviced apartment/ commercial	6	50
90	China Image	Foshan	Residential/commercial	3	34
91	The One	Hefei	Residential/commercial	70	100
92	Park Mansion	Hefei	Residential	2	50
93	The Buttonwood Season I	Wuhan	Residential/villa/commercial	9	100
94	The Buttonwood Season II	Wuhan	Residential/villa/commercial	129	100
95	Exquisite Bay	Xuzhou	Residential/commercial	6	100
96	Fragrant Seasons	Xuzhou	Residential/commercial	11	50
97	Oriental Milestone	Xuzhou	Residential	137	100
98	Majestic Mansion	Jiaxing	Residential/commercial	3	100
99	Star City	Jiaxing	Residential	1	25
100	Noble Peak	Jiaxing	Residential	2	100
101	International Commercial Plaza	Jiaxing	Residential/serviced apartment/ office/commercial/hotel	360	100
102	Top of World Residence I	Taizhou	Residential	2	100
103	Top of World Residence II	Taizhou	Residential/commercial	4	100
104	Linhai Mansion	Taizhou	Residential/commercial	2	100
105	Star Mansion	Taizhou	Residential/commercial	2	33
106	Lead Peak Mansion	Taizhou	Residential/commercial	1	100
107	Emerald the Bay	Taizhou	Residential/serviced apartment/ office/commercial	255	50
108	Jinan Capital of Phoenix	Jinan	Residential/commercial	1	20
109	Jinan Tianchen	Jinan	Residential/commercial	26	20
110	The Inherited Villa	Changshu	Residential	1	25
111	The Riviera Chongqing	Chongqing	Residential/commercial/hotel	13	100

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest (<i>'000 sq.m.</i>)	Interest Attributable to the Group (%)
112	The Cosmos Chongqing	Chongqing	Residential/serviced apartment/ office/commercial/hotel	213	100
113	The Moon Mansion	Chongqing	Residential/commercial	1	39
114	Mansion of Jasper	Chongqing	Residential/commercial	1	50
115	Jade Moon Villa	Chongqing	Residential/commercial	1	50
116	Jinzhū Tianyi Huayuan	Taicang	Residential	16	100
117	Oriental Mansion	Wuxi	Residential/commercial	1	20
118	Exquisite Palace	Wuxi	Residential/commercial	3	45
119	Vision of the World	Zhaoqing	Residential/commercial	85	100
120	River View Mansion	Zhaoqing	Residential/commercial	1	33
121	The Moon Mansion	Zhongshan	Residential/commercial	31	50
122	Serenity in Prosperity	Nantong	Residential/villa/commercial	4	51
123	Oriental Beauty	Nantong	Residential	1	70
124	The Moon Mansion	Liuzhou	Residential/villa/commercial	4	100
125	Fortunes Season	Liuzhou	Residential/commercial/hotel/ educational	953	100
126	Shenzhen Bantian Project	Shenzhen	Serviced apartment/office/ commercial/hotel	61	51
127	KWG Topchain City Center	Shenzhen	Serviced apartment/office/ commercial	27	51
128	Grand Oasis	Shenzhen	Serviced apartment/office/ commercial/hotel	10	55
129	Shenzhen Longhua Project	Shenzhen	Residential/office/commercial/ industrial/educational	79	50
130	Shaoxing Project	Shaoxing	Residential/villa	1	24.9
131	Skyline Seasons	Huizhou	Residential/commercial	211	100
132	Huizhou Longmen Project- Educational#[2019]011	Huizhou	Educational	11	100
133	Huizhou Longmen Project- Educational#[2019]014	Huizhou	Educational	61	100
134	Jiangmen Apex International	Jiangmen	Residential/serviced apartment/ commercial	40	100
135	Cullinan Mansion	Wenzhou	Residential/commercial	2	100
136	Art Wanderland	Dongguan	Residential/commercial	1	12.5
137	Center Mansion	Dongguan	Residential/villa/commercial	6	20
138	Yangzhou Apex	Yangzhou	Residential/commercial	82	100
139	Parkview Palace	Ningbo	Residential	2	49
140	Meishan Apex	Meishan	Residential/commercial	1	100
141	River State	Meishan	Residential/commercial	56	34

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest (<i>'000 sq.m.</i>)	Interest Attributable to the Group (%)
142	Chenzhou Wangxian Eco-tourism Project	Chenzhou	Residential/villa	71	50
143	KWG Tusholdings Ice Snow	Wuzhou	Residential/commercial	281	100
144	Meet	Xi'an	Serviced apartment/commercial/hotel	16	100
145	Salar de Uyuni	Kunming	Residential/commercial/hotel	160	67.11
146	Salar de Uyuni Guan Lake Phase 2 — #17-28	Kunming	Residential/Commercial	87	70.56
147	Salar de Uyuni Guan Lake Phase 1 — #17-29	Kunming	Residential/Commercial	112	70.56
148	KWG Haya City	Yancheng	Residential/serviced apartment/commercial/hotel	660	100
149	Phoenix International	Fuzhou	Serviced apartment/office/commercial	47	22.4
150	Sanya Haitangwan Project	Sanya	Serviced apartment	8	6.72
151	The Corniche (formerly known as Hong Kong Ap Lei Chau Project)	Hong Kong	Residential	35	50

EMPLOYEES AND EMOLUMENT POLICIES

As at 31 December 2023, the Group employed a total of approximately 2,100 employees (31 December 2022: approximately 3,600). Employee benefit expense (excluding Directors' and chief executive's remuneration) of the Group incurred was approximately RMB685.0 million during the year ended 31 December 2023. The remuneration of employees was determined based on their performance, skill, experience and prevailing industry practices. The Group reviews the remuneration policies and packages on a regular basis and will make necessary adjustment to be commensurate with the pay level in the industry. In addition to basic salary, the provident fund scheme (according to the provisions of the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees) or state-managed retirement pension scheme (for the PRC employees), employees may be offered with discretionary bonus and cash awards based on individual performance.

The Company has adopted the share option scheme and the share award scheme in order to recognise and motivate the contributions by the eligible participants of the Group, and help in retaining them for the Group's further development.

In addition, training and development programmes are provided on an on-going basis throughout the Group.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

ANNUAL GENERAL MEETING

The forthcoming annual general meeting (the “**2024 AGM**”) will be held on Wednesday, 5 June 2024. A circular containing the information required by the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”), together with the notice of the 2024 AGM, will be published on the websites of the Company (www.kwggroupholdings.com) and the HKEXnews (www.hkexnews.hk), and despatched to the shareholders of the Company (the “**Shareholders**”) in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the Shareholders' entitlement to attend and vote at the 2024 AGM, the register of members of the Company will be closed from Friday, 31 May 2024 to Wednesday, 5 June 2024, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the 2024 AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Thursday, 30 May 2024.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as its code of conduct regarding securities transactions of the Directors. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2023.

CORPORATE GOVERNANCE

The Group believes that sound and good corporate governance practices are not only key elements in enhancing investor's confidence and the Company's accountability and transparency, but also important to the Company's long-term success, therefore, the Group strives to attain and maintain effective corporate governance practices and procedures.

During the year ended 31 December 2023, save as disclosed below, the Company has complied with the requirements under the code provisions set out in the Corporate Governance Code (the “**CG Code**”) as set out in Appendix C1 to the Listing Rules and the continuing obligations requirements of a listed issuer pursuant to the Listing Rules.

- Code provision C.5.7 of the CG Code stipulates that if a substantial shareholder or a director has a conflict of interest in a matter to be considered by the board which the board has determined to be material, the matter should be dealt with by a physical board meeting rather than a written resolution. Independent non-executive directors who, and whose close associates, have no material interest in the transaction should be present at that board meeting.

During the year, the Board approved the continuing connected transactions in relation to the renewal of leasing of properties to Guangzhou Kai Chuang Business Investments Group Company Limited* (廣州凱創商務投資集團有限公司) (“**Guangzhou Kai Chuang**”) by way of passing the written resolutions. Mr. KONG Jiantao is the executive Director and chief executive officer of the Company, and also the ultimate beneficial owner of Guangzhou Kai Chuang. Therefore, Mr. KONG Jiantao was regarded as having material interests therein. Please refer to the Company’s announcement dated 4 April 2023 and 31 August 2023, respectively, for details.

The Board considered that (1) the terms of the above transactions are on normal commercial terms or better, and the relevant terms of the agreements for the transactions (including the relevant annual caps) are fair and reasonable, and are in the interests of the Company and the shareholders of the Company (the “**Shareholders**”) as a whole; (2) Mr. KONG Jiantao has abstained from voting on the relevant resolutions of the above transactions; and (3) the adoption of written resolutions would facilitate and maximize the effectiveness of decision-making and implementation. The Board shall nevertheless review its board meeting arrangement from time to time to ensure the appropriate action is being taken to comply with the requirements under the CG Code.

- Following the resignation of Mr. LEE Ka Sze, Carmelo on 1 March 2024, the Company fails to meet the requirements of (i) Rule 3.10(1) of the Listing Rules that the Board must include at least three independent non-executive Directors; and (ii) Rule 3.21 of the Listing Rules that the audit committee of the Company (the “**Audit Committee**”) must comprise a minimum of three members. In order to comply with the Listing Rules and the terms of reference of the Audit Committee, the Board is in the process of identifying suitable candidate(s) to fill the vacancy of the positions of independent non-executive Director and the member of the Audit Committee, and will use its best endeavours to ensure that the suitable candidate(s) is/are appointed as soon as possible. The Company will make further announcement(s) as and when appropriate.

AUDIT COMMITTEE

The Audit Committee comprises two members who are independent non-executive Directors for the purposes of reviewing and monitoring the Group’s financial reporting procedures and risk management (including but not limited to the business, operation as well as environmental, social and governance related risks) and internal control systems. The Audit Committee has reviewed the unaudited annual results for the year ended 31 December 2023, risk management framework, internal control systems and other functions as set out in its terms of reference together with the participation of the management.

SCOPE OF WORK OF INDEPENDENT AUDITOR

On 27 December 2023, Ernst & Young resigned as the auditor of the Company and Prism Hong Kong and Shanghai Limited (“Prism”) was appointed as the new auditor of the Company. For details, please refer to the Company’s announcement dated 27 December 2023.

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by Prism, to the amounts set out in the Group’s draft consolidated financial statements for the year ended 31 December 2023. The work performed by Prism in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Prism on the preliminary announcement.

EXTRACT OF INDEPENDENT AUDITOR’S REPORT

The following is the extract of the independent auditor’s report proposed to be issued by the independent auditor of the Company:

Material uncertainty related to going concern

As set out in note 2.1 to the consolidated financial statements, which states that the Group incurred a net loss of RMB18,979,296,000 for the year ended 31 December 2023, and as of that date, the Group had net current liabilities of approximately RMB27,447,870,000, the Group’s bank and other borrowings of approximately RMB41,087,060,000 that were repayable within one year, while its cash and bank balances amounted to approximately RMB1,719,395,000. In addition, as at 31 December 2023 and up to the date of approval of the consolidated financial statements, the Group did not repay the principal and interest payables of several USD denominated senior notes and bank and other borrowings, as a result, such non-repayment has constituted an event of default or cross default of various borrowings pursuant to the terms and conditions of respective agreements. The aggregate principal and interest payables of the said USD denominated senior notes and bank and other borrowings in default or cross default was approximately RMB32,829,439,000 as at 31 December 2023.

This condition indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and, therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The directors of the Company have considered the measures being taken by the Group are of the opinion that the Group would be able to continue as going concern basis. The consolidated financial statements do not include any adjustments that would result from a failure of achieving the measures. We consider appropriate disclosures have been made in this respect. Our opinion is not modified in respect of this matter.

ANNUAL REPORT

The 2023 annual report containing all the information required by the Listing Rules will be published on the websites of the Company (www.kwggroupholdings.com) and the HKEXnews (www.hkexnews.hk) and despatched to the Shareholders in due course.

By order of the Board
KWG Group Holdings Limited
KONG Jianmin
Chairman

Hong Kong, 27 March 2024

As at the date of this announcement, the Board comprises six Directors, of whom Mr. KONG Jianmin (Chairman), Mr. KONG Jiantao (Chief Executive Officer), Mr. KONG Jiannan and Mr. CAI Fengjia are executive Directors; and Mr. TAM Chun Fai and Mr. LAW Yiu Wing, Patrick are independent non-executive Directors.