CHEN XING

Chen Xing Development Holdings Limited

辰興發展控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立的有限公司)

Stock code: 2286

股份代號：2286

誠以致遠，
信達天下

2021
ANNUAL REPORT
年度報告

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Bai Xuankui *(Chairman)*
Mr. Bai Wukui
Mr. Bai Guohua
Mr. Dong Shiguang

Independent Non-executive Directors

Mr. Tian Hua
Mr. Qiu Yongqing
Ms. Gao Jianhua

COMPANY SECRETARY

Ms. Ng Wing Shan
(resigned with effect from 31 March 2022)
Ms. Lee Angel Pui Shan
(appointed with effect from 31 March 2022)

AUTHORIZED REPRESENTATIVES

Mr. Bai Guohua
Ms. Ng Wing Shan
(resigned with effect from 31 March 2022)
Ms. Lee Angel Pui Shan
(appointed with effect from 31 March 2022)

AUDIT COMMITTEE

Mr. Tian Hua *(Chairman)*
Mr. Qiu Yongqing
Ms. Gao Jianhua

REMUNERATION COMMITTEE

Mr. Tian Hua *(Chairman)*
Ms. Gao Jianhua
Mr. Bai Xuankui

NOMINATION COMMITTEE

Mr. Bai Xuankui *(Chairman)*
Mr. Qiu Yongqing
Ms. Gao Jianhua

AUDITOR

Ernst & Young
Certified Public Accountant
Registered Public Interest Entity Auditor
27/F, One Taikoo Place
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Quarry Bay, Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of China Limited
China Merchants Bank Co. Ltd.
China Construction Bank Corporation
Bank of China Limited
Bank of Shanxi Co., Ltd.

CORPORATE INFORMATION

LEGAL ADVISORS

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Jingtian & Gongcheng LLP

As to PRC law
Shanxi Dingzheng Law Office

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STOCK CODE

2286

COMPANY WEBSITE

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FINANCIAL HIGHLIGHTS

The board (the "**Board**") of directors (the "**Directors**") of Chen Xing Development Holdings Limited (the "**Company**") is pleased to announce to the Company's shareholders (the "**Shareholders**") the audited annual results of the Group and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2021 (the "**Reporting Period**") together with the comparative figures for the year ended 31 December 2020.

— During the Reporting Period, contracted sales of the Group amounted to approximately RMB656.0 million and the contracted gross floor area ("**GFA**") amounted to approximately 74,043 sq.m., representing decreases of approximately 28.9% and 46.1% comparing with the same period last year, respectively;

— Revenue of the Group for the Reporting Period amounted to approximately RMB1,568.6 million, of which approximately RMB1,565.0 million was revenue from property development;

— Gross profit of the Group for the Reporting Period amounted to approximately RMB460.5 million, of which approximately RMB457.7 million was gross profit from property development;

— Net profit of the Group for the Reporting Period amounted to approximately RMB113.5 million, of which approximately RMB78.7 million was net profit attributable to equity holders of the Company;

— Total GFA of land bank of the Group amounted to approximately 2,916,370 sq.m. and the average cost of land bank was approximately RMB830.6 per sq.m. as at the end of Reporting Period;

— Contracted average sales price (the "**Average Sales Price**") of the Group for the Reporting Period was approximately RMB8,859.7 per sq.m.;

— Basic earnings per share of the Company for the Reporting Period was approximately RMB0.13; and

— The Board has resolved not to declare a final dividend for the year ended 31 December 2021.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to present the annual results of the Group for the year ended 31 December 2021.

REVIEW OF ANNUAL RESULTS FOR 2021

In 2021, the Chinese government intensified the regulation in the real estate industry, consistently upholding the main undertone of "housing is for accommodation but not for speculation". Meanwhile, it accelerated the establishment of a housing system featuring multi-subject supply, multi-channel guarantee and simultaneous development of lease and purchase. The goal of the real estate market was to "stabilize land price, housing price and expectations". In 2021, the real estate industry generally showed a development trend of depressing after rising. On one hand, with a change in the land supply system in the first half of the year, the supply of the land market was affected by the centralized land supply policy, resulting in a decrease in new construction area of real estate companies, so that the completed area increased more rapidly. On the other hand, the area sold and sales performance of enterprises remained the same as those in previous years, with a faster overall growth in the first half of the year. In the second half of 2021, the industry policy has been increasingly tightened due to the impact of the COVID-19 epidemic, together with the liquidity crisis of some domestic real estate companies in a prescribed scale, leading to a depression in the real estate industry, with lower expectations of consumers on the real estate market. In addition, the active second-hand housing market and second-hand housing prices enhanced the wait-and-see sentiment in the market, which resulted in a slowdown in the sales growth and significant weakness in the market. The introduction of a supervision system in relation to the pre-sale funds for commercial housing and the price limit policy in different regions also put more pressures on most real estate companies in terms of sales and short-term funds, leading to a slower growth of the overall development of companies.

Although the Company's operation was also affected by industry policies and the COVID-19 epidemic in 2021, its operating performance ensured the stable development of the Company as it continued to act in a prudent manner to constantly adjust its business strategy.

During the Reporting Period, the Group's contracted sales amounted to approximately RMB656.0 million, representing a decrease of approximately 28.9% as compared with the same period last year; the Group's total contracted GFA amounted to approximately 74,043 sq.m., representing a decrease of approximately 46.1% as compared with the same period last year.

During the Reporting Period, the Group recorded a revenue of approximately RMB1,568.6 million, representing an increase of approximately 29.9% as compared with the same period last year, among which, revenue from property development was approximately RMB1,565.0 million, representing an increase of approximately 32.5% as compared with the same period last year. Profit attributable to the owners of the Group for the year was approximately RMB78.7 million, representing a decrease of approximately 61.9% as compared with the same period last year, which was mainly attributable to the decrease in profit after tax.

As at the end of the Reporting Period, the Group's land bank was approximately 2,916,370 sq.m.

FINAL DIVIDEND

The Board has resolved not to declare a final dividend for the year ended 31 December 2021.

PROSPECT FOR 2022

In 2022, the COVID-19 epidemic will continue to affect the real estate industry. Meanwhile, the goal of regulation on the real estate industry and market will be changed from "promoting the stable development of the real estate market" to "a benign circle and healthy development of the real estate industry", and accordingly the real estate industry will gradually step into the era of high- quality development. It is expected that the investment in property development will increase more rapidly in 2022. With an adjustment in the industry, market resources are also converging on outperforming enterprises, and more companies will be more conservative on their expected overall performance, by deciding investment based on sales performance and taking initiatives for marketing, so as to improve the efficiency of their operation and management.

In 2022, following the changes in the real estate industry and market, the Company will adopt the overall strategy which focuses on prudent operation and risk prevention, and will proactively adapt itself to new policies and market conditions. On one hand, the Company will return to corporate products, focusing on product design and enhancing product strength, so as to maintain development advantages in market competition, and to seek development room and opportunities. On the other hand, the Company will continue to take initiatives for marketing, promote sales de- stocking and return funds, to enhance its own risk resistance. Meanwhile, it will maintain its main business of real estate, by implementing refined management and improving the effectiveness of management through "cost reduction and efficiency increasing", so as to ease liquidity pressure, and thus to achieve stable, healthy and high-quality development of the Company.

ACKNOWLEDGMENT

Finally, I would like to express my sincerest gratitude, on behalf of the Board, to the management and all employees of the Company for their hard work. Meanwhile, I would also like to thank the investors, customers and partners for their unfailing support and trust in the Group.

Bai Xuankui
Chairman

Jinzhong, Shanxi, the PRC
31 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Reporting Period, the Group's contracted sales amounted to approximately RMB656.0 million, representing a decrease of approximately 28.9% as compared with the same period last year. During the Reporting Period, the Group's revenue amounted to approximately RMB1,568.6 million, representing an increase of approximately 29.9% as compared with the same period last year, among which, revenue from property development was approximately RMB1,565.0 million, representing an increase of approximately 32.5% as compared with the same period last year. During the Reporting Period, net profit of the Group amounted to approximately RMB113.5 million, of which net profit attributable to the Company's equity holders was approximately RMB78.7 million.

CONTRACTED SALES

The Group's contracted sales for the years ended 31 December 2021 and 2020 were approximately RMB656.0 million and RMB922.2 million, respectively, representing a decrease of approximately 28.9%. The Group's total contracted GFAs for the years ended 31 December 2021 and 2020 were approximately 74,043 sq.m. and 137,480 sq.m., respectively, representing a decrease of approximately 46.1%. By geographical location, the Group's contracted sales from Jinzhong, Taiyuan, Mianyang and Haikou, were approximately RMB79.7 million, RMB151.5 million, RMB397.7 million and RMB27.1 million, respectively, representing approximately 12.2%, 23.1%, 60.6% and 4.1% of the Group's total contracted sales, respectively.

The table below sets forth the Group's contracted sales for the year ended 31 December 2021 by geographic location:

	Contracted Sales for 2021 (RMB million)	Contracted Sales for 2020 (RMB million)	Contracted GFA for 2021 (sq.m.)	Contracted GFA for 2020 (sq.m.)	Average Contracted Sales Price for 2021 (RMB/sq.m.)	Average Contracted Sales Price for 2020 (RMB/sq.m.)
Jinzhong						
Yijun Community (頤郡小區)	5.5	27.9	1,127	3,692	4,856.0	7,568.0
Chenxing Yijun (辰興頤郡)	66.5	333.6	9,200	42,281	7,230.9	7,889.0
Xiyuan (熙苑)	2.3	31.1	291	3,573	7,874.2	8,717.3
Xin Xing International Cultural Town (新興國際文教城) (Phases III, IV and V)	5.4	4.4	901	2,123	5,979.7	2,067.8
Taiyuan						
Yosemite Valley Town – Taiyuan (龍城優山美郡) (Phase I)	25.1	38.4	2,468	4,745	10,189.9	8,081.8
Yosemite Valley Town – Taiyuan (龍城優山美郡) (Phase II)	45.1	51.5	3,941	6,223	11,445.9	8,271.7
Yosemite Valley Town – Taiyuan (龍城優山美郡) (Phase III)	81.3	357.5	10,230	49,998	7,948.4	7,150.5
Mianyang						
Yosemite Valley Town (優山美郡)	0.4	3.4	189	1,695	1,977.5	1,983.6
Elite Gardens (天禦)	0.3	2.3	170	1,140	1,676.6	1,989.8
Chang Xing Star Gardens (長興星城)	53.8	72.1	20,905	22,010	2,574.9	3,277.2
Chang Xing Jinhutingyuan (長興金湖庭院)	343.2	—	22,872	—	15,004.7	—
Hainan						
Chenxing Shangpinhui (辰興尚品匯)	27.1	—	1,749	—	15,488.9	—
Total	656.0	922.2	74,043	137,480	8,859.7	6,707.9

Note:

Contracted Sales, Contracted GFAs and Average Contracted Sales Price in the above table also include the car parking spaces sold, if applicable.

PROPERTY PROJECTS

The Group's property projects fall into the following three categories by the development stage: completed properties, properties under development and properties held for future development. As some projects are developed in several phases, a single project may fall into different development stages including completed, under development and held for future development.

As at the end of the Reporting Period, the Group had a completed total GFA of approximately 3,050,912 sq.m. and a land bank with a total GFA of approximately 2,916,370 sq.m., comprising (i) a total GFA of approximately 165,366 sq.m. which is completed but unsold; (ii) a total GFA of approximately 1,737,554 sq.m. which is under development; and (iii) a total planned GFA of approximately 1,013,450 sq.m. held for future development.

The Group selectively retains the ownership of most of self-developed commercial properties with a strategic value to generate sustainable and stable revenue. As at the end of the Reporting Period, the Group had investment properties with a total GFA of approximately 21,613 sq.m.

PROPERTY PORTFOLIO SUMMARY

Intended use[1]	Total GFA completed (sq.m.)	GFA under development (sq.m.)	Total GFA held for future development (sq.m.)
Mid-rise	844,995	116,742	425,086
High-rise	1,178,492	602,831	234,812
Townhouses	27,612	196,834	—
Multi-story garden apartments	576,743	88,290	—
Retail outlets	188,283	266,595	112,936
SOHO apartments	6,931	15,984	15,791
Hotels	—	108,743	—
Parking spaces	221,205	318,526	207,873
Ancillary facilities[2]	6,651	23,009	16,952
Total GFA	3,050,912	1,737,554	1,013,450
Attributable GFA[3]	2,877,219	1,463,637	897,143

Notes:

(1) Includes the portion of GFA held by the Group as public facilities (not saleable or leasable).

(2) Includes primarily public facilities which are not saleable.

(3) Comprises the total GFA attributable to the Group based on the Group's actual interests in the relevant projects or project phases.

COMPLETED PROJECTS

The following table sets forth a summary of the information about the Group's completed projects and corresponding project phases, if any, as at 31 December 2021:

Project	Location	Project Type	Actual Completion Date	Site Area (sq.m.)	Completed GFA (sq.m.)	Saleable/ Leaseable GFA remaining unsold (sq.m.)	GFA held for investment (sq.m.)	GFA sold (sq.m.)	Other GFA[1] (sq.m.)	Ownership Interest[2] (%)
Jinzhong (晉中)										
1. East Lake Mall (東湖井)	Jinzhong, Shanxi (山西省晉中市)	Retail Outlets	July 2000	1,330	17,886	–	10,610	7,276	–	100.00
2. Grand International Mall & Apartments (君豪國際)	Jinzhong, Shanxi (山西省晉中市)	Residential/ Commercial	June 2007	7,465	65,544	9,081	8,241	48,222	–	100.00
3. Blossoms Gardens (錦綉新城)	Jinzhong, Shanxi (山西省晉中市)	Residential	April 2007	5,261	39,080	–	–	39,080	–	100.00
4. Xin Xing International Culture Town (新興國際文教城)										
Phase I	Jinzhong, Shanxi (山西省晉中市)	Residential	December 2005	5,600	24,602	–	–	24,602	–	100.00
Phase II	Jinzhong, Shanxi (山西省晉中市)	Residential/ Commercial	April 2012	17,968	93,061	–	–	92,910	151	100.00
Phase III	Jinzhong, Shanxi (山西省晉中市)	Residential/ Commercial	December 2009	255,918	545,047	2,588	–	542,459	–	100.00
Phase IV	Jinzhong, Shanxi (山西省晉中市)	Residential/ Commercial	July 2016	30,987	71,103	2,019	–	69,084	–	100.00
Phase V	Jinzhong, Shanxi (山西省晉中市)	Residential/ Commercial	July 2016	22,578	50,438	3,266	–	46,137	1,035	100.00
5. Upper East Gardens (上東庭院)										
Phase I	Jinzhong, Shanxi (山西省晉中市)	Residential/ Commercial	November 2006	19,361	47,926	–	–	47,926	–	100.00
Phase II	Jinzhong, Shanxi (山西省晉中市)	Residential/ Commercial	December 2011	24,343	75,889	–	–	75,889	–	100.00
6. Riverside Gardens – Zuoquan (左權濱河嘉園)	Jinzhong, Shanxi (山西省晉中市)	Residential/ Commercial	December 2007	73,035	98,545	–	–	97,990	555	100.00
7. SOLO Apartments (尚座公寓)	Jinzhong, Shanxi (山西省晉中市)	Commercial/ Complex	September 2009	2,411	9,783	257	–	9,526	–	100.00

Project	Location	Project Type	Actual Completion Date	Site Area (sq.m.)	Completed GFA (sq.m.)	Saleable/ Leaseable GFA remaining unsold (sq.m.)	GFA held for investment (sq.m.)	GFA sold (sq.m.)	Other GFA[1] (sq.m.)	Ownership Interest[2] (%)
8. Riverside Gardens – Heshun (和順濱河小區)										
Stage I	Jinzhong, Shanxi (山西省晉中市)	Residential	June 2008	60,100	62,508	–	–	62,168	340	100.00
Stage II	Jinzhong, Shanxi (山西省晉中市)	Residential	October 2012	5,898	51,217	–	–	51,217	–	100.00
9. Mandarin Gardens – Taigu (太谷文華庭院)	Jinzhong, Shanxi (山西省晉中市)	Residential/ Commercial	May 2011	30,690	51,525	–	–	51,525	–	100.00
10. Shuncheng Street Underground Space (順城街地下空間)	Jinzhong, Shanxi	Retail outlets	August 2015	–	897	–	–	897	–	100.00
11. Yijun Community (頤郡小區)										
Phase I (portion)	Jinzhong, Shanxi (山西省晉中市)	Residential	November 2020	25,661	59,660	45,219	–	13,609	832	51.00
12. Xiyuan (熙苑)	Jinzhong, Shanxi (山西省晉中市)	Residential/ Commercial	November 2021	46,603	58,971	4,405	–	54,566	–	33.66
Taiyuan (太原)										
1. Yosemite Valley Town – Taiyuan (龍城優山美郡)										
Southern District, Phase I	Taiyuan, Shanxi (山西省太原市)	Residential/ Commercial	December 2014	117,128	406,165	24,178	–	381,987	–	100.00
Northern District, Phase I	Taiyuan, Shanxi (山西省太原市)	Residential/ Commercial	November 2016	108,005	397,867	14,512	–	312,976	70,379	100.00
Phase II (portion)	Taiyuan, Shanxi (山西省太原市)	Residential/ Commercial	June 2020	59,321	169,332	25,179	–	144,153	–	100.00
Mianyang (綿陽)										
1. Yosemite Valley Town (優山美郡)	Mianyang, Sichuan (四川省綿陽市)	Residential/ Commercial	May 2012	74,124	126,329	5,288	–	119,196	1,845	83.89
2. Elite Gardens (天禦)	Mianyang, Sichuan (四川省綿陽市)	Residential/ Commercial	September 2014	68,529	116,816	1,265	–	114,864	687	83.89
3. Chang Xing Star Gardens (長興星城)										
Phase I	Mianyang, Sichuan (四川省綿陽市)	Residential/ Commercial	June 2017	68,150	288,450	11,498	–	275,631	1,321	83.89
Phase II	Mianyang, Sichuan (四川省綿陽市)	Residential/ Commercial	November 2020	36,158	122,271	16,611	–	104,729	931	83.89
Total				**1,166,624**	**3,050,912**	**165,366**	**18,851**	**2,788,619**	**78,076**	
Total Attributable GFA[3]				**1,083,348**	**2,877,219**	**134,702**	**18,851**	**2,646,768**	**76,898**	

Notes:

(1) Includes the GFA held by the Group as public facilities (not saleable or leasable).

(2) Calculated based on the Group's actual ownership interests in the respective project companies.

(3) Comprises the total GFA attributable to the Group based on the Group's actual interests in the relevant projects or project phases.

PROPERTIES UNDER DEVELOPMENT AND PROPERTIES HELD FOR FUTURE DEVELOPMENT

The following table sets forth a summary of the information about the Group's projects under development and corresponding project stages, if any, and properties held for future development as at 31 December 2021:

					Under development			Held for future development		
Project	Location	Project Type	Site Area (sq.m.)	Actual/ Estimated Completion Date	GFA under development (sq.m.)	Saleable/ Leasable GFA (sq.m.)	Pre-sold GFA (sq.m.)	Planned GFA (sq.m.)	GFA with the land use certificate not obtained yet (sq.m.)	Ownership interest[1] (%)
Jinzhong (晉中)										
1. Phase I of Longtian Project (龍田項目一期)			**129,049**		**449,634**	**428,000**	**30,059**	**–**	**–**	**51.00**
Stage I	Jinzhong, Shanxi (山西省晉中市)	Residential/ Commercial/ Parking Space	14,346	December 2021	78,954	74,203	30,059	–	–	51.00
Stage II	Jinzhong, Shanxi (山西省晉中市)	Residential/ Commercial/ Parking Space	24,367	December 2021	110,725	101,386	–	–	–	51.00
Stage III	Jinzhong, Shanxi (山西省晉中市)	Residential/ Commercial/ Parking Space	26,682	December 2021	126,120	121,061	–	–	–	51.00
Stage IV	Jinzhong, Shanxi (山西省晉中市)	Commercial/ Parking Space	13,422	December 2021	28,819	28,819	–	–	–	51.00
Stage V	Jinzhong, Shanxi (山西省晉中市)	Commercial/ Parking Space	50,232	December 2021	105,016	102,531	–	–	–	51.00
2. Yijun Community (頤郡小區)			**79,203**		**52,641**	**19,267**	**1,831**	**154,347**	**–**	**51.00**
Stage I (portion)	Jinzhong, Shanxi (山西省晉中市)	Residential	21,102	December 2021	52,641	19,267	1,831	–	–	51.00
Stage II	Jinzhong, Shanxi (山西省晉中市)	Commercial	16,410	August 2022	–	–	–	44,157	–	51.00
Stage III	Jinzhong, Shanxi (山西省晉中市)	Residential/ Commercial	41,691	August 2022	–	–	–	110,190	–	51.00

Project	Location	Project Type	Site Area (sq.m.)	Actual/ Estimated Completion Date	Under development			Held for future development		Ownership interest[1] (%)
					GFA under development (sq.m.)	Saleable/ Leasable GFA (sq.m.)	Pre-sold GFA (sq.m.)	Planned GFA (sq.m.)	GFA with the land use certificate not obtained yet (sq.m.)	
3. Chenxing Yijun (辰興頤郡)			**197,286**		**130,237**	**88,747**	**55,100**	**356,400**	**–**	**100.00**
Stage I	Jinzhong, Shanxi (山西省晉中市)	Residential/ Commercial	56,601	December 2021	130,237	88,747	55,100	–	–	100.00
Stage II	Jinzhong, Shanxi (山西省晉中市)	Residential/ Commercial	37,462	December 2022	–	–	–	99,500	–	100.00
Stage III	Jinzhong, Shanxi (山西省晉中市)	Residential/ Commercial	85,669	December 2022	–	–	–	209,300	–	100.00
Stage IV	Jinzhong, Shanxi (山西省晉中市)	Residential/ Commercial	17,554	December 2022	–	–	–	47,600	–	100.00
4. Shiguang Zhicheng (時光之城)	Jinzhong, Shanxi (山西省晉中市)	Commercial	**28,296**	October 2022	**112,383**	**53,880**	**–**	**–**	**–**	**100.00**
5. Jinxiu SOHO (錦綉中心)	Jinzhong, Shanxi (山西省晉中市)	Commercial	**3,461**	May 2022	**20,506**	**–**	**–**	**–**	**–**	**100.00**
Taiyuan (太原)										
1. Yosemite Valley Town — Taiyuan (龍城優山美郡)			**134,035**		**432,155**	**405,424**	**273,924**	**–**	**–**	**100.00**
Phase II (portion)	Taiyuan, Shanxi (山西省太原市)	Residential/ Commercial	51,914	December 2021	202,655	188,778	133,695	–	–	100.00
Phase III	Taiyuan, Shanxi (山西省太原市)	Residential/ Commercial	60,273	November 2021	216,881	216,646	140,229	–	–	100.00
Phase IV	Taiyuan, Shanxi (山西省太原市)	Primary school	21,848	September 2021	12,619	–	–	–	–	100.00
Haikou (海口)										
1. Shangpinhui (尚品匯)	Haikou, Hainan (海南省海口市)	Commercial	**43,795**	October 2021	**98,140**	**55,876**	**1,749**	**–**	**–**	**100.00**
2. Jiangdong Shangyuan (江東上院)	Haikou, Hainan (海南省海口市)	Residential	**57,446**	December 2022	**–**	**–**	**–**	**104,426**	**–**	**100.00**
Wuzhishan (五指山)										
1. Feicui Yijun (翡翠頤郡)			**92,522**		**136,422**	**12,293**	**–**	**–**	**–**	**100.00**
Phase I	Wuzhishan, Hainan (海南省五指山市)	Commercial	28,745	November 2021	48,013	1,559	–	–	–	100.00
Phase II	Wuzhishan, Hainan (海南省五指山市)	Residential	23,827	May 2022	35,274	–	–	–	–	100.00
Phase III	Wuzhishan, Hainan (海南省五指山市)	Residential	18,244	May 2022	26,666	10,734	–	–	–	100.00
Phase IV	Wuzhishan, Hainan (海南省五指山市)	Residential	21,706	December 2023	26,469	–	–	–	–	100.00

					Under development			Held for future development		
Project	Location	Project Type	Site Area (sq.m.)	Actual/ Estimated Completion Date	GFA under development (sq.m.)	Saleable/ Leasable GFA (sq.m.)	Pre-sold GFA (sq.m.)	Planned GFA (sq.m.)	GFA with the land use certificate not obtained yet (sq.m.)	Ownership interest[1] (%)
Xishuangbanna (西雙版納)										
1. Chenxing International Health City (辰興國際健康城)			**223,780**		**132,861**	**–**	**–**	**145,781**	**–**	**100.00**
Stage I	Xishuangbanna Dai Autonomous Prefecture, Yunnan (雲南省西雙版納傣族自治州)	Residential/ Commercial	51,965	November 2021	37,396	–	–	–	–	100.00
Stage II	Xishuangbanna Dai Autonomous Prefecture, Yunnan (雲南省西雙版納傣族自治州)	Residential/ Commercial	171,815	December 2022	95,465	–	–	145,781	–	100.00
Mianyang (綿陽)										
1. Jinhutingyuan (金湖庭院)			**154,367**		**172,575**	**–**	**–**	**252,496**	**–**	**83.89**
Phase I	Mianyang, Sichuan (四川省綿陽市)	Residential/ Commercial	62,672	December 2023	172,575	–	–	–	–	83.89
Phase II	Mianyang, Sichuan (四川省綿陽市)	Residential/ Commercial	91,695	December 2025	–	–	–	252,496	–	83.89
Total			**1,143,240**		**1,737,554**	**1,051,194**	**360,914**	**1,013,450**	**–**	
Total Attributable GFA[2]					**1,463,637**	**844,326**	**347,037**	**897,143**	**–**	

Notes:

(1) Calculated based on the Group's actual ownership interests in the respective project companies.

(2) Comprises the total GFA attributable to the Group based on the Group's actual interests in the relevant projects or project phases.

The table below sets forth a summary of the information about the Group's investment properties as at 31 December 2021:

Project	Property type	Held for investment Total GFA (sq.m.)	Effective leased GFA (sq.m.)	Occupancy rate (%)	Rental income for the year ended 31 December 2021 (RMB million)	2020
Grand International Mall & Apartments (君豪國際)	Retail outlets	8,241	—	—	0.2	0.2
East Lake Mall (東湖井)	Retail outlets	10,610	8,161	76.9	1.1	1.5
Office Building of West Yingbin Street (迎賓西街辦公樓)	Retail outlets	2,762	1,063	38.5	0.9	2.6
Total		**21,613**	**9,224**	**—**	**2.2**	**4.3**

The table below sets forth the Group's land bank as at 31 December 2021 by geographic location:

	Completed	Under development	For future development	Total land bank[1]	Percentage of total land bank	Average land cost
	saleable/ leasable GFA remaining unsold (sq.m.)	GFA under development (sq.m.)	Planned GFA (sq.m.)	Total GFA (sq.m.)	(%)	(RMB/sq.m.)
Jinzhong	66,835	765,401	510,747	1,342,983	46.1	854.2
Taiyuan	63,869	432,155	—	496,024	17.0	393.5
Mianyang	34,662	172,575	252,496	459,733	15.8	1,063.9
Haikou	—	98,140	104,426	202,566	6.9	1,851.6
Wuzhishan	—	136,422	—	136,422	4.7	1,145.2
Xishuangbanna	—	132,861	145,781	278,642	9.5	1,006.9
Total	**165,366**	**1,737,554**	**1,013,450**	**2,916,370**	**100.0**	**830.6**

Note:

(1) Land bank equals to the sum of (i) saleable/leasable GFA remaining unsold, (ii) total GFA under development and (iii) total planned GFA held for future development.

The table below sets forth the Group's land bank as at 31 December 2021 by property type:

	Completed	Under development	For future development	Total land bank[1]	Percentage of total land bank
	saleable/ leasable GFA remaining unsold (sq.m.)	GFA under development (sq.m.)	Planned GFA (sq.m.)	Total GFA (sq.m.)	(%)
Mid-rise	47,828	116,742	425,086	589,656	20.2
High-rise	37,795	602,831	234,812	875,438	30.0
Townhouses	1,472	196,834	—	198,306	6.8
Multi-story garden apartments	3,408	88,290	—	91,698	3.2
Available-for-sale office/commercial properties	40,965	266,595	112,936	420,496	14.4
SOHO apartments	58	15,984	15,791	31,833	1.1
Hotels	—	108,743	—	108,743	3.7
Parking spaces	33,840	318,526	207,873	560,239	19.2
Ancillary facilities[2]	—	23,009	16,952	39,961	1.4
Total	**165,366**	**1,737,554**	**1,013,450**	**2,916,370**	**100.0**

Notes:

(1) Land bank equals to the sum of (i) saleable/leasable GFA remaining unsold, (ii) total GFA under development and (iii) total planned GFA held for future development.

(2) Includes primarily public facilities which are not saleable.

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group's revenue amounted to approximately RMB1,568.6 million, representing an increase of approximately 29.9% as compared with approximately RMB1,207.5 million in the same period last year. The increase was mainly due to the increase in GFA of completed properties delivered.

During the Reporting Period, the Group's revenue from property development amounted to approximately RMB1,565.0 million, representing an increase of approximately 32.5% as compared with the same period last year. The increase was mainly due to the increase in GFA of completed properties delivered.

Sales and Services Cost

The Group's sales and services cost increased by approximately 49.0% from approximately RMB743.6 million for the year ended 31 December 2020 to approximately RMB1,108.1 million for the Reporting Period, the increase of which was mainly due to an increase in revenue from the sale of goods and services.

Gross Profit

During the Reporting Period, the Group's gross profit was approximately RMB460.5 million, representing a decrease of approximately 0.7% as compared with approximately RMB463.9 million in the same period last year. During the Reporting Period, the Group's gross profit margin was approximately 29.4%, as compared with approximately 38.4% in the same period last year.

During the Reporting Period, the Group's gross profit from property development was approximately RMB457.7 million, representing an increase of approximately 0.1% as compared with approximately RMB457.3 million in the same period last year, which was mainly due to the increase in the selling prices of newly delivered projects.

During the Reporting Period, the Group's gross profit margin of property development was approximately 29%, representing a decrease of approximately 10 percentage points as compared with approximately 39% in the same period last year.

Other Income and Gains

During the Reporting Period, the Group's other income and gains were approximately RMB27.4 million, representing a decrease of approximately 70.5% as compared with approximately RMB93.0 million in the same period last year. The decrease was primarily due to there is a gain from the disposal of an associate in the same period last year but not in the Reporting Period.

Profit Attributable to Owners of the Company

During the Reporting Period, the profit attributable to owners of the Company was approximately RMB78.7 million, representing a decrease of approximately 61.9% from approximately RMB206.7 million in the same period last year. The decrease in the profit attributable to owners of the Company was mainly due to the decrease in gross profit and other income and gains.

Change in Fair Value of Investment Properties

The fair value of the Group's investment properties decreased by approximately 3.6% from approximately RMB138.0 million for the year ended 31 December 2020 to approximately RMB133.0 million for the Reporting Period, and the decrease was primarily due to the impairment of assets of Grand International Mall & Apartments, East Lake Mall and Office Building of West Yingbin Street.

Selling and Distribution Expenses

The Group's selling and distribution expenses increased by approximately 17.9% from approximately RMB50.9 million for the year ended 31 December 2020 to approximately RMB60.0 million for the Reporting Period, and the increase was primarily due to the increase in advertising and marketing agency fees.

Administrative Expenses

The Group's administrative expenses decreased by approximately 5.6% from approximately RMB67.9 million for the year ended 31 December 2020 to approximately RMB64.1 million for the Reporting Period, and the decrease was primarily due to the decrease in consulting expenses and entertainment expense.

Finance Costs

The Group's financing expenses increased from approximately RMB3.8 million for the year ended 31 December 2020 to approximately RMB32.1 million for the Reporting Period, and the increase was primarily due to the increase in borrowings for daily working capital requirements, resulting in an increase in finance costs.

Income Tax Expenses

The Group's income tax expenses decreased by approximately 2.6% from approximately RMB177.3 million for the year ended 31 December 2020 to approximately RMB172.7 million for the Reporting Period, and the decrease was primarily due to the decrease in profit before tax.

Total Profit and Comprehensive Income for the Year

As a result of the foregoing, the Group's total profit and comprehensive income for the year decreased by approximately 55.4% from approximately RMB234.0 million for the year ended 31 December 2020 to approximately RMB104.4 million for the Reporting Period.

Cash Position

As at the end of the Reporting Period, the Group's cash and cash equivalents were approximately RMB240.4 million, representing a decrease of approximately 55.0% as compared to approximately RMB534.1 million as at 31 December 2020, and the decrease was primarily due to the payment for project funds and the repayment of loans.

Net Operating Cash Flow

The Group recorded a negative operating cash flow of approximately RMB508.0 million as at the end of the Reporting Period, while the Group recorded a negative operating cash flow of approximately RMB406.3 million as at 31 December 2020.

Borrowings

The Group had outstanding bank borrowings of approximately RMB3,140.4 million as at the end of the Reporting Period while the Group had outstanding bank borrowings of approximately RMB2,740.9 million as at 31 December 2020.

Pledged Assets

Certain of the Group's borrowings were secured by properties under development, investment properties, as well as property, plant and equipment, or a combination of the above items. As at the end of the Reporting Period, the assets pledged to secure certain borrowings granted to the Group amounted to approximately RMB1,586.3 million.

Financial Guarantees and Contingent Liabilities

In line with the market practice, the Group has entered into agreements of arrangements with various banks for the provision of mortgage financing to its customers. The Group does not conduct any independent credit checks on customers, but relies on the credit checks conducted by mortgagee banks. As with other PRC property developers, the banks usually require the Group to guarantee its customers' obligations to repay the mortgage loans on the properties. The guarantee period normally lasts until the bank receives the strata-title building ownership certificate (分戶產權證) from the customer as security of the mortgage loan granted. As at the end of the Reporting Period, the Group's outstanding guarantees in respect of the mortgages of its customers amounted to approximately RMB1,979.5 million.

At as the end of the Reporting Period, the Group had no material contingent liabilities.

Gearing Ratio

As at the end of the Reporting Period, based on the Group's total debt of approximately RMB3,140.4 million and total equity of approximately RMB1,714.0 million, the gearing ratio of the Group was approximately 183% (31 December 2020: approximately 170%). Gearing ratio is calculated by dividing total debt over total equity, and total debt includes interest-bearing bank and other borrowings. The increase in gearing ratio was mainly due to the increase of interest-bearing bank borrowings and other borrowings during the Reporting Period.

Foreign Currency Risk

The Group operates primarily in the PRC and most of its revenues and expenses are settled in RMB. The Group is exposed to foreign currency risks because its bank balances are denominated in HK dollar and the value of which will fluctuate with exchange rate fluctuations. The exchange rate between RMB and HK dollar may fluctuate as a result of various factors, such as changes in China's political and economic conditions. The Board expects that the fluctuation of the RMB exchange rate will not have a material adverse effect on the Group. The Group currently does not have a hedging policy in relation to the foreign currency risk.

Material Acquisitions and Disposals and Significant Investments Held

Save as disclosed herein, the Group did not have any material acquisition and disposal and significant investment held during the Reporting Period.

Significant events after the Reporting Period

As at the date of this report, the Group does not have any significant events after the Reporting Period.

Future Plans for Material Investments or Capital Assets

The Company will continue to invest in property development projects and acquire suitable land parcels in selected cities as appropriate. Internal resources and bank borrowings are expected to be sufficient to meet the necessary funding needs. Save as disclosed in the prospectus and above, the Group has no future plans of material investment or capital assets as at the date of this report.

Employees and Remuneration Policies

As at the end of the Reporting Period, the Group had 293 employees. During the Reporting Period, the Group had incurred the employee costs of approximately RMB38.7 million. Employee compensations generally include salaries and quarterly performance bonuses. As required by applicable PRC laws and regulations, the Group participates in various employee benefit plans of the municipal and provincial governments, including housing provident funds, pension, medical, maternity, occupational injury and unemployment benefit plans.

Multiple Uncertainties Relating to Going Concern

Under the Code Provision D.1.3 of the CG Code, the Directors are responsible for preparing the accounts, and where the Directors are aware of material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern, this should be disclosed and discussed.

As set out in Note 2.1 to the consolidated financial statements, the Group recorded a negative net operating cash flows of RMB508,016,000 during the year ended 31 December 2021. The Group's total bank and other borrowings amounted to RMB3,140,378,000, out of which RMB2,386,114,000 will be due for repayment within the next twelve months, while its cash and cash equivalents amounted to RMB240,373,000 as at 31 December 2021. These conditions, together with other matters set out in Note 2.1 to the consolidated financial statements, indicate the existence of material uncertainties that 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 for at least the next twelve months from the end of the reporting period and to meet its repayment obligations, as and when they fall due. Certain plans and measures have been and are being taken to manage the liquidity pressure and to improve its financial position which include the following:

(i) the Group has been actively negotiating with the Group's existing lenders in respect of bank and other borrowings with an aggregate outstanding principal amount of RMB2,386 million, which will be due for repayment within the next twelve months as at 31 December 2021. Such bank and other borrowings mainly included loans from Jinzhong Bank (晉中銀行) in the aggregate outstanding amount of RMB1,550 million maturing in June and July 2022, and from Jinshang Bank (晉商銀行) with aggregate outstanding principal amount of RMB565.0 million maturing in June, July and November 2022. Based on the advanced negotiation between the Group, Jinzhong Bank and Jinshang Bank as well as other existing lenders in relation to the bank and other borrowings which will be due for repayment within the next twelve months as at 31 December 2021, the Directors are confident that the existing bank facilities will be extended prior to their respective maturity dates. Subsequent to 31 December 2021 and as of the date of this report, the Group has obtained loan extension of RMB19,300,000;

(ii) the management of the Group has prepared a business strategy plan mainly focuses on the acceleration of the pre-sales and sales of its properties under development and completed projects in order to generate additional operating cash inflows and putting extra efforts on the collection of trade debtors to improve the debtor turnover days, and the implementation of cost control measures;

(iii) the Group will consider disposal of certain commercial properties of the Group which are non-core business of the Group to generate more cash inflows if needed; and

(iv) the Group is actively negotiating with several financial institutions to obtain new loans and borrowings at a reasonable cost and will continue to seek for other alternative financing and borrowings to finance the settlement of its existing financial obligations and future operating and capital expenditures.

The Directors have reviewed the Group's cash flow forecast covering a period of twelve months from the end of the reporting period. They are of the opinion that, taking into account of the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the Directors believe it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2021 on a going concern basis.

Taking into account the successful and continued implementation of such measures, the Directors are of the opinion that the Group will have sufficient working capital and hence it is appropriate to prepare the Group's consolidated financial statements on a going concern basis.

Audit Committee's view towards the Audit Modification

The audit committee of the Company (the "**Audit Committee**") had critically reviewed the basis for disclaimer of opinion (the "**Disclaimer**") of the auditors. The Audit Committee had also discussed with the auditors regarding the financial position of the Group, the measures taken and to be taken by the Company, and considered the auditors' rationale and understood their consideration in arriving the Disclaimer. The Audit Committee is in agreement with the management with respect to the Disclaimer and the Group's ability to continue as a going concern, and in particular the actions or measures to be implemented by the Group. The Audit Committee's views are based on (i) a critical review of the action plan to address the Disclaimer (and the assumption of successful and continued implementation); and (ii) discussions between the Audit Committee and the auditors regarding the Disclaimer and the management regarding the proposed measures and action plan together with the timeline stated therein to address the Disclaimer. The Audit Committee requested the management to take all necessary actions to address the effect on the basis for disclaimer of opinion to procure no such disclaimer of opinion to be made in the next financial year.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Bai Xuankui (白選奎), aged 70, is one of the founders and controlling shareholders of the Group. He is also an executive Director, member of the remuneration committee of the Board ("**Remuneration Committee**"), chairman of the nomination committee of the Board ("**Nomination Committee**") as well as the chairman of the Company. Mr. Bai Xuankui is also a director of White Empire (PTC) Limited, one of the controlling shareholders of the Company. Mr. Bai Xuankui has over 25 years of experience in property development, management and operation.

Mr. Bai Xuankui founded the Group in 2004 and since then has been leading the Group to engage in property development. Before founding the Group, Mr. Bai Xuankui worked at Xinxing Construction Ltd. (新興建築公司) where he successively served as assistant manager and manager from April 1983 to May 1992. In July 1993, he was appointed as deputy director of Yuci City Enterprise Management Bureau (榆次市城區企業管理局). From April 1998 to October 2001, he was appointed by People's Congress of Yuci City as commissioner of Yuci City Industrial Economic Commission (榆次市工業經濟委員會). From December 2001 to October 2010, he served as the chairman of Jinzhong City Yuci Region Federation of Industry & Commerce (晉中市榆次區工商業聯合會). From June 2007 to January 2015, Mr. Bai Xuankui had also been the vice chairman of Jinzhong City Federation of Industry & Commerce (晉中市工商業聯合會).

Mr. Bai Xuankui obtained a postgraduate certificate in master of business administration (工商管理碩士研究生文憑) issued by Tianjin University of Finance & Economics (天津財經學院), the PRC in November 2000. In December 2008, he obtained the qualification as a senior engineer from Shanxi Township Enterprise Engineering Series Senior Technical Position Evaluation Committee (山西鄉鎮企業工程系列高級技術職務評審委員會).

Mr. Bai Wukui (白武魁), aged 59, is the brother of Mr. Bai Xuankui and an executive Director and the chief executive officer of the Company. He is also the vice chairman and general manager of the Company, executive director and general manager of Wuzhishan Chenxing Real Estate Development Co., Limited (五指山辰興房地產開發有限公司), an indirect subsidiary of the Company, executive director of Sichuan Chenxing Real Estate Development Co., Limited (四川辰興房地產發展有限公司), an indirect holding company of the Company, and the chairman of Jinzhong Development Zone Real Estate Development Co., Ltd. (晉中開發區房地產開發有限公司), an indirect holding company of the Company.

Mr. Bai Wukui is also one of the founders of the Group. He has been the chief executive officer of the Group since December 2004. He was appointed as a director of the Group in February 2015. Mr. Bai Wukui is also a director of White Legend Global Holdings Limited.

Before founding the Group, Mr. Bai Wukui served as director and chief executive officer of Yuci Xinxing Real Estate Development Co., Ltd. (榆次新興房屋開發有限公司) from January 1997 to August 2007.

Mr. Bai Wukui obtained a professional certificate in civil engineering specialty (long distance learning) (工民建專業文憑（函授）) issued by Shanxi Radio & TV University (山西廣播電視大學), the PRC in July 1990 and later obtained a postgraduate certificate in master of business administration (工商管理碩士研究生文憑) issued by Tianjin University of Finance & Economics (天津財經學院), the PRC in November 2000. He obtained the qualification as an engineer from Shanxi Province Engineering Series Intermediate Professional Technical Position Evaluation Committee (山西省工程系列中級專業技術職務評審委員會) and Jinzhong Township (Privately-owned) Enterprise Engineering Series Intermediate Technical Position Evaluation Committee (晉中鄉鎮（民營）企業工程系列中級技術職務評審委員會) in February 2001 and December 2008, respectively. In February 2010, he obtained the qualification as a senior engineer from Shanxi Township Industrial Engineering Series Senior Engineer Evaluation Committee (山西鄉鎮工業工程系列高級工程師職務評審委員會).

Mr. Bai Guohua (白國華), aged 46, is the son of Mr. Bai Xuankui and executive Director and executive vice president of the Company. He is also an executive director of Jinzhong Chenxing Commercial Management Co., Limited (晉中辰興商業管理有限責任公司), an indirect subsidiary of the Company, and executive director and general manager of Shanxi Chenxing Property Services Co., Limited (山西辰興物業服務有限公司), an indirect subsidiary of the Company. Mr. Bai Guohua joined the Group in December 2004 and successively served as associate administration manager, secretary of the board and assistant general manager. Mr. Bai Guohua was appointed as a Director of the Company on 3 November 2014 and the executive vice president of the Group in February 2016. Mr. Bai Guohua is also a director of White Dynasty Global Holdings Limited, one of the controlling shareholders of the Company.

Mr. Bai Guohua obtained a professional certificate in law (法學專業文憑) issued by Shanxi Politics and Law Institute for Administration (山西政法管理幹部學院), the PRC in July 1998. He then undertook and completed an undergraduate degree in law from Shanxi University (山西大學), the PRC, in June 2001. Mr. Bai Guohua is pursuing a master of Business Administration degree from Arizona State University in the United States.

Mr. Dong Shiguang (董世光), aged 64, is an executive Director of the Company.

Mr. Dong joined the Group in December 2005 and successively served as manager in branch offices of Chen Xing (Heshun) and Chen Xing (Taigu). He served as the executive director of Sichuan Chenxing Real Estate Development Co., Limited (四川辰興房地產發展有限公司), a majority-owned subsidiary of the Group, from December 2007 to February 2012. Mr. Dong was appointed as a Director of the Group in November 2007. He was appointed as a Director of the Company in February 2015 and later was redesignated as an executive Director in June 2015. Mr. Dong is also a director of Honesty Priority Global Holdings Limited.

Mr. Dong obtained the qualification as an engineer granted by Shanxi Province Engineering Series Intermediate Professional Technical Position Evaluation Committee (山西省工程系列中級專業技術職務評審委員會) in December 2000 and later as a senior engineer granted by Shanxi Township Enterprise Engineering Series Senior Technical Position Evaluation Committee (山西鄉鎮企業工程系列高級技術職務評審委員會) in February 2010.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tian Hua (田華), aged 59, is an independent non-executive Director, the chairman of the Audit Committee and the chairman of the Remuneration Committee of the Company.

Mr. Tian joined Shanxi Zhongyu Certified Public Accountants (山西中宇會計事務所) in August 1998 as the chief accountant until December 2008. From December 2008 to present, he has been working at Shanxi He Pu Hua Certified Public Accountants (山西禾譜華會計事務所) as an accountant.

Mr. Tian obtained a professional certificate in accountancy issued by Shanxi Finance & Taxation College (山西財政稅務專科學校), the PRC in July 2001. He has been a practicing member of The Chinese Institute of Certified Public Accountants (中國註冊會計師協會) since May 1999.

Mr. Qiu Yongqing (裘永清), aged 57, is an independent non-executive Director and members of the Audit Committee and the Nomination Committee of the Company. Mr. Qiu was appointed as the chairman of Shanxi Jintai Venture Capital Co., Ltd. (山西金泰創業投資有限公司) in April 2004 and vice chairman and general manager of Shanxi Small & Medium Enterprises Financing Guarantee Co., Ltd. (山西中小企業發展融資擔保有限公司) in May 2012. He was also appointed as member of the Jinzhong City's Committee of Chinese People's Political Consultative Conference (晉中市政協委員) in April 2005, senior expert jointly appointed by Shanxi and Jinzhong Municipal Committee (山西省及晉中市委) in December 2011 and vice chairman of Taiyuan Professional Manager Association (太原職業經理人協會) in March 2014.

Mr. Qiu obtained a certificate in engineering issued by Shanxi Radio & TV University (山西廣播電視大學), the PRC in July 1989. He then undertook and completed a course in business administration from School of Management of Xian Jiaotong University (西安交通大學管理學院) in July 2000. He obtained a master of business administration degree from Arizona State University, the United State, in May 2011. In April 2013, Mr. Qiu obtained the qualification as a senior economist granted by Department of Human Resources and Social Security of Shanxi Province (山西省人力資源和社會保障廳).

Ms. Gao Jianhua (高建華), aged 66, is an independent non-executive Director, members of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company.

Ms. Gao is a qualified PRC lawyer with more than 40 years of experience in the legal industry. Ms. Gao has been a practising lawyer at Shanxi Fenghui Law Firm (山西豐匯律師事務所) since 1994, an arbitrator of Jinzhong Arbitration Committee (晉中仲裁委員會) since 2013 and the honorary president of Jinzhong Lawyer Association (晉中市律師協會) since 2015. In 2003, Ms. Gao was awarded as "Advanced Lawyer of Shanxi Province" (山西省先進律師) by the Department of Justice of Shanxi Province and the Law Association of Shanxi Province. From 2005 to 2015, Ms. Gao was elected as the president of Jinzhong Lawyer Association. In 2013, Ms. Gao was recognised by the Justice Bureau of Jinzhong (晉中市司法局)

and Jinzhong Lawyer Association as one of the ten outstanding lawyers of Jinzhong City (晉中市十大傑出律師) in the PRC. Ms. Gao obtained her bachelor's degree in Engineering (Industrial Automatic Control) from Taiyuan University of Technology in 1982 and a bachelor's degree in Law from Shanxi University in 1988.

SENIOR MANAGEMENT

Mr. Jiao Wuli (焦悟理), aged 61, is the deputy general manager in engineering of the Group. He joined the Group in March 2008, is responsible for managing the design, procurement, bidding and construction cost of the Group's projects. He was later promoted to the deputy general manager in engineering of the Company in January 2011.

Before joining the Group, Mr. Jiao worked at Shanxi Third Construction Engineering Co., Ltd. (山西省第三建築工程公司) as technical deputy director from February 1990 to January 1994, and deputy manager and chief engineer from January 1994 to March 1996. In March 1996, he joined Shanxi Construction Engineering (Group) Corporation (山西省建築工程（集團）總公司) and worked at its Wuhan Branch as deputy manager and deputy chief engineer.

Mr. Jiao obtained a professional certificate in civil engineering specialty (工業與民用建築專業文憑) from Taiyuan Institute of Technology (太原工業學院), the PRC in December 1981. Later, he obtained the qualification as a senior engineer granted by Shanxi Construction Profession Senior Engineer Technical Position Evaluation Committee (山西省建設工程專業高級工程師技術職務評審委員會) in April 2004.

Mr. Wang Binzhou (王斌周), aged 45, is the deputy general manager in administration of the Group. Mr. Wang joined the Group in March 2009 and later he served as the general counsel from March 2009 to January 2010 and administrative officer of the board and secretary of the chairman from January 2010 to February 2012. He was promoted to the deputy general manager in administration in February 2012.

Before joining the Group, Mr. Wang worked at Shanxi Shenghe Law Offices (山西聖合律師事務所) as a lawyer from May 2007 to March 2009.

Mr. Wang undertook and completed the bachelor degree in law from Tianjin School of Commerce (天津商學院), the PRC in July 1998 and then master degree in law from Tsinghua University (清華大學), the PRC in July 2008. In December 2002, Mr. Wang obtained the qualification as a legal advisor granted by Department of Personnel of Shanxi Province (山西省人事廳) and then was qualified to practice law in the PRC in March 2004.

Mr. Bai Aijing (白皚晶), aged 45, is nephew of Mr. Bai Xuankui and Mr. Bai Wukui and the chief financial officer of the Group.

Mr. Bai Aijing joined the Group in March 2004 and served as the accounting officer from March 2004 to March 2011 and officer of asset management centre from March 2011 to January 2013. He was later promoted to chief financial officer in January 2013.

Mr. Bai Aijing obtained a professional certificate in enterprise management from Beijing Metallurgy Cadre College (北京冶金幹部學院), the PRC in July 1998. He then obtained a professional certificate in accountancy granted by Finance Commission of Yuci Region (榆次區財政局) in March 2011.

Mr. Zhao Haijun (趙海軍), aged 47, is the deputy general manager of operation of the Group.

Mr. Zhao joined the Group in December 2005 as the marketing manager and later he was promoted to the deputy general manager of operation in February 2009.

Mr. Zhao obtained a professional certificate in project cost and management, which is an online learning course, issued by Harbin Institute of Technology (哈爾濱工業大學), the PRC in July 2010. He obtained the qualification as an engineer granted by Jinzhong Township (Private-owned) Enterprise Engineering Series Intermediate Technical Position Evaluation Committee (晉中鄉鎮（民營）企業工程系列中級技術職務評審委員會) in December 2008. He then obtained the qualification as a registered real estate appraiser granted by Finance Department of Shanxi Province (山西省財政廳) in April 2015.

COMPANY SECRETARY

Ms. Ng Wing Shan has been appointed as the company secretary of the Company since 6 February 2015.

Ms. Ng is a fellow member of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Charted Secretaries) and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom. During the Reporting Period, Ms. Ng was the assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited ("**SWCS**") and is primarily responsible for assisting listed companies in professional company secretarial work. She has over 10 years of professional experience in the company secretarial field.

Ms. Ng has tendered her resignation as the company secretary of the Company, an authorized representative of the Company (the "**Authorized Representative**") under Rule 3.05 of the Rules Governing the Listing of Securities (the "**Listing Rules**") of the Stock Exchange and the process agent for the acceptance of service of process and notices on behalf of the Company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "**Process Agent**") with effect from 31 March 2022. Ms. Lee Angel Pui Shan has been appointed as the company secretary of the Company, the Authorized Representative and the Process Agent with effect from 31 March 2022. Ms. Lee is a corporate secretarial executive of SWCS. Please refer to the Company's announcement dated 31 March 2022 for details.

DIRECTORS' REPORT

The Board is pleased to present the annual report and audited consolidated financial statements of the Group for the year ended 31 December 2021.

PRINCIPAL BUSINESS

The Company is an investment holding company. Its principal subsidiaries are engaging in property development operations in China, and focusing mainly on the development of residential and, to a less extent, commercial property development projects.

An analysis of the revenue generated by the principal business of the Group for the Reporting Period is set out in Note 5 to the consolidated financial statements.

RESULTS

The results of the Group for the Reporting Period are set out in the consolidated statement of comprehensive income on page 301.

BUSINESS REVIEW AND FUTURE DEVELOPMENT

For detailed discussions on business review for the year and future development of the Group, please refer to pages 206 to 208 of the chairman's statement.

The Group's analysis of its annual performance using financial key performance indicators is set out in pages 209 to 225 of management discussion and analysis.

PERMITTED INDEMNITY CLAUSE

During the Reporting Period, pursuant to the articles of association of the Company ("**Articles of Association**"), all legal costs, expenses, fees, losses, damages and expenditures incurred during the performance of duties by Directors of the Company may be indemnified by the assets and profits of the Company.

ENVIRONMENTAL POLICY AND PERFORMANCE

The Group continued to use new environmental construction materials in order to meet or stay ahead of environmental standards. The Group kept on strengthening its management of construction sites of on-going projects by controlling and reducing dust and noise pollutions. The Group has implemented energy saving and water conservation measures persistently in office premises, and continued the internal recycling plans for consumables (such as paper, etc.) to reduce the impact of operations on the environment and natural resources.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group always upholds the importance of understanding and compliance with the requirements of laws and regulations, non-compliance with the relevant laws and regulations may render the Group's normal operation. The Group has a designated legal department to exercise comprehensive management and control over the Company's sustainable and legal operations. Through effective communication, good working relationship has been maintained with various regulatory authorities.

MAJOR RISKS AND UNCERTAINTIES

The Group's businesses are mainly located in Jinzhong and Taiyuan in Shanxi Province, Mianyang in Sichuan Province, Haikou and Wuzhishan in Hainan Province and Xishuangbanna Autonomous Prefecture in Yunnan Province in China. As the development target of the Group is to further penetrate the markets in Shanxi Province, central and western China and southern China, the operations of the Group are highly dependent on the performance of the real estate markets in these areas.

The real estate market in China has been growing rapidly over the years. However, as the concerns over the impact of COVID-19 pandemic and sustainability of growth continue to mount in the market, and as the divergence of property markets between ultra-large cities in the eastern region and small and medium-sized cities in the central and western regions become more intense, there may be uncertainties which impact the business of the Group.

The Group's financial risk management objectives and policies are set out in Note 39 to the consolidated financial statements.

For details in relation to the multiple uncertainty on the Group's ability to operate on a going concern basis, please refer to the section headed "Management Discussion and Analysis" of this annual report and Note 2.1 to the consolidated financial statements.

RELATIONSHIPS WITH SIGNIFICANT STAKEHOLDERS

The Group's success is also dependent on the support of the employees, customers, suppliers and shareholders of the Group.

Employees

The Group's employees are regarded as the most important and most valuable assets of the Group. The most important objective of the Group's human resources management is to reward the employees with outstanding performance through proper compensation and benefits and implementation of a comprehensive appraisal and evaluation system. With proper training and development, the Company's employees are provided with opportunities for career development and promotions.

Customers

Most of the Group's customers are home purchasers. The Group strives to develop high quality residential properties for the improvement of the customers' quality of living.

In order to fulfill the Group's commitment for enhancing customer satisfaction persistently, the Group ensures to adopt the best concepts and use products of the highest qualities in development projects. In terms of customer service, the Group has always focused on the overall qualities of frontline staff by providing them with regular training to ensure consistently high service quality.

Suppliers

The service providers of the Group are mainly construction companies and suppliers of construction materials. The Group has good cooperation relationship with all the suppliers, and has signed strategic cooperation agreements with a number of high quality suppliers to ensure higher quality in construction work and materials supplied. The Group upholds the win-win principle to achieve common growth together with the suppliers.

Shareholders

One of the important corporate objectives of the Group is to maximize the value created for Shareholders. The Group continues to promote business developments for the sustainable growth in profits. The Group will strive to deliver stable dividends for the Shareholders, after considering the adequacy of capital, liquidity conditions and requirements for business development of the Group.

DIVIDEND POLICY

The Company aims to provide stable and sustainable returns to the Shareholders of the Company and strives to maintain a stable dividend policy.

Any declaration of dividends will be proposed by the Board and the amount of any dividends will depend on various factors, including, among others, the following:

- market conditions;
- the strategic plans and prospects of the Company;
- the business opportunities of the Company;
- the profit and financial position of the Company;
- the working capital requirements and anticipated cash needs of the Company;
- the contractual restrictions and obligations of the Company;
- payments by subsidiaries of cash dividends to the Company;
- legal, tax and regulatory restrictions; and
- any other factors as the Directors may deem relevant.

Subject to the Cayman Islands Companies Act and the Articles of Association, the Company may declare dividends through a general meeting in any currency but no dividend shall be declared in excess of the amount recommended by the Board. The Articles of Association provides that dividends may be declared and paid out of profit, realized or unrealized, or from any reserve set aside from profits at the Directors' discretion. With the sanction of an ordinary resolution, dividends may also be declared and paid out of the Company's share premium account or any other fund or account authorised for this purpose in accordance with the Cayman Islands Companies Act and the Articles of Association.

The Board may from time to time pay dividends to the Shareholders as considered by the Board to be justified by the profits of the Group.

FINAL DIVIDEND

The Board resolved not to declared the payment of final dividend for the year ended 31 December 2021.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company (the "**AGM**") will be convened on Thursday, 26 May 2022, a notice of which will be published and delivered to the Company's shareholders at the appropriate time.

SHARE CAPITAL

Details of the movements in share capital are set out in Note 30 to the consolidate financial statements.

USE OF PROCEEDS FROM THE RIGHTS ISSUE

On 7 March 2019, the Company completed a Rights Issue pursuant to which the Company has issued 99,999,989 ordinary shares of the Company at HK$1.50 per rights share on the basis of one rights share for every five the then shares held on 11 February 2019. Valid applications and acceptances in respect of a total of 130,896,578 rights shares had been received, representing approximately 130.9% of the 99,999,989 total number of rights shares available for subscription under the rights issue. The closing price per Share as quoted on the Stock Exchange on the last trading day (11 January 2019) was HK$1.59. The Directors believe that the Rights Issue will better enhance the Company's ability to fund and develop the Group's business.

The net proceeds of the Rights Issue of the Company (after deducting professional fees and other related expenses) were approximately HK$147.31 million (equivalent to approximately RMB125.58 million based on the exchange rate of RMB1 to HK$1.173). The net proceeds from the Rights Issue are to be used in the following manner:

Intended use	Percentage (%)	Amount of proceeds (HK$ million)	Utilised amount as at 31 December 2021 (HK$ million)	Amount Unutilised as at 31 December 2021 (HK$ million)
Used to pay for the unpaid registered capital of Jinzhong Chen Xing Hui for future investment opportunities (if appropriate opportunities arise) in Jinzhong Chen Xing Hui's construction materials and decorative materials trading business	82.11	120.95	120.95	—
Used as the Company's general working capital	17.89	26.36	26.36	—

As at 31 December 2021, the Company had fully utilised the proceeds from the Rights Issue.

EQUITY-LINKED AGREEMENT

The Company did not enter into any equity-linked agreements during the Reporting Period.

PROPERTY, PLANT AND EQUIPMENT

The details of changes in property, plant and equipment of the Group for the Reporting Period are set out in Note 13 to the consolidated financial statements.

INVESTMENT PROPERTIES

The details of changes in the investment properties of the Group for the Reporting Period are set out in Note 14 to the consolidated financial statements.

RESERVES

The details of changes in the reserves of the Group for the Reporting Period are set out in the consolidated statement of changes in equity on pages 304 to 305 of this annual report.

DISTRIBUTABLE RESERVES

Distributable reserves of the Group amounted to RMB936.4 million for the Reporting Period (2020: RMB865.5 million).

INTEREST-BEARING BANK AND OTHER BORROWINGS

The details of bank loans and other borrowings of the Group as at the end of the Reporting Period are set out in Note 28 to the consolidated financial statements.

DIRECTORS AND SERVICE CONTRACTS OF DIRECTORS

The Directors for the Reporting Period and up to the date of this annual report are as follows:

Executive Directors

Mr. Bai Xuankui *(Chairman)*
Mr. Bai Wukui
Mr. Bai Guohua
Mr. Dong Shiguang

Independent Non-executive Directors

Mr. Tian Hua
Mr. Qiu Yongqing
Ms. Gao Jianhua (appointed with effect from 16 February 2021)

Biographies of all Directors and senior management are set out in the section headed "Biographies of Directors and Senior Management" herein.

Pursuant to Article 84(1) of the Articles of Association, Mr. Bai Wukui, Mr. Dong Shiguang and Mr. Bai Guohua shall retire at the forthcoming AGM, and being eligible, have offered themselves for re-election.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received the confirmation from each of the independent non-executive Directors on his/her independence pursuant to Rule 3.31 of the Listing Rules. As of the date of this report, the Company considered all of the independent non-executive Directors were independent persons.

SERVICE CONTRACTS OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company for a term of three years and may be terminated subject to the relevant terms of the service contracts.

Each of the independent non-executive Directors has entered into an appointment letter with the Company for a term of three years and may be terminated subject to the relevant terms of the appointment letters.

None of the Directors has entered into a service contract with the Company which are not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

None of the Directors or any entity connected with the Directors or controlling shareholders of the Company or its subsidiaries had a material interest, either directly or indirectly, in any transactions, arrangements and contract of significance to the business of the Group to which the Company, or any of the subsidiaries of the Company, or any of the Company's holding companies, or any of the subsidiaries of such holding companies, was a party, which subsisted at the end of the Year or at any time during the Year.

MANAGEMENT CONTRACTS

During the Reporting Period, no contract was or had been signed in relation to the management and administrative matters of the Company's business as a whole or any material portion thereof.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the amount of purchases from the largest supplier of the Group represented approximately 5.2% of the total purchases of the Group, and the amount of purchases from the five largest suppliers of the Group represented approximately 17.9% of the total amount of purchases of the Group.

During the Reporting Period, the amount of sales to the largest customer of the Group represented approximately 0.67% of the total sales of the Group, and the amount of sales to the five largest customers of the Group represented approximately 1.58% of the total sales of the Group.

None of the Directors or any of their close associates or any Shareholders of the Company has any interest in the five largest customers and suppliers of the Group.

DISCLOSURE OF INTERESTS

Interests and/or Short Positions of Directors and Chief Executives in Shares, Underlying Shares and Debentures of the Company or any of its Associated Corporations

As at 31 December 2021, the interests and/or short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("**SFO**")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or required to be entered into the register mentioned under Section 352 of the SFO, or required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") of Appendix 10 to the Listing Rules:

Long Positions in the Shares of the Company

Name of Director/ chief executive	Capacity/ Nature of interest	Number of shares held	Percentage of shareholdings [Note 1]
Mr. Bai Xuankui ("**Mr. Bai**") [Note 2]	Settlor of a discretionary trust	346,944,000	57.82%
Mr. Bai Wukui [Note 3]	Interest of a controlled corporation	64,944,000	10.82%
Mr. Bai Guohua [Note 4]	Beneficiary of a discretionary trust	346,944,000	57.82%
Mr. Dong Shiguang ("**Mr. Dong**") [Note 5]	Interest of a controlled corporation	10,827,740	1.80%

Notes:

1. As at 31 December 2021, the total number of issued shares of the Company was 599,999,989 shares.

2. The shares were held by White Dynasty Global Holdings Limited ("**White Dynasty BVI**") in the capacity of a legal beneficial owners, which was a corporate controlling shareholder of the Company, and White Dynasty BVI was owned by White Empire (PTC) Limited ("**White Empire BVI**") in the capacity of a legal beneficial owner. White Empire BVI was the trustee of the family trust established for the benefit of Mr. Bai Guohua, Ms. Cheng Guilian ("**Mrs. Bai**", the spouse of Mr. Bai), and other beneficiaries to be nominated by the trustee from time to time. Since Mr. Bai was the settlor of the family trust, Mr. Bai was deemed to be interested in the shares held by White Dynasty BVI under the SFO.

3. The shares were held by White Legend Global Holdings Limited ("**White Legend BVI**") in the capacity of a legal beneficial owner. White Legend BVI was wholly-owned by Mr. Bai Wukui in the capacity of a legal beneficial owner. Since Mr. Bai Wukui held the entire issued share capital of White Legend BVI, Mr. Bai Wukui was deemed to be interested in the shares held by White Legend BVI under the SFO.

4. The shares were held by White Dynasty BVI in the capacity of a legal beneficial owner. Since (i) Mr. Bai Guohua was a beneficiary of the family trust; and (ii) Mr. Bai Guohua was a person acting in accordance with the instructions from Mr. Bai, the settlor of the family trust, at all times, hence Mr. Bai Guohua was deemed to be interested in the shares held by White Dynasty BVI under the SFO.

5. The shares were held by Honesty Priority Global Holdings Limited ("**Honesty Priority BVI**") in the capacity of a legal beneficial owner. Since Mr. Dong owned 34.87% shares in Honesty Priority BVI, Mr. Dong was deemed to be interested in the shares held by Honesty Priority BVI under the SFO.

Long Positions in the Shares of Associated Corporations of the Company

Name of Director/ chief executive	Name of associated corporation	Capacity/ Nature of interest	Number of shares held	Percentage of shareholdings
Mr. Bai	White Dynasty BVI (Note 1)	Settlor of a discretionary trust	10,000	100%
Mr. Bai	White Empire BVI (Note 1)	Settlor of a discretionary trust		100%
Mr. Bai Guohua	White Dynasty BVI (Note 1)	Beneficiary of a discretionary trust	10,000	100%
Mr. Bai Guohua	White Empire BVI (Note 1)	Beneficiary of a discretionary trust		100%

Note:

1. White Dynasty BVI was a corporate controlling shareholder of the Company and was wholly-owned by White Empire BVI in the capacity of a legal beneficial owner. White Empire BVI was a company limited by guarantee incorporated in the British Virgin Islands and the trustee of the family trust which was held for the benefits of Mr. Bai Guohua, Mrs. Bai and other beneficiaries to be nominated by the trustee from time to time, and Mr. Bai was the settlor of the family trust.

As at 31 December 2021, save as disclosed above, none of the Directors or chief executives of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or required to be recorded in the register mentioned under Section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At any time during the Reporting Period or as at the end of the Reporting Period, no rights to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, granted to any Director or their respective spouses or minor children aged under 18, or were such rights exercised by them. None of the Company, its holding company or any of their subsidiaries or fellow subsidiaries had participated in any arrangement which enabled the Directors of the Company to gain benefits through purchasing of shares or debentures of the Company or any other corporations.

INTERESTS AND/OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY HELD BY SUBSTANTIAL SHAREHOLDERS

As at 31 December 2021, to the best knowledge of the Company and the Directors, the following persons (not being Directors or chief executives of the Company) had interests and/or short positions in the shares and underlying shares of the Company, which were required to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or required to be entered into the register mentioned under Section 336 of the SFO:

Name of Shareholder	Capacity/Nature of interest	Number of shares held	Percentage of shareholdings (Note 1)
White Dynasty BVI (Note 2)	Beneficial owner	346,944,000	57.82%
White Empire BVI (Note 2)	Interest of a controlled corporation	346,944,000	57.82%
White Legend BVI (Note 3)	Beneficial owner	64,944,000	10.82%
Mrs. Bai (Note 4)	Beneficiary of a discretionary trust	346,944,000	57.82%
Ms. Zhang Lindi (Note 5)	Interest of spouse	346,944,000	57.82%
Ms. Gan Xuelin (Note 6)	Interest of spouse	64,944,000	10.82%
Hwabao Trust Co., Ltd.	Trustee	62,160,000	10.36%

Notes:

1. As at 31 December 2021, the Company had a total number of 599,999,989 shares in issue.

2. White Dynasty BVI was wholly-owned by White Empire BVI, hence White Empire BVI was deemed to be interested in the shares owned by White Dynasty BVI under the SFO. White Empire BVI was the trustee for the family trust ("**Family Trust**") established for the benefit of Mr. Bai Guohua, Mrs. Bai and other beneficiaries to be nominated by the trustee from time to time. Mr. Bai was the settlor of the Family Trust.

3. White Legend BVI was wholly-owned by Mr. Bai Wukui in the capacity of a legal beneficial owner. Since Mr. Bai Wukui had a controlling interest in White Legend BVI, Mr. Bai Wukui was deemed to be interested in the shares held by White Legend BVI under the SFO.

4. Mrs. Bai was the wife of Mr. Bai. Since Mrs. Bai was a beneficiary of the Family Trust, Mrs. Bai was deemed to be interested in the shares held by White Dynasty BVI under the SFO.

5. Ms. Zhang Lindi was the wife of Mr. Bai Guohua. Since Mr. Bai Guohua was a beneficiary of the Family Trust, Mr. Bai Guohua was deemed to be interested in the shares held by White Dynasty BVI under the SFO, therefore, Ms. Zhang Lindi was deemed to be interested in the shares held by White Dynasty BVI under the SFO.

6. Ms. Gan Xuelin was the wife of Mr. Bai Wukui. Since Mr. Bai Wukui was deemed to be interested in the shares held by White Legend BVI under the SFO, therefore, Ms. Gan Xuelin was deemed to be interested in the shares held by White Legend BVI.

As at 31 December 2021, save as disclosed above, the Company was not aware of any other persons (other than Directors and chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company, which were required to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or required to be entered into the register mentioned under Section 336 of the SFO.

RELATED PARTY TRANSACTIONS

The details of related party transactions of the Group for the Reporting Period are set out in Note 36 to the consolidated financial statements. These transactions do not constitute connected transactions or continuing connected transactions in the meaning of Chapter 14A of the Listing Rules. All the transactions are fully exempt from Shareholders' approval, annual review and all disclosure requirements.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as disclosed in this annual report, for the Reporting Period, none of the Directors of the Company had any interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

REMUNERATION POLICY

The Group has established the Remuneration Committee to review the remuneration policy and structure of the Group for the remuneration of all Directors and the senior management of the Group after considering the operating results of the Group, individual performance and contribution, time commitment and responsibilities of the Directors and senior management as well as the remuneration paid by comparable companies.

The Group has formulated and implemented remuneration policies to motivate employees and, in turn, support the long-term development of the Group. Such policies are consistent with the business strategies and development objectives of the Group, which will be helpful in attracting and retaining professional employees with the relevant knowledge and skills.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "**Share Option Scheme**") on 12 June 2015. During the Reporting Period, the Company has not granted, exercised, cancelled and lapsed any share options under the Share Option Scheme.

A summary of the key terms of the Share Option Scheme is set out below. The terms of the Share Option Scheme have complied with the requirements of Chapter 17 of the Listing Rules.

(a) Purpose

The Share Option Scheme is a share incentive scheme and is established to recognize and acknowledge the contributions Eligible Participants (as defined in paragraph (b) below) had or may have made to the Group. The Share Option Scheme will provide Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives: (i) motivate Eligible Participants to optimize their performance efficiency for the benefit of the Group; and (ii) attract and retain or otherwise maintain on-going business relationship with Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

(b) Eligible Participants

The Board may, at its discretion and subject to such conditions as it thinks fit, offer to grant share options to the following persons (collectively, the "**Eligible Participants**"):

(i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;

(ii) any Directors (including executive, non-executive Directors and independent non-executive Directors) of the Company or any of its subsidiaries;

(iii) any advisers (professional or otherwise), consultants, suppliers, customers and agents to the Company or any of its subsidiaries; and

(iv) related entities who, in the sole opinion of the Board, will contribute or have contributed to the Company or any of its subsidiaries.

(c) Total number of shares that may be issued

The maximum number of shares that may be issued pursuant to the Share Option Scheme is 50,000,000 shares, equivalent to 10% of the issued shares of the Company after completion of the global offering and 8.33% of the issued shares of the Company as at the date of this annual report.

(d) Maximum number of options granted to any individual

The maximum number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including exercised, cancelled and outstanding options) to each Eligible Participant in any 12-month period shall not exceed 1% of the shares in issue of the Company.

Any further grant of options in excess of the above limit shall be subject to separate approval by the Shareholders in a general meeting (such Eligible Participants and their associates are required to abstain from voting), and shall comply with other requirements prescribed under the Listing Rules and/or other applicable statutory regulations or rules.

(e) Maximum number of options granted to connected persons

Any grant of options to a Director, chief executive or substantial Shareholder (as defined in the Listing Rules) of the Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options).

If the Board determines to grant options to a substantial Shareholder or any independent non-executive Director or any of their respective associates, the maximum number of shares issued and to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Company (including exercised, cancelled and outstanding options) to each substantial Shareholder or any independent non-executive Director or any of their respective associates in any 12-month period shall not exceed 0.1% of the shares in issue of the Company or such other percentage as may be from time to time provided under the Listing Rules, and the aggregate value calculated based on the closing price of the shares of the Company as stated in the daily quotation sheets of the Stock Exchange as at each date of grant shall not exceed HK$5,000,000 or such other amount as may be from time to time provided under the Listing Rules.

If any further grant will exceed the above limit on options, such further grant shall be subject to a separate approval by the Shareholders in a general meeting (such Eligible Participants and their associates shall abstain from voting), and shall comply with other requirements prescribed under the Listing Rules and/or other applicable statutory regulations or rules.

(f) When the options may be exercised

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date.

The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted.

(g) Required minimum holding period before the exercise of an option

There is no minimum holding period required before an option may be exercised.

(h) Acceptance of offer

Upon acceptance of an option, the grantee shall pay HK$1.00 to the Company as consideration for the grant.

(i) Basis for the determination of the exercise price

The share subscription price in respect of any specific option granted under the Share Option Scheme shall be determined at the sole discretion of the Board on the relevant price, but such price shall not be less than the highest of the following:

(i) the official closing market price of the shares as stated in the daily quotation sheet of the Stock Exchange as at the date of grant, which must be a day when the Stock Exchange is open for securities trading business);

(ii) the average official closing market price of the shares as stated in the daily quotation sheets of the Stock Exchange for five business days immediately before the date of grant; and

(iii) par value of the shares.

(j) Residual term of the Share Option Scheme

The Share Option Scheme shall remain valid until 11 June 2025. Unless its early termination is approved by the general meeting of Shareholders or by the Board of the Company, the Share Option Scheme shall remain valid and effective for a period of 10 years from the date when it was adopted.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, neither the Company or any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or the laws of Cayman Islands that will oblige the Company to offer new shares to the existing Shareholders on a pro-rata basis.

CORPORATE GOVERNANCE

The Company is dedicated to maintain a high standard in corporate governance practice. Save as disclosed in this report, the Company has complied with the code provisions under the Corporate Governance Code contained in Appendix 14 to the Listing Rules during the Reporting Period. Information about the corporate governance practice adopted by the Company is set out in Corporate Governance Report on page 247 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Directors have confirmed that during the Reporting Period and as of the date of this annual report, the Company has maintained a sufficient public float of our shares as required under the Listing Rules.

AUDITOR

The Group's consolidated financial statements for the year ended 31 December 2021 have been audited by Ernst & Young.

Ernst & Young will retire and be eligible for re-appointment at the forthcoming AGM. The resolution on the re-appointment of Ernst & Young as the auditor of the Company will be submitted to the forthcoming AGM for approval. There has not been any change of auditor in the preceding three years.

RECOMMENDATION TO CONSULT PROFESSIONAL TAX ADVICE

If Shareholders of the Company are not sure about the tax effect of the purchase, holding, sale, trading or exercise of any rights attached to the relevant shares of the Company, they are recommended to consult independent experts for advice.

By Order of the Board
Chen Xing Development Holdings Limited
Bai Xuankui
Chairman

Jinzhong, Shanxi, China
31 March 2022

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report of the Company for the year ended 31 December 2021.

CORPORATE GOVERNANCE PRACTICE

The Company is always committed to maintain high standard of corporate governance with a view to assuring the conduct of management of the Company and protecting the interests of the Shareholders. The Company is fully aware that transparency and accountability in corporate governance are crucially important to the Shareholders. The Board considers that sound corporate governance can maximize Shareholders' interests.

The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. During the Reporting Period, save as disclosed below, the Company had complied with all the code provisions under the CG Code.

During the period from 1 January 2021 to 25 February 2021, following the resignation of Mr. Gu Jiong, the Board failed to meet the requirements of having: (i) at least three independent non-executive directors on the Board under Rule 3.10(1) of the Listing Rules; (ii) the audit committee comprising only non-executive directors with a minimum of three members; (iii) at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10(2) of the Listing Rules; and (iv) any of the other requirements set out in Rule 3.21 regarding the audit committee under Rule 3.23 of the Listing Rules.

On 26 February 2021, the Board appointed Ms. Gao Jianhua as an independent non-executive director of the Company and a member of each of the Audit Committee, Remuneration Committee and Nomination Committee. On the same day, Mr. Tian Hua was appointed as the chairman of the Audit Committee. Since then, the Company has complied with the requirement of Rules 3.10, 3.10A, 3.21 and 3.25 of the Listing Rules and code provision A.5.1 of the CG Code (which has been re-numbered as Rule 3.27 of the Listing Rules with effect from 1 January 2022).

The Company shall review and strengthen its corporate governance practice from time to time, and strengthen internal control with the help of its PRC and Hong Kong legal advisors, so as to ensure compliance with the Corporate Governance Code.

The Board consists of four executive Directors and three independent non-executive Directors. The Board is responsible for the operation and coordination of the development of the Company and monitoring the Company's business, strategic decisions and performance, and has full and timely access to all relevant information in relation to the Company's businesses and affairs, while the day-to-day management is delegated to the management of the Company. The independent non-executive Directors possess professional qualifications and related management experience in the areas of financial accounting, corporate governance, etc. and have contributed to the Board with their professional opinions.

Mr. Bai Xuankui ("**Chairman Bai**") is an executive director and the chairman of the Board. He is responsible for the management of the Board and the overall strategic planning, business development and corporate governance functions. The Company believes that Chairman Bai's servicing as Director and Chairman since the establishment of the Company is conducive to the Company's formulating a correct development strategy. In terms of business operations, the Company's senior management, which comprises experienced and high caliber individuals from various sectors, will ensure decisions made by the Board be thoroughly implemented.

THE BOARD

Duties

The Board is responsible for the operation and planning of the Group's development. It oversees the business, strategic decision-making and performance of the Group and timely understands all relevant information of the Group's business. The Board has delegated the day-to-day management and operation powers and duties to the senior management. For overseeing particular areas of affairs of the Company, the Company has established three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee (together, the "**Board Committees**"). The Board has delegated to the Board Committees duties as set out in their terms of reference. Some of the independent non-executive Directors have certain qualifications and relevant management experience on financial accounting and corporate governance aspects and provide professional opinions to the Board.

All the Board members should ensure that they shall exercise their duties with integrity and comply with applicable laws and regulations, which is all times in the interests of the Company and its Shareholders.

Composition of the Board

The Board comprises of four executive Directors (namely Mr. Bai Xuankui, Mr. Bai Wukui, Mr. Bai Guohua, and Mr. Dong Shiguang) and three independent non-executive Directors (namely Mr. Tian Hua, Mr. Qiu Yongqing and Ms. Gao Jianhua). The biographical details of each Director are set out in the "Biographical Details of Directors and Senior Management" section of this annual report.

Save as disclosed in this annual report, to the best knowledge of the Company, none of the Board members have any financial, business, family, or any other materials/relevant relationships.

During the Reporting Period, save as disclosed above, the Board has complied with the requirements under Rule 3.10(1) and Rule 3.10(2) of the Listing Rules that at least three independent non-executive Directors must be appointed and at least one of the independent non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise. In addition, the number of independent non-executive Directors accounts for one-third of the Board members, which complies with the requirement under Rule 3.10A of the Listing Rules.

The Company has received the annual confirmations from the independent non-executive Directors of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considered all the independent non-executive Directors as independent.

All the Directors (including the independent non-executive Directors) have broad and valuable business experience, expertise and professional skills for the effective operation of the Board. The independent non-executive Directors are appointed as members of the Audit Committee, Remuneration Committee, and Nomination Committee.

Pursuant to code provision A.6.6 (which has been re-numbered as code provision C.1.5 with effect from 1 February 2022) of the CG Code, each Director should disclose to the issuer at the time of his appointment, and in a timely manner for any change, the number and nature of offices held in public companies or organisations and other significant commitments. The identity of the public companies or organisations and an indication of the time involved should also be disclosed. All Directors have consented to disclose to the Company for the above provision on a timely basis.

Chairman and Chief Executive Officer

The chairman of the Board and chief executive officer of the Company are Mr. Bai Xuankui and Mr. Bai Wukui, both being executive Directors, respectively. The separation of roles of Chairman and chief executive officer enables balance of power and delegations, preventing the job responsibilities be concentrated on either one of them. The chairman is responsible for leadership work and the effective operation of the Board, whilst the chief executive officer is delegated for the effective management of business of the Group. The separation of responsibilities between the chairman and the chief executive officer is clearly defined and set out in written form.

Directors' Training and Continuous Professional Development

All the Board members understand the responsibilities as Directors and the operation and business activities of the Company. The Company is responsible for arranging induction programmes, continuous training and professional development for the Directors, and providing funding therefor. Accordingly, the Company shall arrange induction programmes for any newly appointed Director before formal appointment, ensuring that he/she have certain understanding on the business and operations of the Group and be fully aware of the responsibilities and obligations set out in the Listing Rules and relevant laws and regulations.

The Company arranges seminars regularly, providing the Directors with the development and amendment updates of the Listing Rules and other relevant laws and regulations. The Directors also regularly receive updates on the performance, conditions and outlook of the Company to enable the Board to work as a whole and the Directors to exercise each of their own duties. The Company updates and provides written training materials about Directors' roles, functions and duties from time to time, and encourages Directors to read such materials. Each Director has to submit a training record each year.

During the Reporting Period, all Directors (namely, Mr. Bai Xuankui, Mr. Bai Wukui, Mr. Bai Guohua, Mr. Dong Shiguang, Mr. Tian hua, Mr. Qiu Yongqing and Ms. Gao Jianhua) attended training about the latest updates and changes in the Listing Rules and other relevant rules and regulations. The Company has received each Director's training record for the Reporting Period.

Appointment and Re-election of Directors

The Nomination Committee is responsible for reviewing Board composition and monitoring the appointment, re-election and succession planning of Directors. Procedures and process for the appointment, re-election and removal of Directors are set out in the Articles of Association.

Each executive Director entered into service contract with the Company for a term of three years. The service contract can be terminated according to its terms.

Each independent non-executive Director entered into a letter of appointment with the Company for a term of three years. The service contract can be terminated according to its terms.

None of the Directors has entered into a service contract with the Group which is not terminable within one year without compensation (other than statutory compensation).

Pursuant to Article 84(1) of the Articles of Association, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

Mr. Bai Wukui, Mr. Dong Shiguang and Mr. Bai Guohua will retire by rotation at the forthcoming AGM in accordance with Article 84(1) of the Articles of Association, and all of them are eligible and offer themselves for re-election.

Board Meetings

The Company has adopted the practice of holding at least four regular Board meetings each year (approximately once in a quarter). Notice of regular Board meetings shall be distributed to all the Directors at least 14 days before the meeting. Discussion matters shall be set out in the agenda of each meeting. Notices of other Board Committee meetings shall normally be delivered according to the requirements of the terms of reference. Meeting agenda and relevant meeting papers shall be sent to the Directors and Board Committee members at least 3 days before the meeting to ensure that they have adequate time for the review of the documents. If the Directors and the Board Committee members are unable to attend the meetings, they shall be notified of the discussion matters and provide their views to the chairman of meeting before the meeting. Minutes of Board meetings and Board Committee meetings shall be kept by the Company, a copy of which shall be circulated to the Directors and relevant Board Committee members for reference and for records.

Minutes of Board meetings and Board Committee meetings shall record the matters considered and the decisions reached in the meetings, including the questions raised by the Directors and the Board Committee members. Draft of the minutes of Board meetings and Board Committee meetings shall be provided to Directors and relevant Board Committee members in reasonable time for consideration and comments. The Directors are entitled to inspect the minutes of Board meetings and Board Committee meetings.

During the Reporting Period, the Company held four Board meetings and one general meeting. Attendance of Directors at such meetings is set out in the following table:

Directors	Number of Board meetings attended/held during his/her tenure	Number of general meetings attended/held during his/her tenure
Mr. Bai Xuankui	4/4	1/1
Mr. Bai Wukui	4/4	1/1
Mr. Bai Guohua	4/4	1/1
Mr. Dong Shiguang	4/4	1/1
Mr. Tian Hua	4/4	1/1
Mr. Qiu Yongqing	4/4	1/1
Ms. Gao Jianhua *(appointed with effect from 16 February 2021)*	4/4	1/1

The chairman of the Board convened a meeting with the independent non-executive Directors without the presence of other Directors during the Reporting Period.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct for securities transactions by Directors. Having made specific enquiry to all Directors, all Directors confirmed that they have complied with the Model Code during the Reporting Period.

DELEGATION OF THE BOARD

The Board retains the decision making rights for major matters of the Company, including approving and monitoring all policy affairs, overall strategy and budget, internal control and risk management systems, major transactions (especially those with possible conflict of interests), financial information, appointment of directors and other major financial and operational matters. The Directors may seek independent professional advice when exercising their duties, the cost of which is borne by the Company. The Directors are also encouraged to conduct independent consultation with the senior management of the Company.

The Group's day-to-day management, administration and operation are delegated to the senior management of the Company. The Board regularly reviews the functions and duties delegated to the senior management of the Company.

CORPORATE GOVERNANCE FUNCTIONS

The Board understands that corporate governance is a shared responsibility among all Directors. The Board has delegated the corporate governance functions to the Audit Committee, including:

(i) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

(ii) to review and monitor the training and continuous professional development of Directors and senior management;

(iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(v) to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

During the Reporting Period, the Audit Committee has performed the aforementioned corporate governance functions, and has reported to the Board.

BOARD COMMITTEES

Nomination Committee

The Nomination Committee currently comprises of three members, including one executive Director, Mr. Bai Xuankui (chairman), and two independent non-executive Directors, Mr. Qiu Yongqing and Ms. Gao Jianhua. Therefore, the majority of members are independent non-executive Directors. The major duties of the Nomination Committee include:

(i) review the structure, size and composition (including the skills, knowledge, experience and diversification) of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(ii) identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(iii) make recommendations to the Board on the appointment or reappointment of Directors and succession planning for Directors; and

(iv) assess the independence of independent non-executive Directors.

The Nomination Committee shall assess the candidates or the current candidates according to standards, including integrity, experience, skills, time commitment and dedication, and ability to exercise duties and responsibilities.

The terms of reference of the Nomination Committee is posted on the websites of the Stock Exchange and the Company.

In order to enhance the effectiveness of the Board and corporate governance standards, the Board shall maintain a balance of composition of executive and non-executive Directors (including independent non-executive Directors) to enable high level independence of the Board for effective demonstration of independent judgment. During the Reporting Period, the Nomination Committee held one meeting. Attendance of the Nomination Committee members at such meeting is set out in the following table:

Committee members	Number of meetings attended/held during his/her tenure
Mr. Bai Xuankui	1/1
Mr. Qiu Yongqing	1/1
Ms. Gao Jianhua	1/1

During the Reporting Period, the Nomination Committee has reviewed the structure, size and composition of the Board, made recommendations to the Board on the re-appointment of Directors, and assessed independence of the independent non-executive Directors.

The Company has adopted a board diversity policy and set measurable objectives. The Nomination Committee evaluates the balance and composition of the Board members' skills, experience and diverse points of views. In selection of candidates, the Nomination Committees considers different points of views, including but not limited to age, cultural and educational background, professional and industrial experience, skills, knowledge, ethnicity, other criteria which is crucial to the business of the Company, and the candidate's strengths and contributions to the Board. The Board shall review such measurable objectives from time to time, so as to ensure its appropriateness and the progress towards such objectives.

Remuneration Committee

The Remuneration Committee currently comprises of three members, including two independent non-executive Directors, Mr. Tian Hua (chairman) and Ms. Gao Jianhua, and one executive Director, Mr. Bai Xuankui. Therefore, the majority of members are independent non-executive Directors. The major duties of the Remuneration Committee include:

(i) to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

(ii) to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management. This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

(iii) to make recommendations to the Board on the remuneration of non-executive Directors;

(iv) to ensure that no Director or any of his associates be involved in deciding his own remuneration; and

(v) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group.

The terms of reference of the Remuneration Committee is posted on the websites of the Stock Exchange and the Company.

During the Reporting Period, the Remuneration Committee held one meeting. Attendance of the Remuneration Committee members at such meeting is set out in the following table:

Committee members	Number of meetings attended/held during his/her tenure
Mr. Tian Hua	1/1
Ms. Gao Jianhua	1/1
Mr. Bai Xuankui	1/1

During the Reporting Period, the Remuneration Committee has reviewed the remuneration policy and structure for all Directors and senior management of the Company, reviewed the remuneration of individual Directors and senior management and made recommendations to the Board.

Audit Committee

The Audit Committee currently comprises of three independent non-executive Directors, including Mr. Tian Hua (chairman), Mr. Qiu Yongqing and Ms. Gao Jianhua.

The major duties of the Audit Committee include:

(i) to monitor and review financial statements, annual report and account, interim report and quarterly report (if any)), and review material comments regarding financial reporting as set out therein, and consider any material or unusual items put forward by the internal control department or the external auditor before presenting relevant documents to the Board;

(ii) to review the relationship with the external auditor according to the duties of the auditor, their fees and engagement terms, and to make recommendations to the Board on the appointment, reappointment and removal of the external auditor; and

(iii) to review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and relevant procedures, including resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting functions.

The terms of reference of the Audit Committee is posted on the websites of the Stock Exchange and the Company.

During the Reporting Period, the Audit Committee held two meetings. Attendance of the Audit Committee members at such meetings is set out in the following table:

Committee members	Number of meetings attended/held during his/her tenure
Mr. Tian Hua	2/2
Mr. Qiu Yongqing	2/2
Ms. Gao Jianhua	2/2

During the Reporting Period, the Audit Committee reviewed the annual results of the Group for the year ended 31 December 2020, the interim results of the Group for the six months ended 30 June 2021, the financial reporting systems, compliance procedures, internal control (including the adequacy of resources, staff qualifications and experience, training programmes and budget for accounting and financial reporting functions), risk management systems and process. The Board has not deviated from the recommendation of the Audit Committee on selection, appointment, resignation and removal of external auditor.

The audit committee also reviewed together with the management the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year ended 31 December 2021.

REMUNERATION OF DIRECTORS AND FIVE EMPLOYEES WITH HIGHEST REMUNERATION

Details of the remuneration of the Directors and five employees with the highest remuneration for the Reporting Period are set out in Note 8 and Note 9 to the consolidated financial statements, respectively.

REMUNERATION OF SENIOR MANAGEMENT

During the Year, the remuneration of senior management of the Group fell within the following bands:

	Number of individuals
HK$300,000 or below	3
HK$300,001 to HK$400,000	1

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2021, which gives a true and fair view of the state of affairs of the Group and of the results of its operations and its cashflows.

The Board is supplied with sufficient explanation and information by the management to enable the Board to make an informed assessment of financial and other information put before it for approval.

Saved as disclosed in the section headed "Management Discussion and Analysis" of this annual report and Note 2.1 to the consolidated financial statements, the Board is not aware of any material uncertainties relating to events or factors that may cast significant doubt upon the Group's ability to operate as a going concern.

For details in relation to various uncertainties on the Group's ability to operate on a going concern basis, please refer to the section headed "Management Discussion and Analysis" of this annual report and Note 2.1 to the consolidated financial statements.

The statement by the Company's auditors about their reporting responsibilities on the consolidated financial statements is set out in Independent Auditor's Report on page 299 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for monitoring the risk management and internal control systems, and ensuring the proper maintenance and effectiveness of the risk management and internal control systems. The Board also oversees the management in the design, implementation and monitoring of the risk management and internal systems, and the management provides the Board with confirmation on the effectiveness of the relevant systems. The Board considers that such systems aim at managing, instead of eliminating, the risk of failure in performing business objectives, and merely giving reasonable but not absolute guarantee to the absence of unmaterial fact, statement or loss.

The Board is responsible for the risk management and internal control systems. It performs a review on the effectiveness of the risk management and internal control systems at least once a year. The Company has established an internal control department, which plays an important role in monitoring the risk management and internal control systems of the Group. Through the Audit Committee, the Board continuously reviews the effectiveness of the risk management and internal control systems, including monitoring procedures for finance, operations, compliance, risk identification and assessment, and implementation of risk response measures. The audit procedures include:

(1) the internal control department of the Group assessing the relevant systems;

(2) the management ensuring the maintenance of effective risk management and internal control systems; and

(3) the external auditors discovering internal control problems when carrying out statutory audits.

The management and internal control department, supported by the Board, are responsible for the design, implementation and monitoring of the risk management and internal control systems, as well as reporting to the Board and the Audit Committee.

During the Reporting Period, the management and internal control department reported to the Board and the Audit Committee periodically in relation to the adequacy and effectiveness of internal controls, including but not limited to any indications of failings or material weaknesses in the control procedures.

The following key processes are used to identify, evaluate and manage the Group's significant risks:

(1) the Board and the Audit Committee set up the targets for risk management;

(2) internal control department identifies the risks, which may potentially impact the normal operation of the Company, and analyses the and evaluates the significance of such risks;

(3) the management, internal control and various departments assess the adequacy of existing controls, determine and adopt plans to mitigate the risks;

(4) the management monitors the risk mitigation activities; and

(5) reports regularly to the Board and the Audit Committee.

The Company has adopted policies and procedures for assessing the effectiveness of the risk management and internal control systems, and requiring the management to provide confirmation to the Board periodically on the effectiveness of the systems. The Board has also established a set of reporting procedures, whereby employees, customers, suppliers and other cooperative partners can report any actual or suspected occurrence of misconduct involving the Group, and for such matters to be investigated and dealt with efficiently in an appropriate and transparent manner.

The Company strictly regulates the handling and dissemination of inside information to ensure such information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made.

During the Reporting Period, the management and internal control department have performed extensive assessments on special risks faced by the Group and conducted a review on the effectiveness of the risk management and internal control systems of the Group. The Board and the Audit Committee were not aware of any areas of concern that would have material impact on the Group's financial position or operating results, and considered the risk management and internal control systems to be generally effective and adequate, including the adequacy of resources, staff qualifications and experience, training programs and budget of the accounting and financial reporting functions.

NON-COMPETITION UNDERTAKING

Mr. Bai Xuankui, Mr. Bai Guohua, Ms. Cheng Guilian, White Dynasty Holdings Limited and White Empire (PTC) Limited, the controlling shareholders of the Company, have confirmed in writing with the Company that they have complied with the undertakings under the Deed of Non-competition during the year ended 31 December 2021.

The independent non-executive Directors have also reviewed the compliance with the undertakings under the Deed of Non-competition by the abovementioned controlling shareholders during the Reporting Period and confirmed that there was no breach of undertakings under the Deed of Non-competition by any of the controlling shareholders of the Company.

AUDITOR'S REMUNERATION

For the year ended 31 December 2021, the audit services fees payable to its external auditor, Ernst & Young, amounted to RMB2.15 million. No non-audit services fee was incurred.

COMPANY SECRETARY

To maintain sound corporate governance and ensure the compliance with the Listing Rules and applicable Hong Kong laws, the Company engaged Ms. Ng Wing Shan, the assistant vice president of SWCS (company secretarial services provider), to act as the company secretary of the Company during the Reporting Period, and her primary contact person at the Company is Mr. Bai Guohua, an executive Director.

According to the requirements of Rule 3.29 of the Listing Rules, Ms. Ng Wing Shan took no less than 15 hours of relevant professional training during the Reporting Period.

SHAREHOLDERS' COMMUNICATIONS AND INVESTOR RELATIONS

The Company believes that effective communication with Shareholders is very important for strengthening investor relations and allowing investors to understand the Group's business, performance and strategy. The Company is also convinced of the importance of timely and non-selective disclosure of Company information for Shareholders and investors to make informed investment decisions.

The annual general meeting of the Company provides opportunities for Shareholders to communicate with the Directors directly. Chairman of the Board and chairmen of each Board Committee will attend the annual general meeting and answer questions raised by the Shareholders. The external auditor will also attend the annual general meeting and answer questions regarding audit work, preparation of auditor's report and its content, accounting policies and independence of auditor.

To promote effective communication, the Company has adopted the Shareholders' communication policy, with a view to establishing relationship and communication between the Company and its Shareholders. A website (www.chen-xing.cn) is also established. The Company shall post on its website updated information related to its business operations and development, financial information, corporate governance practices and other information for the review of the public.

SHAREHOLDERS' RIGHTS

For the protection of Shareholders' benefits and rights, the Company shall propose separate resolutions for each question (including the election of each Director) at a general meeting.

All resolutions proposed at a general meeting shall be voted on by poll according to the Listing Rules, the results of which shall be posted on the websites of the Stock Exchange and the Company after the date of the general meeting in due course.

CONVENING OF EXTRAORDINARY GENERAL MEETING AND THE PROPOSAL OF RESOLUTIONS

Pursuant to Article 58 of the Articles of Association, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company. The procedures for Shareholders to convene an extraordinary general meeting are set out in the document entitled "Procedures for Shareholders to Convene a General Meeting", which is posted on the Company's website.

The Articles of Association and the laws of the Cayman Islands do not stipulate the procedures for Shareholders to propose resolutions at annual general meetings. Should the Shareholders wish to propose resolutions, they may refer to the "Procedures for Shareholders to Convene a General Meeting".

Regarding the procedures for nomination of Directors, please refer to "Procedures for Shareholders to Nominate Candidates for Directors" posted on the website of the Company for details.

ENQUIRY TO THE BOARD

Shareholders may send by email to the Company's email address (cxfz@chen-xing.cn) or by post to the Company's principal place of business in Hong Kong (40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong) to raise enquiries regarding the Company to the Board.

AMENDMENT TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION

The Company has not made any amendments to the Company's memorandum and articles of association during the Reporting Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

Chen Xing Development Holdings Limited ("**Chen Xing Development**" or the "**Company**") and its subsidiaries (the "**Group**" or "**we**") is pleased to release the Environmental, Social and Governance Report (the "**ESG Report**" or this "**Report**"), which outlines the principles and sustainability philosophy we uphold in fulfilling our corporate social responsibility and describes our vision and practice of social responsibility. The Board has reviewed and approved this Report.

REPORTING STANDARDS

This Report has been prepared in compliance with Appendix 27 — "Environmental, Social and Governance Reporting Guide" (the "**Guide**") of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the content covered has complied with the "comply or explain" provisions of the Guide and the requirements of the four reporting principles (materiality, quantitative, balance and consistency). An index to the Guide is included in the final chapter of this report to facilitate quick reference to the contents of this Report.

Materiality	We have identified and disclosed in the report the processes and criteria for key ESG issues. We have also identified and disclosed key stakeholders, the process and results of stakeholder engagement in the report.
Quantitative	We have disclosed the statistical criteria, methods, assumptions and/or calculation tools used to compile the key performance indicators (KPIs) and the source of the conversion factors.
Balance	This Report presents the Group's performance for the reporting period in an unbiased manner, avoiding selections, omissions or presentation formats that may inappropriately influence the decisions or judgements of the reader of the report.
Consistency	We have used consistent statistical disclosure methods throughout this report. If there are any changes to the statistical methodology or key performance indicators or any other relevant factors that affect meaningful comparisons, we will make this clear in the this Report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SCOPE OF THE REPORT

This Report describes the Group's policies, initiatives and KPIs relating to the sustainable development of its core business for the period from 1 January 2021 to 31 December 2021 (the "**Year**" or the "**Reporting Period**"). Unless otherwise stated, this Report covers the scope of the Group's annual report for the Year and the data of environmental KPIs are collected from the Group's head office building in Jinzhong City, Shanxi Province as well as the subsidiary projects in Taiyuan City.

LANGUAGE OF THE REPORT

This report is issued in both traditional Chinese and English. In case of discrepancies, the traditional Chinese version shall prevail.

REPORT APPROVAL

This report was approved by the Board of Directors on 31 March 2022 after confirmation by the management.

REPORT FEEDBACK

We value your views on this Report and if you have any enquiries or suggestions, please feel free to contact us via email: cxfz@chen-xing.cn.

AWARDS AND HONOURS

With the development direction of the brand vision of "Healthy Living Service Provider", Chen Xing Development has continuously strengthened its core competitiveness and gradually shifted from a single traditional property developer to a pan-industrial property model with diversified business formats, striving to achieve leapfrog development with higher quality products and services.

This Year, Chen Xing Development has won a number of industry accolades and has achieved significant development in terms of product upgrade, business expansion and service optimisation. We keep abreast of the times and have been working diligently on key regions and products with an innovative spirit. We have been making great efforts to upgrade our property structure according to the positioning of different projects, upgrading our projects through four stages, from houses, to courtyards, condominiums and artworks.

Awards and Honours	Awarding Organization
Selected as one of the "Top 500 China Real Estate Development Enterprises in Terms of Overall Capabilities" in 2021	China Real Estate Development Enterprises Top 500 Overall Capabilities
"Outstanding Contribution Award" for economic contributions in 2021	Working Committee of Mianyang Technology City New District Management Committee of Mianyang Technology City and New District
Mianyang Real Estate Industry Annual Review — "Real Estate Worth Look Forward to in 2021" Project: Mianyang — Jinhutingyuan (金湖庭院)	Association of Mianyang Real Estate Industry
Humanistic Model Property of the Year 2021 Project: Chenxing. Yijun (辰興 • 頤郡)	The 14th Annual Shanxi Real Estate Gala

SUSTAINABLE DEVELOPMENT STRATEGY

Statement by the Board of Directors

The Group deeply believes that a robust and sustainable governance framework is critical to our corporate development. The Board has ultimate responsibility for overseeing the Group's ESG issues, reviewing the overall ESG direction, objectives, performance, materiality assessment, prioritisation of ESG issues and management of ESG issues, as well as regularly reviewing the progress of environmental objectives and determining the setting of environmental targets. We have established an ESG Governance Framework and an ESG Working Group to integrate our ESG concerns into our day-to-day operations and practice sustainability governance.

Sustainability Governance

In order to implement sound ESG governance to enhance the Group's sustainability performance, the Group has established a sound ESG governance structure with a three-tier working mechanism comprising the decision-making level, the organisational level and the executive level. We have established an ESG Working Group led by senior management and delegated by the Board to perform its duties, to assist the Board in its ESG work in relation to the Group's ESG management approach, strategy and objectives, in order to maximise the effectiveness of ESG governance.

Decision-making Level: the Board of Directors

- Take full responsibility for ESG strategy and reporting
- Decide and approve the Group's ESG strategy, key ESG issues and ESG risk management

Organisational Level: ESG Working Group

- Report regularly to the Board and senior management on ESG-related issues and progress
- Develop the Group's ESG strategy for the Board's approval and drive its implementation
- Continuously track and review ESG-related performance and progress against targets to ensure that all ESG issues are properly managed and implemented

Executive Level: ESG-related Departments

- Collect and report on internal ESG policies, systems and ESG-related performance indicators
- Report regularly to the ESG Working Group

Stakeholder Engagement

The Group attaches great importance to the stakeholders' opinions and is committed to create value for all stakeholders. During the Year, our key stakeholders include customers, employees, shareholders/investors, business partners, regulatory authorities, suppliers, media and community/non-governmental organizations. We maintained continuous communication with various stakeholders through the following channels to understand their areas of concerns, which can be used as a reference for us to formulate the short-term and long-term sustainable development strategies.

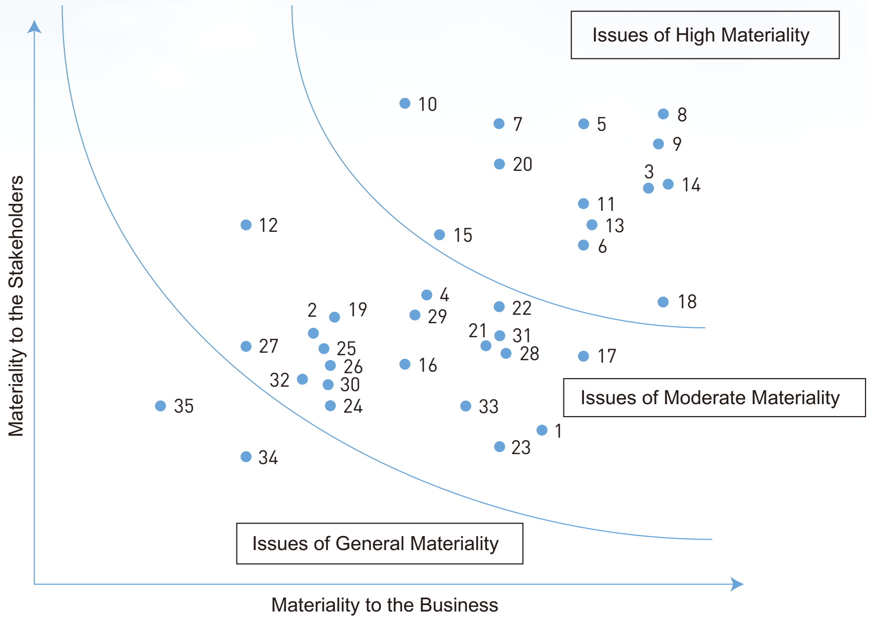
Stakeholders	Communication Channels
Customers	• Customer service centre • Online service platform • Customer satisfaction survey and feedback form • Daily operation/communication • Customer relations manager visits • Telephone • Email
Employees	• Work performance meetings • Labor union meetings • Special advisory committee/discussion panel • Face-to-face meetings • Employee intranet
Shareholders/investors	• Annual general meetings and other shareholders' meetings • Interim reports and annual reports • Senior management/investor meetings • Corporate correspondence • Result announcements • Shareholders' visits
Business partners	• Meetings • Strategic cooperation projects • Reports • Visits
Regulatory authorities	• Compliance reports • Written replies to public inquiries • Meetings

Stakeholders	Communication Channels
Suppliers	• Supplier management procedures • Supplier/contractor assessment system • Meetings • On-site visits
Media	• News releases/press conferences • Result announcements • Media gatherings
Community/ non-governmental organizations	• Community activities
Public	• Donations • Seminars/lectures/workshops • Meetings

Materiality Assessment

As there were no significant changes in the Group's strategic direction and business development of its operations during the Year, this Report follows the 35 ESG issues related to the Group's business identified in the materiality results for 2020, the 13 issues of high materiality, 20 issues of moderate materiality and 2 issues of general materiality identified in the previous year. These material issues are disclosed in this Report. The ESG Working Group and the management confirmed that the results for 2020 remain relevant for the current year.

Materiality Matrix of Chen Xing Development



1 Economic performance
2 Market competitiveness
3 Compliance with laws and regulations
4 Responsible procurement
5 Quality control
6 Technology development and application
7 Customer health and safety
8 Service commitment
9 Protection of customers' privacy
10 Customer satisfaction
11 Anti-corruption
12 Whistle-blowing mechanism
13 Complaint handling and responding mechanism
14 Protection of intellectual property right
15 Product labelling
16 Employment rights
17 Labour relations
18 Occupational health and safety
19 Employee diversity, non-discrimination and equal opportunity
20 Prevention of child labour and forced labour
21 Employee training and development
22 Employee professional conduct
23 Energy efficiency
24 Greenhouse gas emission
25 Water efficiency
26 Exhaust emission
27 Sewage discharge and treatment
28 Waste disposal
29 Use of materials
30 Climate change
31 Employee environmental awareness
32 Biodiversity
33 Green building
34 Attention to community
35 Community investment and involvement

Operating with Integrity

Chen Xin Development is committed to becoming a first-class health and lifestyle service provider in China, and operate our business with the core value of "Building a Brand Name with Good Faith and Improving Earnings through a Quality Brand". We have established a comprehensive internal control system to ensure compliance throughout our business operations, in order to continuously enhance the value of our brand. During the Reporting Period, there was no breach of relevant laws and regulations that had a material impact on the Group in respect of health and safety, advertising, labelling and privacy matters as well as remedies for the products and services provided.

Quality Products and Services

We are committed to providing our customers with exquisite, detailed and precise construction quality in project development. Therefore, the Group has fully implemented the "sample-leading" system. We require the production of a sample prior to the commencement of construction, and the sample must be accepted by all parties before it can be rolled out on a large scale, and the work after it is rolled out must not fall below the standard of the sample. This is to ensure that the project is built to the satisfaction of our customers.

In addition, the Group has also established a construction progress management system to ensure that a progress plan is drawn up before each construction project commences, so as to effectively control the orderly progress of construction. We endeavour to shorten the construction cycle as much as possible while ensuring the quality of our projects. In this regard, we have entered into "Construction Works Supervision Contracts" (《建設工程委託監理合同》) with the construction supervision and management unit, which requires the construction supervision and management unit to enter the construction sites on time during the construction stage in accordance with the contracts.

The group strictly implements the inspection and acceptance requirements specified in the national standards, and has formulated the "Engineering Construction Quality Standards and Construction Acceptance Methods" (《工程施工質量標準及施工驗收辦法》) to provide standards for relevant quality control, material inspection and equipment acceptance, and for monitoring the quality of engineering construction. After the phased construction of a project is completed, we will timely summarise the construction quality and management of the phased construction, and prepare a summary report as a case reference for the next phase construction or the next construction project, providing a base for the continuous improvement of management level and construction quality.

We value our customers' opinions and are committed to bringing the customers a high level of product and service experience. After the completion of a project, the customer service department and engineering department of the Group, the supervision company, the construction contractor and the property management company will accompany the owner to the site for inspection. If there is a need for after-sales refurbishment, we will follow up on any problems identified during the acceptance process in accordance with the "Operation Instructions for Building Maintenance Management during Warranty Period" (《保修期內房屋維修管理作業指導書》). One year after the project has been delivered for use, the customer service department will pay a return visit to the residents and conduct a questionnaire survey on the quality and functionality of the residential property to ensure the quality of the products and services.

To enhance the day-to-day management of projects, we have strengthened the liaison between the Property Services Centre and our customers by establishing the "System for Receiving Incoming Complaints and Regular Return Visits by Property Services Centre" (《物業服務中心接待來訪投訴和定期回訪制度》) to collect customers' views through different channels. We proactively handle complaints and feedback from our tenants. Our reception staff will investigate, verify and record the results in a timely manner and provide feedback to the responsible departments. Regular visits are also conducted by our dedicated personnel to ensure that customer complaints are properly addressed and that our services are continuously improved.

During the Reporting Period, there were no projects of the Group rejected for safety reasons and no service complaints were received from our customers. The customer service approval rating has reached 92%.

Safe Production Management

The Group upholds the principle of "Safety is First, Precaution is Crucial" and strictly abides by laws and regulations such as the Law of the People's Republic of China on Work Safety (《中華人民共和國安全生產法》). We have launched a safety management programme to identify potential sources of hazards and evaluate their risks. We have also established occupational health and safety management objectives, a project safety management system and an occupational safety education and training system.

The Group follows the principles of compliance and safety in production and has obtained work permits for all projects. We have put in place regular safety management measures by placing warning signs at potential access points and potentially hazardous areas around the site to remind the workforce to be aware of safety and be vigilant of dangerous conditions at all times. Pre-shift safety activities and inspection of protective equipment are carried out daily by the construction team. We have also arranged safety personnel to conduct safety inspections and keep records of daily inspections at the construction sites, as well as to guide and supervise project safety management and provide relevant support. In addition, we have also formulated the "Emergency Plan for Project Site Safety" (《項目現場安全應急預案》), which specifies the production safety responsibilities of each unit to ensure that timely measures can be taken to prevent casualties in the event of an accident.

The Group complies with the Fire Services Law of the People's Republic of China (《中華人民共和國消防法》) and relevant regional regulations to enhance fire safety management at construction sites and eliminate potential fire hazards. We have established a sound fire safety management organisation and organised a fire safety leadership team and a fire rescue team to take charge of the daily fire safety work and carry out the filing to local fire safety supervision authorities. We have promoted the concept of "fire safe working environment" and implemented the "Project Site Fire Safety Plan" to regulate the work related to open flame work, storage of flammable materials and the provision of fire-fighting equipment.

Safeguarding Information Security

The Group is committed to fully safeguarding the integrity of its business information and strictly complies with the laws and regulations relating to information security such as the Regulations of the People's Republic of China on the Security Protection of Computer Information Systems (《計算機信息系統安全保護條例》), the Administrative Measures for the Security Protection of the International Network of Computer Information Networks (《計算機信息網絡國際聯網安全保護管理辦法》), the Regulations on Technical Measures for Internet Security Protection (《互聯網安全保護技術措施規定》), the Requirements for Security Protection of Interactive Internet Services (《互聯網交互式服務安全保護要求》) and the Basic Procedures and Requirements for Security Assessment of Internet Services (《互聯網服務安全評估基本程序及要求》).

In order to effectively manage information security, we have formulated the "Information Management System" (《信息化管理制度》) and the "Document Management System of the Marketing Department" (《營銷部檔案管理制度》) to regulate the management of server rooms, management of computers and network equipment, information management, network security management, and the code of conduct for computer operators in information handling. We have also implemented rights management by setting up the duties and access rights of records management personnel in the information systems, including server room management, computer and network equipment management, information management, network security management, and computer operators. We have set out in our Employee Handbook (《員工手冊》) the responsibility of all employee to maintain the confidentiality of the Group's trade secrets and customer information, and regard the employee's confidentiality of information as a basic professional conduct. To prevent information leakage, we also protect our computers by setting up firewalls and signing confidentiality agreements with third-party companies, requiring them to conduct regular information security checks and carry out stringent file security management.

We strictly manage the disclosure of business information and comply with the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》), the Patent Law of the People's Republic of China (《中華人民共和國專利法》), the Detailed Rules for the Implementation of the Patent Law of the People's Republic of China (《中華人民共和國專利法實施細則》), the Trademark Law of the People's Republic of China (《中華人民共和國商標法》), the Copyright Law of the People's Republic of China (《中華人民共和國著作權法》), Provisions on the Release of Real Estate Advertisement (《房地廣告發佈規定》) and other relevant regulations. In order to safeguard the integrity of our brand, the Group rejects any use of false and misleading trade descriptions to deceive customers. We handle matters relating to advertising with care and have formulated the "Administration of the Release of Advertisement" (《廣告發佈管理辦法》) to regulate the approval procedures for various marketing promotions to ensure that complete, true and accurate information is conveyed to the public in advertisements.

In addition, we are committed to protecting the Group's trademark rights and the intellectual property rights of our business partners, including patents, trademarks and copyrights. Employees are required not to infringe on the intellectual property rights of others. If any violation is found, the Group will first seek to resolve the matter through negotiation and reserves the right to pursue legal action.

Anti-Corruption Operations

The Group acts with integrity and attaches great importance to brand integrity and business ethics. It strictly complies with the laws and regulations relating to integrity operations, such as the Supervision Law of the People's Republic of China (《中華人民共和國監察法》), the Company Law of the People's Republic of China (《中華人民共和國公司法》), the Criminal Law of the People's Republic of China (《中華人民共和國刑法》) and the Anti-Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》), and has launched a comprehensive anti-corruption campaign.

To guard against the risk of corruption, we have formulated the "Integrity Agreement" (《廉政公約》) and the "Probity Agreement" (《廉政協議書》), requiring the employees and third party companies to sign and abide to relevant rules and regulations, which strictly prohibit all acts that violate business ethics, such as accepting gifts, bribes or various forms of payments or gifts, as well as the introduction of relatives and friends to engage in economic activities related to the Group's business, such as equipment supply, subcontracting of works, etc. during the procurement and tendering process. To enhance the integrity of the Group, we have strengthened our internal controls and commenced integrity monitoring and ethics education for our directors and employee during the Year.

To monitor the Group's integrity, we encourage our employees and those who have business dealings with the Group to report possible corruption and malpractice within the Group through channels such as email, telephone and letter, so that any misconduct can be identified and rectified in a timely manner. Any violations will be dealt with seriously. During the Reporting Period, the Group was not aware of any litigation involving the Group or its employees in relation to bribery, extortion, fraud or money laundering.

During the Reporting Period, there were no corruption-related litigation cases and no violations of relevant laws and regulations that have a significant impact on the Group's operations.

Supply Chain Management

The Group understands that a sustainable supply chain is closely related to the stable and healthy development of its business. The Group attaches great importance to supplier management in order to manage environmental and social risks in the supply chain and strictly complies with the Tendering and Bidding Law of the People's Republic of China (《中華人民共和國招標投標法》), the Regulations on the Implementation of the Tendering and Bidding Law of the People's Republic of China (《中華人民共和國招標投標法實施條例》) and other laws and regulations.

We have established a standardised tendering process to select suppliers based on the principles of fairness, impartiality and transparency. In selecting suppliers, we understand their business nature and basic operations, and examine their compliance and performance in areas such as environmental protection, labour management and occupational safety and health. We require all suppliers to comply with the laws and regulations of the countries in which they operate. On the environmental front, we require suppliers to make efforts to protect the environment and minimise the environmental impact of their operations, and encourage them to implement green procurement. In terms of social and governance aspects, we require suppliers to prohibit the employment of workers below the legal working age, to refrain from any form of unethical behaviour such as corruption and bribery, and to provide a healthy and safe working environment for their employees.

To effectively monitor the performance of our suppliers, the Group conducts regular follow-up evaluations. We conduct quality inspections or on-site inspections of material suppliers to evaluate the management level of the supervision company, the quality of the supervising engineers and their work, etc. The Group also rates suppliers' commitment and performance in areas such as product quality, environmental protection, occupational safety and health, etc., by assessing whether they are qualified for certification such as the ISO 9001 Quality Management System, whether they have extensive experience in similar projects, and their ability to fulfil their responsibilities in accordance with regulatory requirements. We also continue to focus on the sustainability performance of our suppliers and their fulfillment of social responsibility to ensure that the suppliers we select are in line with their businesses and that they are socially and environmentally responsible, working together with the Group to promote a sustainable supply chain.

During the Year, we had 22 major suppliers located in Shanxi, providing products and services in the areas of building components, electromechanical supplies, and finishing.

PEOPLE-ORIENTED CORPORATE CULTURE

The Group values the contribution of each and every employee and recognises the importance of our employee in maintaining a stable and healthy business development. We actively implement a "people-oriented" human resources management system to provide our employees with opportunities for personal development and a working environment in which they can progress together.

Respect for Employee Rights

The Group strictly abides by the laws and regulations in relation to labour and employment including the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), the Law of the People's Republic of China on the Protection of Minors (《中華人民共和國未成年人保護法》), the Provisions on the Prohibition of Using Child Labour (《禁止使用童工的規定》). We have put in place a sound human resources management system to ensure fair treatment in the recruitment, promotion and benefits of our employees. We strictly prohibit any discrimination on the basis of gender, age, ethnicity and cultural background to create for our employees a diverse and equal, and a harmonious and inclusive work environment which is free from harassment or discrimination.

We have established a standardised recruitment process and we have conducted processes such as candidate assessment, background checks and application approval in a fair, impartial and open manner. We take the candidate's education, work experience and skills as the main consideration of recruitment assessment, and reject any discrimination. We strictly prohibit the employment of child labour and we strictly verify the identity of new employees during the recruitment process. We also implement a standard working hour system, requiring all employees to work no more than eight hours a day and no more than 40 hours a week, in order to eliminate forced labour or exploitation. Any non-compliance will be dealt with seriously.

With regard to the management of employee termination, we respect the departure of employees, understand their reasons for leaving, and terminate employment relationships in accordance with the relevant provisions of the Labour Law of the People's Republic of China and the Labour Contract Law of the People's Republic of China to prevent unfair or unreasonable incidents from occurring.

During the Reporting Period, there were no cases of non-compliance in relation to remuneration and dismissal, recruitment and promotion, working hours, equal opportunities on leave, diversity, anti-discrimination, other treatment and benefits, employment, employment of child labour or forced labour.

Safeguarding the Well-being of Employees

The Group regards its employees as our greatest asset. To attract, motivate and retain talented people, we offer attractive and competitive remuneration packages and benefits. We strictly comply with the Labour Law of the People's Republic of China and relevant regulations in other places of operation, and we have formulated the "Chen Xing development Salary System Design Plan" (《辰興發展薪酬體系設計方案》) and the "Employee Welfare System" (《員工福利制度》) to provide fair and competitive remuneration and benefit packages for our employees.

In terms of remuneration, the remuneration of our employees consists of basic wages, appraisal wages, performance wages and seniority wages. To recognise the contribution of our employee, we pay them seniority pay according to the time they have served the Group and pay them appraisal pay and performance pay with reference to their performance appraisal results to ensure that they are reasonably remunerated. In terms of leave, our employees are entitled to annual leave, wedding leave, funeral leave, maternity leave, sick leave and work injury leave, in addition to statutory holidays. In terms of benefits, the Group complies with the national policies of China and provides eligible employees with basic pension insurance, unemployment insurance, basic medical insurance, large-amount medical insurance, work injury insurance, maternity insurance and housing provident fund. We also provide our employees with one-child allowance, high temperature allowance, fire allowance, allowances for working under high temperature, heating fees and allowances for working in the Mid-Autumn Festival and the Chinese New Year and other benefits, satisfying the needs of our employees in all respects.

Occupational Health and Safety

We place the health and safety of our employees as our top priority and are committed to providing a safe, healthy and secure working environment for the employees. For that purpose, we strictly comply with relevant laws and regulations such as the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》), the Law of the People's Republic of China on Work Safety (《中華人民共和國安全生產法》), the Fire Law of the People's Republic of China (《中華人民共和國消防法》), the Regulations on Supervision and Administration of Occupational Health in Workplace (《工作場所職業衛生監督管理規定》), and the Regulation on Work Related Injury Insurances (《工傷保險條例》). During the Reporting Period, the Group did not receive any complaint or involve in any litigation regarding the breach of health and safety related laws nor was there any case of work-related fatality in the past three years.

We have instilled the safety concept of "Safety is first, Precaution is Crucial and Comprehensive Rectification" in all construction personnel. We adopt various forms of safety education and training, including on-site safety education meetings, centralised lectures, slide shows, publicity posters and assessment tests. We also provide pre-service safety education for new workers and induction training for specialised workers to enhance their safety prevention capabilities. We have formulated documents such as the "Construction Safety Inspection Standards" (《建築施工安全檢查標準》) and "Safety Operation Procedures for Various Types of work" (《各工種安全操作規程》) to standardise the contents of safety education and training, including general knowledge of construction safety, knowledge of electricity safety, first-aid and induction training for special operators.

In addition, we implemented the"Requirements for Environmental Protection and Occupational Health and Safety Control in Construction Processes" (《施工過程環保和職業健康安全控制要求》) to ensure that occupational safety management is implemented thoroughly in our business operations. In addition, the Group pays close attention to the health of our employee. During the Year, the Group organised medical check-ups for employee at the head office, helped them identify and deal with various accident risks, and organised a hiking activity for young employee in the Jinzhong region to promote a healthy lifestyle for our employee.

Case: Pandemic Prevention and Control

We closely monitored the latest development of the novel coronavirus (COVID-19) pandemic and strictly complied with the pandemic prevention and control decisions of the State Council of the People's Republic of China to properly prevent and control the pandemic.

We actively explored business development and company operation modes under the condition of extended period of pandemic. To minimise the risk of infection, we arranged flexible working hours for our employee, made use of flexible methods such as telephone and internet video for work meetings, and supported employee affected by the pandemic to work remotely. We have strengthened the cleaning and disinfection of office premises, strictly controlled access to office premises, and constantly monitored the body temperature of our employee who have returned to work in order to protect the health of the employees. At the same time, we addressed to the needs of the frontline employee who had to work on-site in their posts and projects, and provided them with adequate supplies such as masks, disinfectant sprays and hand sanitizers to ease their concerns about pandemic prevention supplies.

Training and Development

Talented people are essential to the long-term and stable development of the Group. We care about the development and growth of our employee within the Group and have established a sound employee training system and a series of smooth promotion and development steps to promote the common development of our employee and the Group, with an aim to enhance the Group's core competitiveness.

The Group conducts online training for employee through the conferencing function of our corporate WeChat application. We have formulated annual employee training plans and diversified training contents based on business development needs and objectives, covering fire safety training, computer skills training, executive experience sharing, corporate culture training, etc. to enhance the overall quality of our employee's work skills and career development capabilities.

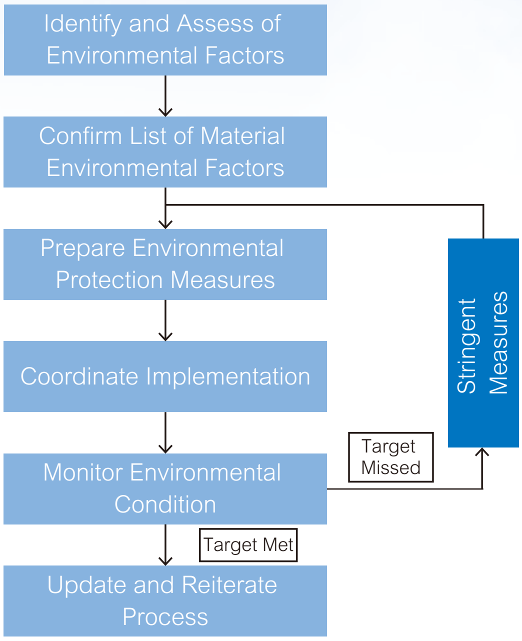
Computer skills training

We value the contribution of our employees and have therefore formulated the "Administration Measures of Employee Promotion Competition for Chen Xing Development" (《辰興發展員工晉升競聘管理辦法》) for the implementation of a comprehensive performance management system to assess the personal qualities and abilities of the employees and their achievements in the workplace as a basis for promotion. When there is a need for a position, we will first consider internal promotion to provide an alternative career path for our employee other than vertical promotion. We also respect our employee's career development aspirations and encourage them to move into different career paths according to their expertise and work skills, providing a platform for the employees to develop their full potential.

ENVIRONMENTAL MANAGEMENT

The Group upholds the concept of "Co-existence of Building and Greenery, Harmony between Development and Ecology", and actively undertakes environmental responsibility, continuously identifies and manages the impact of business operations on the application of resources and the environment, and strives to enhance its green operations. We strictly comply with laws and regulations including the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Energy Conservation Law of the People's Republic of China a (《中華人民共和國節約能源法》), the Law of the People's Republic of China on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), the Law of the People's Republic of China on Prevention and Control of Pollution from Environmental Noise (《中華人民共和國環境噪聲污染防治法》), the Solid Waste Pollution Prevention and Control Law of the People's Republic of China (《中華人民共和國固體廢物污染環境防治法》) and the Regulations on Environmental Protection Management of Construction Projects (《建設項目環境保護管理條例》). During the Reporting Period, the Group did not violate any laws relating to environmental protection or cause any major incidents affecting the environment and natural resources, nor did it receive any notice of penalties or litigation in relation to environmental protection.

We have established a robust environmental management system and set up an environmental protection management team to regulate the environmental assessment of development projects and the environmental acceptance of completed projects, as well as to identify the environmental factors of development projects with potential impact on the environment. In order to monitor the environmental quality of development projects, we have formulated environmental management objectives, as well as institutional documents such as the Environmental Protection Management System for Construction Projects (《建設項目環境保護管理制度》) and the Management Provisions on Code of Ethics at Project Sites (《工程現場文明標化管理規定》), to standardise the environmental management process and ensure that environmental management work is carried out in an orderly manner. We have established an environmental protection and environmental hygiene management and inspection system at the construction site, and have arranged for dedicated personnel to be responsible for inspection and record-keeping. We have strengthened the education, training and assessment of construction site personnel on environmental protection, environmental hygiene and other relevant laws and regulations.



Environmental Management Flow

Green Building

Leveraging on our strengths in the property development industry, the Group has been exploring the low-carbon development of green buildings with our expertise. We are committed to creating green properties and working with our tenants to build sustainable green spaces. We have compiled the "Design Concept Brochure for Green Building Projects" (《綠色建築項目的設計概念小冊子》), which provides industry standards as a reference for green building design, covering use of natural light, lighting, energy saving, water conservation and site selection to achieve quality constructions that are in harmony with the nature. We use highly efficient thermal insulation materials and equipment in our projects, and where possible, we adopt designs that integrate with the nature, such as the use of natural light, extensive use of vegetation, and the use of solar hot water systems to improve energy efficiency and manage greenhouse gas emissions.

Case — "Transformation Project of Chengzhong Village in the Nanliubao and Beiliuiubao Community, Jinzhong Economic Technology Development District"

Impact on the natural environment	• "Site Inspection Report" and "Environmental Impact Assessment Report" have been conducted for the project, and there is no threat of flooding, debris flow and radon soil within the construction site
Energy saving and emission reduction	• Low temperature radiant floor heating system is adopted • Separate meters for different electricity distribution systems have been set up for different functions (e.g. residential, commercial network) to account for separate components of energy consumption such as power and lighting • Enhance the management of the lighting system of the project by setting standard, target and current values of lighting density for different rooms or venues
Water saving	• Solar hot water system used for domestic hot water • Adopt zonal water supply, pressure reduction and flow restriction to limit the pressure of water supply at each point of water usage • Implement efficient and water-saving green irrigation methods such as sprinkler irrigation and micro-irrigation • Water meters are set up according to the use and leakage detection requirements of the pipe network, and for different uses and different units of payment for public buildings, landscaping and irrigation. Water meters are provided for each residential unit in residential buildings • Separated rainwater and sewage systems are adopted, with domestic sewage discharged into the outdoor sewage network and then discharged into the municipal sewage network after treatment by septic tank. Rainwater on the ground is discharged into the municipal rainwater network by using green space infiltration and soakaway surface methods; rainwater from the roof is collected and recycled
Material utilization	• Nationally and regionally banned and restricted construction materials and products are not used

Construction Environmental Management

The Group strictly complies with the "Integrated Wastewater Discharge Standard (《污水綜合排放標準》), "Methods for Measuring Noise at Construction Sites" (《建築施工場界噪聲測量方法》) and "Taiyuan City Emergency Plan for Weather of Heavy Pollution" (《太原市重污染天氣應急預案》) and other regulations relating to construction dust pollution, sewage discharge, noise management and construction waste. We have formulated measures to achieve energy, water, material and environmental protection in the construction process in accordance with the requirements of the Green Construction Guidelines (《綠色施工導則》) as follows:

Air Quality Management	
Construction Dust	To reduce dust emission during construction: • Adopt the new technology "Triple Protection — Heat, Flame and Dust-proofed Cloth" instead of the traditional green mesh covering construction materials • Use new equipment for woodwork — "Integrated Woodworking Processing Machine" • Carry out rust removal from steel structures in enclosed spaces
	To prevent wind-borne dust: • We require contractors to ensure that cement storages on site are kept closed, powered building materials are stored in bags or barrels with covers or separated with fences or stacked in work sheds
	To control the spreading of dust: • The contractor will clean up the construction site in a timely manner and will control the spreading of dust by having dedicated workers who regularly spray water on the surface of powdered materials on the construction site
Transportation Dust	To reduce dust from transportation: • We grow plants in the green area of the worksite, spray water on the roads regularly and require vehicles entering and leaving the site to be covered with tarpaulins • We strengthen the maintenance of all vehicles to ensure performance and use efficient fuels to reduce exhaust emission

Construction Site Waste Water		
Sewage from toilet	•	The sewage from the toilets is directed to the septic tank before being discharged into the on-site sewage network; the project environmental manager is responsible for liaising with the local sanitation department to clean the septic tank on a regular basis
Washout waste water	•	The water from rinsing vehicles is collected and settled in sedimentation tanks, after which the water is sprinkled on the site for dust reduction, etc.

Noise and Vibration Control

- Contractors are required to take responsibility for noise management
- The working hours for noise-intensive works are strictly controlled in densely populated areas
- Low-noise and low-vibration machinery are used; noise and vibration isolation measures are adopted
- Real-time noise monitoring and control are carried out at the construction sites

Construction Waste Control		
Liquid wastes	•	Store in containers and remove from site in a timely manner in accordance with local regulations
High-rise wastes	•	Use mobile, sealed containers for storage, and no toxic or hazardous materials are allowed to use for backfilling

Green Office

To further reduce the potential environmental impact of the Group's operations, we have set initial targets for the year by strengthening our efforts to identify green operations and to manage our energy, water, waste and greenhouse gas emissions in a holistic manner.

Environmental Aspect	Target
Greenhouse gas emissions	According to the Group's energy conservation initiatives, which is being actively pursued, the intensity of greenhouse gas emissions will be maintained or progressively reduced in the future compared to 2020 at a similar level of operation.
Energy efficiency	In accordance with the Group's energy conservation initiatives, which is being actively pursued, the intensity of electricity consumption will be maintained or progressively reduced in the future compared to 2019 at a similar level of operation.
Water use efficiency	In accordance with the Group's water conservation initiatives, which is being actively pursued, the intensity of water consumption will be maintained or progressively reduced in the future compared to 2019 at a similar level of operation.
Waste reduction	In accordance with the Group's material conservation initiatives, which is being actively pursued, the intensity of waste generation will be maintained or progressively reduced in the future compared to 2018 at a similar level of operation.

Energy Saving and Emission Reduction

The Group understands that the natural resources and energy consumed in the construction and operation of buildings is one of the major sources of greenhouse gas emissions. Apart from enhancing energy efficiency in green buildings[1], we have also actively implemented energy saving and consumption reduction measures in green offices to optimise the use of energy in offices.

Taking into account the actual lighting requirements, the Group has divided the office into different lighting zones, installed independently controllable lighting switches and installed motion sensor lights in infrequently used areas to reduce the number of lights in locations with lower demands of lighting. To enhance energy efficiency in the office, we have adopted a water-cooled air-conditioning system with variable speed drives to regulate and control the air-conditioning temperature in the office areas according to the actual demand, and regularly clean the filters of the lighting fixtures and air-conditioning system to prevent unnecessary energy wastage.

[1] Please refer to the case in the "Environmental Management — Green Building" section for details of the measures.

During the Reporting Period, the office building of the Group's headquarter in Jinzhong City, Shanxi Province and its subsidiary project in Taiyuan City consumed a total of 3,129.00 MWh of electricity in the course of its operation, while the intensity of electricity consumption was 0.32 MWh per square metre, representing a reduction of over 34% as compared to the previous year[2].

In addition to the continuous monitoring of electricity usage in the course of business operations, the Group conducted a greenhouse gas inventory for the Group's head office in Jinzhong City, Shanxi Province and its subsidiary project in Taiyuan City in accordance with the Greenhouse Gas Inventory Protocol (《溫室氣體盤查議定書》) developed by the World Resources Institute and the World Business Council for Sustainable Development and ISO 14064-1 developed by the International Organization for Standardization. A summary of the greenhouse gas emissions during the Reporting Period is as follows:

GHG Emissions Performance[3]		Unit	2021
Scope 1	Direct GHG emissions	tonnes CO_2e	165.99
Scope 2	Indirect GHG emissions	tonnes CO_2e	1,909.00
Total GHG emissions		tonnes CO_2e	2,074.99
GHG emissions intensity		tonnes CO_2e/m^2	0.21

Scope 1: The direct GHG emissions generated and removals from sources owned and controlled by the Group.

Scope 2: GHG emissions indirectly generated by electricity generation, heating and cooling or steam purchased externally by the Group.

Water Conservation Office

The Group is conscious of water usage and continuously monitors the amount of water consumed in the course of business operations. We regularly check water meter readings and carry out leakage tests on water pipes so that timely maintenance work can be arranged to avoid wastage due to leakage. We also promote a culture of water conservation by posting water saving signs in toilets, reminding employee to turn off the taps, and making good use of sensor-activated taps and dual-flush toilets.

During the Year, the sewage source of the office building of the Group's headquarter in Jinzhong City, Shanxi Province and the subsidiary project in Taiyuan City was domestic sewage. There is no problem in sourcing water that is fit for purpose. The total water consumption was 37,268.00 m^3, while the water consumption intensity was 3.79 m^3 per square metre, a decrease of more than 33% over the previous year[2].

2 Due to the suspension of construction works for two projects at site of the head office in July 2021 and the completion of construction works for one project at the Taiyuan site during the year.

3 Based on the emission factors in Appendix II- the Environmental Key Performance Indicators Reporting Guide of the Stock Exchange

Waste Reduction Office

The Group promotes waste reduction at source by encouraging employee to reduce the use of disposable or non-recyclable products and reuse office stationery such as envelopes, folders and binders. We have also adopted an electronic office system to replace the paper-based office administration system, which keeps a stock count of supplies and assesses consumption from time to time to avoid overstocking and waste. During the Year, waste disposal management was implemented at the office building of the Group's headquarter in Jinzhong City, Shanxi Province and the subsidiary project in Taiyuan City. The total amount of non-hazardous waste was 36.00 metric tonnes and the intensity of non-hazardous waste generated was 3.66 kilograms per square metre. Our hazardous waste was mainly waste electronic equipment, including 6 computers and 175 pieces of used ink cartridges/used toner cartridges. We work with electronic companies to collect and recycle used computers and other electronic waste.

Responding to Climate Change

The Group closely monitors the potential impact of climate change on our business and operations and is committed to managing potential climate-related risks that may affect the Group's business activities. With the increasing frequency of extreme weather conditions such as typhoons, rainstorms and extreme cold or heat brought about by climate change, there will be acute and actual chronic risks to the Group's business. We strictly abide by the relevant extreme weather guidelines issued by the government and formulate the "Special Weather Safety Management" (《特殊天氣安全管理》). We have also developed seasonal safety measures for the Taiyuan area, which can be divided into winter, rainy and high temperature seasons, to allow for flexible work arrangements in response to climate change.

We are aware that actual chronic risks affect the livability of our living environment, and as a leading provider of healthy living services in China, we are committed to taking care of the quality of life of our tenants. Therefore, we conduct pre-location assessments to prevent development in high-risk locations, to prevent extreme hot weather or extreme cold weather, as well as other extreme weather events, from affecting the comfort of our tenants.

Under the threat of extreme weather, the demand for energy-efficient buildings will increase significantly, and stricter regulation of building energy codes will create potential policy and regulatory risks for our business. We are closely monitoring changes in policies, regulations and building standards, and have adopted best practices and updated guidelines in the design of buildings to enhance our climate change resilience. At the same time, we have identified the technical risks associated with climate change and we have incorporated sustainability into major renovations and new developments to support low carbon and, where possible, climate resilient building materials or energy efficient design to help mitigate climate warming.

HARMONIOUS SOCIETY

Consistently adhering to the development concept of "Honesty and Kindness, Social Commitment, Gratitude and Giving", the Group makes tremendous efforts to give back to the community by participating in social welfare activities while maintaining a steady growth in business. We participate and invest in the local community through partnerships with charities and non-governmental organisations. During the Year, the Group invested a total of RMB330,000 in activities such as pandemic donation, childcare and community cohesion programmes.

Case: Uniting our strengths to fight the pandemic

- In line with the spirit of mutual support, the Group donated materials to the Xishuangbanna Tourism Resort Committee during the Year to help prevent and control the pandemic in the region and tide over the difficult times together.

Case: Sowing Hope with Love in Our Heart

- During the Year, the Group's project "Chenxing · Yijun" organised a charity event called "Sowing Hope with Love in Our Heart", inviting homeowners in the Yijun community to donate used clothes, books and toys to spread love to the poor. More than 10 batches of items were received and sent to Mama Kong's Love Station in Qi county.

Case: Family Reunion Night • Full Moon in Yosemite Valley Town

- During the Year, the Group's project "Chen Xing · Yosemite Valley Town" organised a community activity entitled "Family Reunion Night, Full Moon in Yosemite Valley Town", inviting owners of the Yosemite Valley Town community to participate in Lantern Festival handicraft activities and games to experience the rituals of the traditional festival and connect with the people of the community.

APPENDIX I: SUSTAINABILITY DATA STATEMENTS

Environmental[4]	Unit	2021
Emissions[5]		
Nitrogen oxides	kg	565.50
Sulphur oxides	kg	0.82
Suspended particles	kg	45.91
GHG Emissions[3]		
Direct GHG emissions (Scope 1)	tonnes CO_2e	165.99
Indirect GHG emissions (Scope 2)	tonnes CO_2e	1,909.00
Total GHG emissions (Scope 1 & 2)	tonnes CO_2e	2,074.99
GHG emissions intensity	tonnes CO_2e/m^2	0.21
Energy Consumption		
Purchased electricity consumption	MWh	3,129.00
Purchased electricity consumption intensity (per square metre)	MWh/m^2	0.32
Natural gas consumption	m^3	8,550.00
Diesel oil consumption	litre	8,827.00
Gasoline consumption	litre	45,842.00
Water Consumption		
Total water consumption	m^3	37,268.00
Water consumption intensity (per square metre)	m^3/m^2	3.79
Paper Consumption		
Total paper consumption	kg	1,937.19
Paper consumption intensity (per employee)	kg/employee	13.09
Waste Produced		
Total amount of non-hazardous waste produced	tonnes	36.00
Non-hazardous waste produced intensity (per square metre)	kg/m^2	3.66
Hazardous waste produced (computer)	sets	6
Hazardous waste produced (ink cartridges, toner cartridges)	pieces	175

4 Environmental KPIs include: the Group's head office building in Jinzhong City, Shanxi Province and the subsidiary project in Taiyuan

5 Data are estimated based on nominal vehicle fuel usage and are calculated using the emission factors in Appendix II — the Environmental Key Performance Indicator Reporting Guide of the Stock Exchange

Social Aspect	Unit	2021
Total number of employees	person	293
Total number of employees (by gender)		
Female employees	person	124
Male employees	person	169
Total number of employees (by employee type[6])		
Full time junior employees	person	243
Full time middle management	person	34
Full time senior management	person	16
Total number of employees (by age group)		
Employee of age under 30	person	66
Employee of age 30–50	person	172
Employee of age over 50	person	55
Total number of employees (by geographic region[7])		
Northern China	person	214
Eastern China	person	8
North-western China	person	23
Southern China	person	48
Turnover rate[8]		
Overall turnover rate	%	5.18%
Employee turnover rate[8](by gender)		
Female employee	%	4.62%
Male employee	%	5.59%
Staff turnover rate[8](by age group)		
Employee of age under 30	%	5.71%
Employee of age 30–50	%	4.97%
Employee of age over 50	%	3.51%
Employee turnover rate[8](by geographical region[7])[9]		
Northern China	%	13.01%
North-western China	%	4.17%

6 The Group did not employ any part-time worker during the Reporting Period

7 Based on the actual region of work

8 Computation: (number of employees at the end of 2020 – number of employees at the end of 2021) ÷number of employees at the end of 2020

9 The Group did not have any employee working in the Eastern China and Southern China regions who departed during the Year

Social Aspect	Unit	2021
Percentage of employees trained[10] (by gender)		
Female employees	%	41.47%
Male employees	%	58.53%
Percentage of employees trained[10](by employee type[6])		
Full time junior employees	%	80.62%
Full time middle management	%	13.18%
Full time senior management	%	6.20%
Average training hours (by gender)		
Female employees	hour	33.90
Male employees	hour	32.20
Average training hours (by employee type[6])		
Full time junior employees	hour	36.00
Full time middle management	hour	24.00
Full time senior management	hour	12.00
Occupational health and safety		
Number of work-related fatality per year in past three years (including the reporting year)	person	0
Percentage of work-related fatality per year in past three years (including the reporting year)	%	0
Number of lost working days due to work-related injury	day	0
Labour standard		
Number of child labour discovered	count	0
Number of forced labour discovered	count	0
Anti-corruption		
Number of concluded corruption cases brought against the Group or its employees	count	0

10 Computation: number of employee trained in this category ÷ total number of employee trained x 100%

APPENDIX II: HONG KONG STOCK EXCHANGE ESG REPORTING GUIDE INDEX

Indicator			Related section
A. Environment			
A1: Emissions	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and nonhazardous waste.	Environmental Management
	A1.1	The types of emissions and respective emissions data.	Environmental Management — Green Office Appendix I: Sustainability Data Statements
	A1.2	Direct (Scope 1) and indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Management — Green Office Appendix I: Sustainability Data Statements
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Management — Green Office Appendix I: Sustainability Data Statements
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Management — Green Office Appendix I: Sustainability Data Statements
	A1.5	Description of measures to mitigate emissions and results achieved	Environmental Management — Green Office

Indicator			Related section
	A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Environmental Management — Green Office
A2: Use of Resources	General disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Environmental Management — Green Office
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Environmental Management — Green Office Appendix I: Sustainability Data Statements
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Environmental Management — Green Office Appendix I: Sustainability Data Statements
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Environmental Management — Green Office
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Environmental Management — Green Office
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	N/A, the Group's business does not include packaging materials

Indicator			Related section
A3: The Environment and Natural Resources	General disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	Environmental Management
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental Management
A4: Climate Change	General disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Environmental Management — Responding to Climate Change
	A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Environmental Management — Responding to Climate Change
B. Social			
B1 Employment	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	People-Oriented Corporate Culture — Respect for Employee Rights People-Oriented Corporate Culture — Safeguarding the Well-being Employees

Indicator			Related section
	B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Appendix I: Sustainability Data Statements
	B1.2	Employee turnover rate by gender, age group and geographical region.	Appendix I: Sustainability Data Statements
B2: Health and Safety	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	People-Oriented Corporate Culture — Occupational Health and Safety
	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Appendix I: Sustainability Data Statements
	B2.2	Lost days due to work injury.	Appendix I: Sustainability Data Statements
	B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Operating with Integrity — Safe Production Management People-Oriented Corporate Culture — Occupational Health and Safety
B3: Development and Training	General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	People-Oriented Corporate Culture — Training and Development

Indicator			Related section
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Appendix I: Sustainability Data Statements
	B3.2	The average training hours completed per employee by gender and employee category.	Appendix I: Sustainability Data Statements
B4: Labour Standards	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	People-Oriented Corporate Culture — Respect for Employee Rights
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	People-Oriented Corporate Culture — Respect for Employee Rights
	B4.2	Description of steps taken to eliminate such practices when discovered.	People-Oriented Corporate Culture — Respect for Employee Rights
B5: Supply Chain Management	General disclosure	Policies on managing environmental and social risks of the supply chain.	Operating with Integrity — Supply Chain Management
	B5.1	Number of suppliers by geographical region.	Operating with Integrity — Supply Chain Management
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Operating with Integrity — Supply Chain Management
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Operating with Integrity — Supply Chain Management

Indicator			Related section
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Operating with Integrity — Supply Chain Management
B6: Product Responsibility	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Operating with Integrity — Quality Products and Services Operating with Integrity — Safe Production Management Operating with Integrity — Safeguarding Information Security
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Operating with Integrity — Quality Products and Services
	B6.2	Number of products and service related complaints received and how they are dealt with.	Operating with Integrity — Quality Products and Services
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	Operating with Integrity — Safeguarding Information Security
	B6.4	Description of quality assurance process and recall procedures.	Operating with Integrity — Quality Products and Services
	B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Operating with Integrity — Safeguarding Information Security

Indicator			Related section
B7: Anti-corruption	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Operating with Integrity — Anti-Corruption Operation
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Operating with Integrity — Anti-Corruption Operation Appendix I: Sustainability Data Statements
	B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Operating with Integrity — Anti-Corruption Operation
	B7.3	Description of anti-corruption training provided to directors and staff.	Operating with Integrity — Anti-Corruption Operation
B8: Community Investment	General disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Harmonious Society
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Harmonious Society
	B8.2	Resources contributed to the focus area.	Harmonious Society

INDEPENDENT AUDITOR'S REPORT

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To the shareholders of Chen Xing Development Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

DISCLAIMER OF OPINION

We have audited the consolidated financial statements of Chen Xing Development Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 300 to 402, which comprise the consolidated statement of financial position as at 31 December 2021, 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 a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the potential interaction of the multiple uncertainties and their possible cumulative effect on the consolidated financial statements as described in the *Basis for disclaimer of opinion* section of our report, it is not possible for us to form an opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Multiple Uncertainties Relating to Going Concern

As set out in Note 2.1 to the consolidated financial statements, the Group recorded a negative net operating cash flows of RMB508,016,000 during the year ended 31 December 2021. The Group's total bank and other borrowings amounted to RMB3,140,378,000, out of which RMB2,386,114,000 will be due for repayment within the next twelve months, while its cash and cash equivalents amounted to RMB240,373,000 as at 31 December 2021. These conditions, together with other matters set out in Note 2.1 to the consolidated financial statements, indicate the existence of material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

BASIS FOR DISCLAIMER OF OPINION *(continued)*

Multiple Uncertainties Relating to Going Concern *(continued)*

The directors of the Company have been undertaking measures to improve the Group's liquidity and financial position, which are set out in note 2.1 to the consolidated financial statements. The validity of the going concern assumption on which the consolidated financial statements have been prepared depends on the outcome of these measures, which are subject to multiple uncertainties, including (i) successfully negotiating with the Group's existing lenders for renewal or extension for repayment of the Group's bank and other borrowings; (ii) successfully carrying out the Group's business strategy plan including the acceleration of the sales of properties and cost control measures so as to improve the Group's working capital and cash flow position; (iii) successfully disposing of certain commercial properties of the Group which are non-core business of the Group to generate more cash inflows if needed; and (iv) successfully obtaining additional new sources of financing.

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

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 Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("**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 responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report. We report solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. However, because of the matters described in the *Basis for disclaimer of opinion* section of our report, it is not possible for us to form an opinion on these consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants*, and we have fulfilled our other ethical responsibilities in accordance with the Code.

The engagement partner on the audit resulting in this independent auditor's report is Hooi Wan Yee.

Ernst & Young
Certified Public Accountants
Hong Kong
31 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
REVENUE	5	**1,568,596**	1,207,502
Cost of sales		**(1,108,092)**	(743,629)
Gross profit		**460,504**	463,873
Other income and gains	5	**27,391**	93,015
Selling and distribution expenses		**(59,986)**	(50,932)
Administrative expenses		**(64,140)**	(67,865)
Other expenses		**(46,634)**	(22,165)
Finance costs	6	**(32,092)**	(3,806)
Share of profits and losses of:			
Joint ventures		**1,148**	1,453
Associate		**—**	(128)
PROFIT BEFORE TAX	7	**286,191**	413,445
Income tax expense	10	**(172,693)**	(177,344)
PROFIT FOR THE YEAR		**113,498**	236,101
Attributable to:			
Owners of the parent		**78,723**	206,738
Non-controlling interests		**34,775**	29,363
		113,498	236,101
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	12	**RMB0.13**	RMB0.34

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	2021 RMB'000	2020 RMB'000
PROFIT FOR THE YEAR	**113,498**	236,101
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(1,412)**	(3,259)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**(1,412)**	(3,259)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**(10,303)**	1,603
Income tax effect	**2,576**	(401)
	(7,727)	1,202
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**(7,727)**	1,202
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(9,139)**	(2,057)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**104,359**	234,044
Attributable to:		
Owners of the parent	**69,584**	204,681
Non-controlling interests	**34,775**	29,363
	104,359	234,044

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**67,862**	78,051
Investment properties	14	**133,000**	138,000
Right-of-use assets	16(a)	**1,239**	1,735
Properties under development	15	**133,552**	253,101
Intangible assets	17	**48**	111
Investments in joint ventures	18	**3,994**	2,846
Equity investment designated at fair value through other comprehensive income	19	**54,198**	64,501
Time deposits	24	**10,550**	—
Deferred tax assets	29	**225,769**	224,166
Total non-current assets		**630,212**	762,511
CURRENT ASSETS			
Properties under development	15	**9,783,856**	8,875,146
Completed properties held for sale	21	**821,338**	931,224
Inventories	20	**20,186**	31,916
Trade receivables	22	**3,953**	4,319
Prepayments, other receivables and other assets	23	**864,512**	1,429,486
Tax recoverable		**71,363**	93,182
Pledged deposits	24	**12,583**	20,652
Restricted cash	24	**159,701**	1,033
Cash and cash equivalents	24	**240,373**	534,101
Total current assets		**11,977,865**	11,921,059
CURRENT LIABILITIES			
Trade and bills payables	25	**1,236,669**	1,210,518
Other payables and accruals	26	**2,246,366**	1,841,889
Contract liabilities	27	**4,025,605**	5,125,592
Interest-bearing bank and other borrowings	28	**2,386,114**	2,034,122
Tax payable	10	**217,012**	131,288
Total current liabilities		**10,111,766**	10,343,409
NET CURRENT ASSETS		**1,866,099**	1,577,650
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,496,311**	2,340,161

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	28	**754,264**	706,737
Deferred tax liabilities	29	**28,087**	23,823
Total non-current liabilities		**782,351**	730,560
Net assets		**1,713,960**	1,609,601
EQUITY			
Equity attributable to owners of the parent			
Share capital	30	**4,855**	4,855
Reserves	31	**1,515,572**	1,445,988
		1,520,427	1,450,843
Non-controlling interests		**193,533**	158,758
Total equity		**1,713,960**	1,609,601

Bai Xuankui
Director

Bai Wukui
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	Attributable to owners of the parent										
	Share capital RMB'000 (note 30)	Share premium account RMB'000 (note 30)	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Asset revaluation reserve RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2020	4,855	344,141	102,552	128,489	23,331	(69,554)	17,116	695,232	1,246,162	128,423	1,374,585
Profit for the year	–	–	–	–	–	–	–	206,738	206,738	29,363	236,101
Other comprehensive income for the year:											
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	–	–	1,202	–	–	1,202	–	1,202
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(3,259)	–	(3,259)	–	(3,259)
Total comprehensive income for the year	–	–	–	–	–	1,202	(3,259)	206,738	204,681	29,363	234,044
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	972	972
Transfer to statutory reserve	–	–	–	36,398	–	–	–	(36,398)	–	–	–
At 31 December 2020	4,855	344,141*	102,552*	164,887*	23,331*	(68,352)*	13,857*	865,572*	1,450,843	158,758	1,609,601

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	Attributable to owners of the parent										
	Share capital RMB'000 (note 30)	Share premium account RMB'000 (note 30)	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Asset revaluation reserve RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2021	4,855	344,141	102,552	164,887	23,331	(68,352)	13,857	865,572	1,450,843	158,758	1,609,601
Profit for the year	–	–	–	–	–	–	–	78,723	78,723	34,775	113,498
Other comprehensive income for the year:											
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	–	–	(7,727)	–	–	(7,727)	–	(7,727)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(1,412)	–	(1,412)	–	(1,412)
Total comprehensive income for the year	–	–	–	–	–	(7,727)	(1,412)	78,723	69,584	34,775	104,359
Appropriation to statutory surplus reserve	–	–	–	7,917	–	–	–	(7,917)	–	–	–
At 31 December 2021	4,855	344,141*	102,552*	172,804*	23,331*	(76,079)*	12,445*	936,378*	1,520,427	193,533	1,713,960

* These reserve accounts comprise the consolidated reserves of RMB1,515,572,000 at 31 December 2021 (2020: RMB1,445,988,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**286,191**	413,445
Adjustments for:			
Depreciation of property, plant and equipment	13	**11,933**	11,058
Amortisation of intangible assets	17	**63**	83
Depreciation of right-of-use assets	16(a)	**496**	1,194
Other interest income from financial assets at fair value through profit or loss		**—**	(1,313)
Finance costs	6	**32,092**	3,766
Gain on disposal of items of property, plant and equipment		**—**	(23)
Changes in fair value of investment properties	14	**5,000**	3,000
Share of profits and losses of joint ventures and an associate		**(1,148)**	(1,325)
Interest income		**(10,504)**	(16,294)
Gain on disposal of a subsidiary		**—**	(2,917)
Gain on disposal of an associate		**—**	(46,498)
Dividend income from equity investments at fair value through other comprehensive income		**—**	(4,396)
		324,123	359,780
(Increase)/decrease in properties under development		**8,276**	84,576
Decrease/(increase) in completed properties held for sale		**109,886**	(519,241)
Decrease/(increase) in inventories		**11,730**	(15,355)
Decrease in trade receivables		**366**	1,360
Decrease/(increase) in prepayments, other receivables and other assets		**36,530**	(309,287)
Decrease in pledged deposits		**8,069**	47,605
Increase in restricted cash		**(158,668)**	(1,033)
Increase in trade and bills payables		**26,151**	174,096
Decrease in contract liabilities		**(1,099,987)**	(210,142)
Increase in other payables and accruals		**285,421**	9,515
Cash used in operations		**(448,103)**	(378,126)
Tax paid		**(59,913)**	(28,165)
Net cash flows used in operating activities		**(508,016)**	(406,291)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(1,805)**	(15,172)
Proceeds from disposal of items of property, plant and equipment		**61**	291
Purchases of intangible assets		**—**	(31)
Purchases of financial assets at fair value through profit or loss		**—**	(176,000)
Proceeds from disposal of financial assets at fair value through profit or loss		**—**	177,500
Income from financial assets at fair value through profit or loss		**—**	1,313
Interest received		**10,504**	27,597
Increase in pledged time deposit		**(10,550)**	—
Prepayments of loans from an associate		**—**	94,973
Disposal of an associate		**—**	15,800
Disposal of a subsidiary		**—**	(1)
Dividend income from equity investments at fair value through other comprehensive income		**—**	4,396
Net cash flows from investing activities		**(1,790)**	130,666
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal portion of lease payments	34(a)	**(600)**	(1,085)
New bank and other loans		**700,106**	395,250
Repayment of bank and other loans		**(186,651)**	(469,340)
Interest paid		**(295,362)**	(219,082)
Net cash flows from/(used in) financing activities		**217,493**	(294,257)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(292,313)**	(569,882)
Cash and cash equivalents at beginning of year		**534,101**	1,107,248
Effect of foreign exchange rate changes, net		**(1,415)**	(3,265)
CASH AND CASH EQUIVALENTS AT END OF YEAR	24	**240,373**	534,101

NOTES TO FINANCIAL STATEMENTS

31 December 2021

1. CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 3 November 2014. The registered office address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

During the year, the Group was principally engaged in property development.

In the opinion of the directors, the ultimate controlling shareholders of the Group are Mr. Bai Xuankui and Mr. Bai Guohua.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Chen Xing Investments Limited	British Virgin Islands	US$10,000	100%	–	Investment holding
Chen Xing International Holdings Limited	Hong Kong	HK$100	–	100%	Investment holding
Jinzhong Chen Xing Hui Technology and Trade Company Limited*	People's Republic of China/Mainland China	RMB105,000,000	–	100%	Investment holding
Chenxing Real Estate Development Co., Ltd. ("**Chen Xing**")**	People's Republic of China/Mainland China	RMB204,000,000	–	100%	Development and sale of properties
Sichuan Chenxing Real Estate Development Co., Limited ("**Chen Xing Sichuan**")**	People's Republic of China/Mainland China	RMB119,200,000	–	83.89%	Development and sale of properties
Jinzhong Development Zone Real Estate Development Co., Ltd.**	People's Republic of China/Mainland China	RMB100,000,000	–	51%	Development and sale of properties

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Particulars of the Company's principal subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Wuzhishan Chenxing Real Estate Development Co., Limited**	People's Republic of China/Mainland China	RMB90,280,000	–	100%	Development and sale of properties
Hainan DeGao Investment Co., Ltd. ("**Hainan Degao**")**	People's Republic of China/Mainland China	RMB10,000,000	–	100%	Development and sale of properties
Hainan Youshenghongtuo Real Estate Development Co., Ltd.**	People's Republic of China/Mainland China	RMB10,000,000	–	100%	Development and sale of properties
Shanxi Chenxing Zhida Trading Co., Ltd.**	People's Republic of China/Mainland China	RMB10,000,000	–	100%	Sale of construction materials
Shanxi Chenxing Zhicheng Construction Engineering Co., Ltd.**	People's Republic of China/Mainland China	RMB50,000,000	–	100%	Property construction
Jinzhong Chenxing Yijun Real Estate Development Co., Ltd.**	People's Republic of China/Mainland China	RMB100,000,000	–	100%	Development and sale of properties
Jinzhong Chenxing Shiguang Zhicheng Real Estate Development Co., Ltd.**	People's Republic of China/Mainland China	RMB50,000,000	–	100%	Development and sale of properties
Taiyuan Chenya Real Estate Development Co., Ltd.**	People's Republic of China/Mainland China	RMB10,000,000	–	100%	Development and sale of properties
Jinzhong Xiya Real Estate Development Co., Ltd.**	People's Republic of China/Mainland China	RMB74,630,000	–	67%	Development and sale of properties
Shanxi Chang Xing Zhicheng Construction Engineering Co., Ltd.**	People's Republic of China/Mainland China	RMB50,000,000	–	80%	Property construction

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Particulars of the Company's principal subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Xishuangbanna Jingyuan Investment Development Co., Ltd. ("**Jingyuan**")**	People's Republic of China/Mainland China	RMB290,314,400	—	100%	Development and sale of properties
Beijing Chenxing Real Estate Broker Co., Ltd. ("**Real Estate Broker**")**	People's Republic of China/Mainland China	RMB100,000	—	100%	Real estate brokerage and exhibition
Mianyang Chenxing Yazhi Real Estate Development Co., Ltd. ("**Yazhi**")**	People's Republic of China/Mainland China	RMB50,000,000	—	100%	Development and sale of properties

* The entity is registered as a wholly-foreign-owned enterprise under People's Republic of China ("**PRC**") law.

** These entities are limited liability enterprises established under PRC law.

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.

2.1 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**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, wealth management products and equity investments 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.

Going concern basis

During the year ended 31 December 2021, the Group recorded a negative net operating cash flows amounted to RMB508,016,000. The Group's total bank and other borrowings amounted to RMB3,140,378,000, of which RMB2,386,114,000 will be due for repayment within the next twelve months, while its cash and cash equivalents amounted to RMB240,373,000 as at 31 December 2021.

The above conditions indicate the existence of a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern. In view of such circumstances, the directors of the Company have undertaken a number of plans and measures to improve the Group's liquidity and financial position, including:

(i) the Group has been actively negotiating with the Group's existing lenders in respect of bank and other borrowings with an aggregate outstanding principal amount of RMB2,386 million, which will be due for repayment within the next twelve months as at 31 December 2021. Such bank and other borrowings mainly included loans from Jinzhong Bank (晋中银行) in the aggregate outstanding amount of RMB1,550 million maturing in June and July 2022, and from Jinshang Bank (晋商银行) with aggregate outstanding principal amount of RMB565.0 million maturing in June, July and November 2022. Based on the advanced negotiation between the Group, Jinzhong Bank and Jinshang Bank as well as other existing lenders in relation to the bank and other borrowings which will be due for repayment within the next twelve months as at 31 December 2021, the Directors are confident that the existing bank facilities will be extended prior to their respective maturity dates. Subsequent to 31 December 2021 and as of the date of this report, the Group has obtained loan extension of RMB19,300,000;

(ii) the management of the Group has prepared a business strategy plan mainly focuses on the acceleration of the pre-sales and sales of its properties under development and completed projects in order to generate additional operating cash inflows and putting extra efforts on the collection of trade debtors to improve the debtor turnover days, and the implementation of cost control measures;

(iii) the Group will consider disposal of certain commercial properties of the Group which are non-core business of the Group to generate more cash inflows if needed; and

2.1 BASIS OF PREPARATION *(continued)*

Going concern basis *(continued)*

(iv) the Group is actively negotiating with several financial institutions to obtain new loans and borrowings at a reasonable cost and will continue to seek for other alternative financing and borrowings to finance the settlement of its existing financial obligations and future operating and capital expenditures.

The directors of the Company are of the opinion that, taking into account the above plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due within the next twelve months from 31 December 2021. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2021 on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether management of the Group will be able to implement the aforementioned plans and measures. Whether the Group will be able to continue as a going concern will depend upon the Group's ability to generate adequate financing and operating cash flows through the following:

(i) successfully negotiating with the Group's existing lenders for renewal or extension for repayment of the Group's bank and other borrowings;

(ii) successfully carrying out the Group's business strategy plan including the acceleration of the sales of properties and cost control measures so as to improve the Group's working capital and cash flow position;

(iii) successfully disposing of certain commercial properties of the Group which are non-core business of the Group to generate more cash inflows if needed; and

(iv) successfully obtaining additional new sources of financing as and when needed.

Should the Group be unable to operate as a going concern, adjustments may have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2021. 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).

2.1 BASIS OF PREPARATION *(continued)*

Going concern basis *(continued)*

Basis of consolidation *(continued)*

When the Company has, directly or indirectly, 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 subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent 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 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 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 (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) 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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 9 HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform — phase 2*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021* (early adopted)

The nature and the impact of the revised HKFRSs are described below:

(a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("**RFR**"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

(b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The amendment did not have any significant impact on the financial position and performance of the Group as the Group does not have any rent concessions.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKFRS 17	*Insurance Contracts*[2, 5]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[2, 4]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[3]
Amendments to HKAS 8	*Definition of Accounting Estimates*[3]
Amendments to HKAS 12	*Deferred Tax related to Assets and liabilities arising from a Single Transaction*[3]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to HKAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*[1]
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[1]

1 Effective for annual periods beginning on or after 1 January 2022

2 Effective for annual periods beginning on or after 1 January 2023

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the amendments to HKAS 1, 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 in October 2020 to align the corresponding wording with no change in conclusion

5 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) 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 between an investor and its associate or joint venture 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 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

Amendments to HKAS 1 *Disclosure of Accounting Policies* 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 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

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. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception 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 and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRSs 2018–2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in joint ventures

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 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 impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of 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 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 assets 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 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 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 the statement of profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation 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.

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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

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.

Fair value measurement

The Group measures its investment properties, wealth management products 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement *(continued)*

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.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and investment properties), 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets *(continued)*

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 the statement of 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 an asset other than goodwill 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 the statement of 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

(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 parent, subsidiary or fellow subsidiary of the other entity);

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties *(continued)*

(b) the party is an entity where any of the following conditions applies: *(continued)*

(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 parent 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 the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any 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. 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 the statement of 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.

2.4 SUMMARY OF SIGNIFICANT 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 principal annual rates used for this purpose are as follows:

Buildings	1.90%–19.00%
Motor vehicles	9.50%–19.40%
Machinery	9.50%–19.40%
Office equipment	9.50%–32.33%
Leasehold improvements	20.00%–33.33%

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 the statement of 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.

Investment properties

Investment properties are interests in buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties *(continued)*

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" for owned property and/or accounts for such property in accordance with the policy stated under "Right-of-use assets" for property held as a right-of-use asset up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with HKAS 16 *Property, Plant and Equipment*. For a transfer from completed properties held for sale to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

The Group determines whether completed properties held for sale would be transferred to investment properties when, and only when, there is a change in use, evidenced by the following criteria: (a) the Group has prepared a business plan that reflects the future rental income generated by the property and this is supported with evidence that there is demand for rental space; (b) the Group can demonstrate that it has the resources, including the necessary financing or capital, to hold and manage an investment property; (c) the change in use is legally permissible; (d) if the property must be further developed for the change in use, and the development has commenced; and (e) change in use is approved by a board resolution.

Properties under development

Properties under development are intended to be held for sale after completion. On completion, the properties are transferred to completed properties held for sale. Properties under development are stated at the lower of cost and net realizable value and comprise land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

Properties under development are classified as current assets unless they are not realised in the normal operating cycle.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Completed properties held for sale

Completed properties held for sale are stated in the statement of financial position at the lower of cost and net realizable value. Cost is determined by an apportionment of the total costs of land and buildings attributable to the unsold properties. Net realizable value takes into account the price ultimately expected to be realised, less estimated costs to be incurred in selling the properties.

Allocation of property development costs

Land costs are allocated to each unit according to their respective saleable gross floor areas ("**GFA**") to the total saleable GFA. Construction costs relating to units were identified and allocated specifically. Common construction costs have been allocated according to the saleable GFA similar to land costs.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

Group as a lessee *(continued)*

(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 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 a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	40 years
Buildings	1.25 to 3 years

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.

When the right-of-use assets relate to interests in leasehold land held as properties under development, they are subsequently measured at the lower of cost and net realizable value in accordance with the Group's policy for "Properties under development".

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

Group as a lessee *(continued)*

(b) Lease liabilities *(continued)*

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in interest-bearing bank and other borrowings.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (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). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

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

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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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 costs. Trade receivables that do not contain a significant financing component for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset 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.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Subsequent measurement

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

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 the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated 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 the statement of profit or loss. Dividends are recognised as other income in the statement of 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 designated at fair value through other comprehensive income are not subject to impairment assessment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Subsequent measurement *(continued)*

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.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of 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.

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 differences 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.

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

General approach *(continued)*

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 contract assets 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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Group's financial liabilities include trade and other payables and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of loans and borrowings is as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings 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 the statement of 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 the statement of profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(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 the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the 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.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 in finance costs in the statement of 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 country 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.

Deferred tax liabilities are recognised for all taxable temporary differences, 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

- in respect of taxable temporary differences associated with investments in subsidiaries, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

Deferred tax assets are recognised for all deductible temporary differences, and the carry forward 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

- in respect of deductible temporary differences associated with investments in subsidiaries, 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 utilised.

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 current tax liabilities 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.

2.4 SUMMARY OF SIGNIFICANT 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

Revenue from contracts with customers *(continued)*

(a) Sale of properties

Revenue from the sale of properties is recognised at the point in time when control of the properties is transferred to the customer, generally on delivery of the properties.

(b) Sale of construction materials

Revenue from the sale of construction materials is recognised at the point in time when control of the assets is transferred to the customer, generally on delivery of the construction materials.

(c) Construction services

Revenue from the provision of construction services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

(d) Provision of real estate agency services

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

Revenue from other sources

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

Other 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.

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 costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Contract liabilities

A contract liability is recognised when a payment is received or 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).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

The Group participates in the national pension schemes as defined by the laws of the PRC since the Group only has operations in the PRC. Subsidiaries within the Group which are established and operate in Mainland China are required to provide certain staff pension benefits to their employees under existing regulations of the PRC (the "**PRC Pension Scheme**"). The Group's employer contributions to the PRC Pension Scheme vest fully with the employees upon the contributions are made and hence no forfeited contributions arise when the employees leave the scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production 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. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate ranging from 5.23% to 15.00% has been applied to the expenditure on the individual assets.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

These financial statements are presented in Renminbi ("**RMB**"), which is the Company's functional currency because the Group's principal operations are carried out in Mainland China. 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 retranslated 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 the statement of 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 overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates ruling at the end of the reporting period and their statements of profit or loss and other comprehensive income 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. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

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.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

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 made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on trade receivables and other receivables

The Group uses a provision matrix to calculate ECLs for trade receivables and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and other receivables is disclosed in note 22 and note 23 to the financial statements, respectively.

Estimation of fair value of investment properties

Investment properties were revalued based on the appraised market value by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimate, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of the reporting period.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

Estimation of fair value of investment properties *(continued)*

In the absence of current prices in an active market for similar properties, the Group considers information from discounted cash flow projections based on reliable estimates of future cash flows, 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, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The principal assumptions for the Group's estimation of the fair value include those related to current market rents for similar properties in the same location and condition, appropriate discount rates and expected future market rents. The carrying amount of investment properties was RMB133,000,000 as at 31 December 2021 (2020: RMB138,000,000).

Net realizable value of properties under development and completed properties held for sale

The Group's properties under development and completed properties held for sale are stated at the lower of cost and net realizable value. Based on the Group's historical experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs to completion for properties under development, and the costs to be incurred in selling the properties based on prevailing market conditions and by reference to the latest selling prices of properties sold in the ordinary course of business by the Group or other developers in the same location.

If there is an increase in costs to completion or a decrease in net sales value, the net realizable value will decrease and this may result in a provision for properties under development and completed properties held for sale. Such provision requires the use of judgements and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the period in which such estimate is changed will be adjusted accordingly. The carrying amounts of properties under development and completed properties held for sale at 31 December 2021 were RMB9,917,408,000 (2020: RMB9,128,247,000) and RMB821,338,000 (2020: RMB931,224,000), respectively.

PRC land appreciation tax ("LAT")

The Group is subject to LAT in the PRC. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT calculation and payments with the tax authorities for all its property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences will impact on the LAT expenses and the related provision in the period in which the differences realise.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and unused tax losses, 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. 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. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2021 was RMB2,318,000 (2020: RMB3,396,000). The amount of unrecognised tax losses at 31 December 2021 was RMB70,372,000 (2020: RMB63,968,000). Further details are included in note 29 to the financial statements.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (other than properties under development and completed properties held for sale) at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. As at 31 December 2021, the Company's market capitalisation was lower than the Group's net asset value which is an indicator of impairment for non-financial assets. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculations of the fair value less costs of disposal are based on current prices in an active market for similar non-financial assets and use assumptions that are mainly based on market conditions existing at the end of the reporting period. In the absence of current prices in an active market for similar non-financial assets, the Group estimates the expected future cash flows from the non-financial assets and chooses a suitable discount rate in order to calculate the present value of those cash flows.

The key assumptions used in the fair value less costs of disposal calculations include current market rents for similar properties in the same location and condition, appropriate discount rates and expected future market rents. Where the expectation is different from the original estimates, the carrying value and provision for such non-financial assets in the period in which such estimates are changed will be adjusted accordingly. As at 31 December 2021, the carrying value of long-lived non-financial assets (other than properties under development in non-current assets) was RMB69,149,000 (2020: RMB79,897,000).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

Useful lives and residual values of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset and the legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way.

Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at each financial year end date based on changes in circumstances.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business units based on their products and services and only has one reportable operating segment. Management monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment.

No geographical segment information is presented as the Group's revenue from the external customers was derived solely from its operations in Mainland China and no non-current assets of the Group were located outside Mainland China.

No information about major customers is presented as no revenue from sales to a single customer individually accounted for 10% or more of the Group's total revenue for the reporting period.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2021 RMB'000	2020 RMB'000
Revenue from contracts with customers	**1,566,347**	1,203,140
Revenue from other sources		
Gross rental income from investment property operating leases:		
Other lease payments, including fixed payments	**2,249**	4,362
	1,568,596	1,207,502

Revenue from contracts with customers

(a) Disaggregated revenue information

	2021 RMB'000	2020 RMB'000
Types of goods		
Sale of properties	**1,565,021**	1,180,816
Sale of construction materials	**1,326**	22,324
Total revenue from contracts with customers	**1,566,347**	1,203,140
Timing of revenue recognition		
Goods transferred at a point in time	**1,566,347**	1,203,140
Total revenue from contracts with customers	**1,566,347**	1,203,140

5. REVENUE, OTHER INCOME AND GAINS *(continued)*

Revenue from contracts with customers *(continued)*

(a) Disaggregated revenue information *(continued)*

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2021 RMB'000	2020 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of properties	**1,474,376**	1,182,662

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of properties

The performance obligation is satisfied upon delivery of the properties and payment in advance is normally required.

Sale of construction materials

The performance obligation is satisfied upon delivery of the construction materials and payment is generally due within 30 days from delivery, except for new customers, where payment in advance is normally required.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2021 RMB'000	2020 RMB'000
Amounts expected to be recognised as revenue:		
Within one year	**1,278,162**	5,146,718
After one year	**3,205,160**	193,615
	4,483,322	5,340,333

5. REVENUE, OTHER INCOME AND GAINS *(continued)*

	2021 RMB'000	2020 RMB'000
Other income		
Bank interest income	**3,815**	6,499
Interest income from loans to an associate	**1,605**	8,716
Other interest income from third parties	**5,089**	1,079
Other interest income from financial assets at fair value through profit or loss	**—**	1,313
Dividend income from equity investments at fair value through other comprehensive income	**—**	4,396
Gross rental income	**9,642**	9,931
Compensation income	**—**	10,620
Others	**7,240**	1,023
	27,391	43,577
Gains		
Gain on disposal of items of property, plant and equipment	**—**	23
Gain on disposal of a subsidiary	**—**	2,917
Gain on disposal of an associate	**—**	46,498
	—	49,438
	27,391	93,015

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2021 RMB'000	2020 RMB'000
Interest on bank loans	**301,085**	219,507
Interest on lease liabilities	**—**	40
Total interest expense on financial liabilities not at fair value through profit or loss	**301,085**	219,547
Less: Interest capitalised	**(268,993)**	(215,741)
	32,092	3,806

7. PROFIT BEFORE TAX

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

	Notes	2021 RMB'000	2020 RMB'000
Cost of properties sold		**1,107,332**	723,492
Cost of construction materials sold		**760**	20,137
Depreciation of property, plant and equipment	13	**11,933**	11,058
Depreciation of right-of-use assets	16(c)	**496**	1,194
Amortisation of intangible assets*	17	**63**	83
Lease payments not included in the measurement of lease liabilities	16(c)	**460**	202
Auditor's remuneration		**2,150**	2,150
Employee benefit expense (excluding directors' and chief executive's remuneration (note 8))**:			
Wages and salaries		**25,580**	21,197
Staff welfare expenses		**3,788**	3,689
Pension scheme contributions		**2,665**	135
		32,033	25,021
Impairment of trade receivables	22	**1,203**	252
(Reversal of impairment)/impairment of other receivables	23	**(427)**	4,929
Changes in fair value of investment properties	14	**5,000**	3,000
Gain on disposal of items of property, plant and equipment		**—**	(23)
Gain on disposal of a subsidiary		**—**	(2,917)
Gain on disposal of an associate		**—**	(46,498)
Dividend income from equity investments at fair value through other comprehensive income		**—**	(4,396)
Foreign exchange losses, net		**2,334**	6,124
Bank interest income		**(3,815)**	(6,499)
Interest income from loans to an associate		**(1,605)**	(8,716)
Other interest income from third parties		**(5,089)**	(1,079)
Other interest income from financial assets at fair value through profit or loss		**—**	(1,313)
Impairment of completed properties held for sale	21	**2,212**	5,440

* The amortisation of intangible assets for the year is included in "Administrative expenses" in the consolidated statement of profit or loss.

** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to 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:

	2021 RMB'000	2020 RMB'000
Fees	113	187
Other emoluments:		
Salaries, allowances and benefits in kind	1,415	1,346
Performance related bonuses	—	627
Pension scheme contributions	83	77
	1,498	2,050
	1,611	2,237

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2021 RMB'000	2020 RMB'000
Mr. Gu Jiong*	—	107
Mr. Gao Jianhua	33	—
Mr. Tian Hua	40	40
Mr. Qiu Yongqing	40	40
	113	187

* Mr. Gu Jiong resigned as an independent non-executive directors in November 2020.

There were no other emoluments payable to the independent non-executive directors during the year (2020: Nil).

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(continued)*

(b) Executive directors and the chief executive

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2021					
Executive directors:					
Mr. Bai Xuankui	—	515	—	—	515
Mr. Bai Wukui	—	510	—	31	541
Mr. Dong Shiguang	—	129	—	21	150
Mr. Bai Guohua	—	261	—	31	292
	—	1,415	—	83	1,498
2020					
Executive directors:					
Mr. Bai Xuankui	—	506	144	—	650
Mr. Bai Wukui	—	500	234	28	762
Mr. Dong Shiguang	—	82	48	21	151
Mr. Bai Guohua	—	258	201	28	487
	—	1,346	627	77	2,050

Mr. Bai Wukui is the chief executive officer and an executive director of the Group.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

The directors did not receive any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2020: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors (2020: three directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two (2020: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2021 RMB'000	2020 RMB'000
Salaries, allowances and benefits in kind	347	650
Performance related bonuses	—	162
Pension scheme contributions	56	56
	403	868

The number of non-director highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2021	2020
Nil to HK$1,000,000	2	2

The five highest paid employees did not receive any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2020: Nil).

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group's subsidiaries incorporated in the Cayman Islands and the British Virgin Islands are not subject to any income tax.

Pursuant to the relevant tax law of the Hong Kong Special Administrative Region, Hong Kong profits tax is based on a tax rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits in Hong Kong during the year (2020: Nil).

10. INCOME TAX *(continued)*

The provision for Mainland China current income tax is based on the statutory rate of 25% of the assessable profits of certain PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008.

According to the requirements of the provisional regulations of the PRC on the land appreciation tax ("**LAT**") effective from 1 January 1994 onwards, and the detailed implementation rules on the provisional regulations of the PRC on LAT effective from 27 January 1995 onwards, all income from the sale or transfer of state-owned leasehold interests on land, buildings and their attached facilities in Mainland China is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for property sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

The Group has estimated, made and included in tax provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated.

Major components of the Group's income tax expense are as follows:

	2021 RMB'000	2020 RMB'000
Current tax:		
Income tax charge	**90,604**	101,764
LAT	**76,853**	63,619
Deferred tax (note 29)	**5,236**	11,961
Total tax charge for the year	**172,693**	177,344

10. INCOME TAX *(continued)*

A reconciliation of the tax expense applicable to profit before tax using the statutory rate to the tax expense at the effective tax rate is as follows:

	2021 RMB'000	2020 RMB'000
Profit before tax	**286,191**	413,445
Tax at the statutory tax rate	**72,439**	103,779
Provision for LAT	**76,853**	63,619
Tax effect of LAT provision	**(19,213)**	(15,905)
Effect of withholding tax at 10% on distributable profits of the Group's PRC subsidiaries	**4,329**	10,986
Expenses not deductible for tax	**36,971**	10,429
Income not subject to tax	**(287)**	(1,359)
Tax losses not recognised	**1,601**	5,795
Tax charge at the Group's effective rate	**172,693**	177,344

Tax payable in the consolidated statement of financial position represents:

	2021 RMB'000	2020 RMB'000
Tax payable		
— PRC corporate income tax	**134,442**	97,650
— PRC land appreciation tax	**82,570**	33,638
	217,012	131,288

11. DIVIDENDS

The directors resolved not to declare a final dividend for the year ended 31 December 2021 (2020: Nil).

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 600,000,000 (2020: 600,000,000) in issue during the year, as adjusted to reflect the right issue during the year.

The calculation of basic earnings per share is based on:

	2021 RMB'000	2020 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**78,723**	206,738

	Number of shares	
	2021 '000	2020 '000
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**600,000**	600,000

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2021 and 2020.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Motor vehicles RMB'000	Machinery RMB'000	Office equipment RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2021						
At 31 December 2020:						
Cost	82,783	35,677	1,366	22,856	3,076	145,758
Accumulated depreciation	(26,402)	(22,166)	(680)	(17,419)	(1040)	(67,707)
Net carrying amount	56,381	13,511	686	5,437	2,036	78,051
At 1 January 2021, net of accumulated depreciation	56,381	13,511	686	5,437	2,036	78,051
Additions	—	831	62	712	200	1,805
Disposals	—	(39)	(18)	(4)	—	(61)
Depreciation provided during the year	(4,500)	(3,856)	(208)	(2,280)	(1,089)	(11,933)
At 31 December 2021, net of accumulated depreciation	51,881	10,447	522	3,865	1,147	67,862
At 31 December 2021:						
Cost	82,783	35,479	1,394	23,562	3,276	146,494
Accumulated depreciation	(30,902)	(25,032)	(872)	(19,697)	(2,129)	(78,632)
Net carrying amount	51,881	10,447	522	3,865	1,147	67,862

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Buildings RMB'000	Motor vehicles RMB'000	Machinery RMB'000	Office equipment RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2020						
At 1 January 2020						
Cost	75,713	34,408	1,363	19,538	1,377	132,399
Accumulated depreciation	(22,028)	(19,708)	(713)	(15,463)	(253)	(58,165)
Net carrying amount	53,685	14,700	650	4,075	1,124	74,234
At 1 January 2020, net of accumulated depreciation	53,685	14,700	650	4,075	1,124	74,234
Additions	7,070	2,830	211	3,362	1,699	15,172
Disposals	—	(257)	(11)	—	—	(268)
Disposal of a subsidiary	—	—	—	(29)	—	(29)
Depreciation provided during the year	(4,374)	(3,762)	(164)	(1,971)	(787)	(11,058)
At 31 December 2020, net of accumulated depreciation	56,381	13,511	686	5,437	2,036	78,051
At 31 December 2020:						
Cost	82,783	35,677	1,366	22,856	3,076	145,758
Accumulated depreciation	(26,402)	(22,166)	(680)	(17,419)	(1040)	(67,707)
Net carrying amount	56,381	13,511	686	5,437	2,036	78,051

At 31 December 2021, certain of the Group's buildings with a net carrying amount of approximately RMB29,995,657 (2020: RMB33,207,000) were pledged to secure bank loans granted to the Group (note 28).

14. INVESTMENT PROPERTIES

	2021 RMB'000	2020 RMB'000
Carrying amount at 1 January	**138,000**	141,000
Net loss from a fair value adjustment	**(5,000)**	(3,000)
Carrying amount at 31 December	**133,000**	138,000

The Group's investment properties consist of three commercial properties in China. The directors of the Company have determined that the investment properties consist of two classes of assets, i.e., retail and office, based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 31 December 2021 based on valuations performed by DTZ Debenham Tie Leung Limited ("**DTZ**"), an independent professionally qualified valuer, at RMB133,000,000 (2020: RMB138,000,000).

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

At 31 December 2021, the Group's investment properties with a carrying value of RMB133,000,000 (2020: RMB138,000,000) were pledged to secure bank loans granted to the Group (note 28).

14. INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2021 using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for:				
Retail properties	—	—	92,000	92,000
Office properties	—	—	41,000	41,000
	—	—	133,000	133,000

	Fair value measurement as at 31 December 2020 using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for:				
Retail properties	—	—	94,000	94,000
Office properties	—	—	44,000	44,000
	—	—	138,000	138,000

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2020: Nil).

14. INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy *(continued)*

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Retail properties RMB'000	Office properties RMB'000	Total RMB'000
Carrying amount at 1 January 2020	96,000	45,000	141,000
Net loss from a fair value adjustment recognised in other expenses in the statement of profit or loss	(2,000)	(1,000)	(3,000)
Carrying amount at 31 December 2020 and 1 January 2021	94,000	44,000	138,000
Net loss from a fair value adjustment recognised in other expenses in the statement of profit or loss	**(2,000)**	**(3,000)**	**(5,000)**
Carrying amount at 31 December 2021	**92,000**	**41,000**	**133,000**

Set out below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

Investment properties	Valuation techniques	Significant unobservable inputs	Range of unobservable inputs 2021	2020
Retail properties	Income approach	Prevailing market rents	**RMB24 to RMB123**	RMB24 to RMB121
		Yield rate	**7%**	7%
Office properties	Income approach	Prevailing market rents	**RMB80 to RMB123**	RMB79 to RMB122
		Yield rate	**7%**	7%

Prevailing market rents are estimated based on recent letting transactions within the subject properties and other comparable properties. A significant increase (decrease) in the estimated rental value in isolation would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the yield rate in isolation would result in a significant decrease (increase) in the fair value of the investment properties. Generally, a change in the assumption made for the estimated rental value is accompanied by an opposite change in the yield rate.

15. PROPERTIES UNDER DEVELOPMENT

	2021 RMB'000	2020 RMB'000
Carrying amount at 1 January	**9,128,247**	8,997,082
Additions	**1,789,579**	1,379,338
Transfer to completed properties held for sale (note 21)	**(1,000,418)**	(1,248,173)
Carrying amount at 31 December	**9,917,408**	9,128,247
Less: Current portion	**(9,783,856)**	(8,875,146)
Non-current portion	**133,552**	253,101

Properties under development expected to be recovered:

	2021 RMB'000	2020 RMB'000
Within one year	**3,704,852**	5,180,984
After one year	**6,212,556**	3,947,263
	9,917,408	9,128,247

At 31 December 2021, certain of the Group's properties under development with a carrying value of approximately RMB1,355,993,000 (2020: RMB621,233,000) were pledged to secure bank loans granted to the Group (note 28).

16. LEASES

The Group as a lessee

The Group has lease contracts for various items of properties, machinery and other equipment used in its operations. Lump sum payments were made upfront to acquire the leased land with lease periods of 40 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings generally have lease terms between 1.25 and 5 years. Machinery and other equipment generally have lease terms of 12 months or less and/or are individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

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

	Leasehold land RMB'000	Buildings RMB'000	Total RMB'000
As at 1 January 2020	1,329	1,600	2,929
Depreciation charge	(45)	(1,149)	(1,194)
As at 31 December 2020 and 1 January 2021	**1,284**	**451**	**1,735**
Depreciation charge	**(45)**	**(451)**	**(496)**
As at 31 December 2021	**1,239**	**—**	**1,239**

16. LEASES *(continued)*

The Group as a lessee *(continued)*

(b) Lease liabilities

The carrying amount of lease liabilities (included under interest-bearing bank and other borrowings) and the movements during the year are as follows:

	2021 RMB'000	2020 RMB'000
Carrying amount at 1 January	480	1,565
Revision of a lease term arising from a change in the non-cancellable period of a lease	120	—
Accretion of interest recognised during the year	—	40
Payments	(600)	(1,125)
Carrying amount at 31 December	—	480
Analysed into:		
Current portion	—	480

The maturity analysis of lease liabilities is disclosed in note 34 to the financial statements.

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

	2021 RMB'000	2020 RMB'000
Interest on lease liabilities	—	40
Depreciation of right-of-use assets	496	1,194
Expense relating to leases of low-value assets (included in administrative expenses)	460	202
Total amount recognised in profit or loss	956	1,436

(d) The total cash outflow for leases is disclosed in note 34(b) to the financial statements.

16. LEASES *(continued)*

The Group as a lessor

The Group leases its investment properties (note 14), office buildings and completed properties held for sale under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits. Rental income recognised by the Group during the year was RMB11,891,000 (2020: RMB14,293,000), details of which are included in note 5 to the financial statements.

At 31 December 2021, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2021 RMB'000	2020 RMB'000
Within one year	**1,986**	7,455
After one year but within two years	**844**	5,213
After two years but within three years	**848**	4,038
After three years but within four years	**853**	3,332
After four years but within five years	**857**	918
After five years	**14**	66
	5,402	21,022

17. INTANGIBLE ASSETS

	Software RMB'000
31 December 2021	
Cost at 1 January 2021, net of accumulated amortisation	**111**
Amortisation provided during the year	**(63)**
At 31 December 2021	**48**
At 31 December 2021:	
Cost	**1,993**
Accumulated amortisation	**(1,945)**
Net carrying amount	**48**
31 December 2020	
Cost at 1 January 2020, net of accumulated amortisation	163
Additions	31
Amortisation provided during the year	(83)
At 31 December 2020	111
At 31 December 2020:	
Cost	1,993
Accumulated amortisation	(1,882)
Net carrying amount	111

18. INVESTMENTS IN JOINT VENTURES

	2021 RMB'000	2020 RMB'000
Share of net assets	**3,994**	2,846

The Group's other receivable balances due from the joint ventures are disclosed in note 23 to the financial statements.

Particulars of the Group's joint ventures are as follows:

Company	Place of incorporation/ registration and business	Nominal value of issued/registered share capital	Percentage of ownership interest attributable to the Group	Principal activities
Shanxi Greentown Property Service Co., Ltd. ("**Shanxi Greentown Property**")	PRC/ Mainland China	RMB6,000,000	49	Property management
Shenzhen Runchen Xinghua Industrial Development Partnership (Limited Partnership) ("**Runchen Xinghua**")	PRC/ Mainland China	RMB500,000,000	50.1	Investment advisory

The above investments are held by an indirectly wholly-owned subsidiary of the Company.

In the opinion of the directors, the joint ventures are not material to the Group. The joint ventures are accounted for using the equity method and there is no quoted market price available for their shares.

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

	2021 RMB'000	2020 RMB'000
Share of the joint ventures' profit for the year	**1,148**	1,453
Share of the joint ventures' total comprehensive income	**1,148**	1,453
Aggregate carrying amount of the Group's investments in the joint ventures	**3,994**	2,846

19. EQUITY INVESTMENT DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021 RMB'000	2020 RMB'000
Listed equity investment, at fair value	**54,198**	64,501

The above equity investment was irrevocably designated at fair value through other comprehensive income as the Group considers this investment to be strategic in nature.

20. INVENTORIES

	2021 RMB'000	2020 RMB'000
Raw materials	**20,167**	31,897
Low value consumables	**19**	19
	20,186	31,916

21. COMPLETED PROPERTIES HELD FOR SALE

	2021 RMB'000	2020 RMB'000
Carrying amount at 1 January	**931,224**	411,983
Transfer from properties under development (note 15)	**1,000,418**	1,248,173
Transfer to cost of properties sold	**(1,108,092)**	(723,492)
Impairment during the year	**(2,212)**	(5,440)
Carrying amount at 31 December	**821,338**	931,224

At 31 December 2021, certain of the Group's completed properties held for sale with a carrying value of approximately RMB67,303,000 (2020: RMB87,220,000) were pledged to secure bank loans granted to the Group (note 28).

22. TRADE RECEIVABLES

	2021 RMB'000	2020 RMB'000
Trade receivables	**5,689**	4,852
Impairment	**(1,736)**	(533)
	3,953	4,319

The Group's trading terms with its customers are mainly on credit. The credit period is generally one month to one year. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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:

	2021 RMB'000	2020 RMB'000
Within 3 months	**17**	502
3 to 6 months	**1**	3,392
Over 6 months	**3,935**	425
	3,953	4,319

The movements in the loss allowance for impairment of trade receivables are as follows:

	2021 RMB'000	2020 RMB'000
At beginning of year	**533**	281
Impairment losses (note 7)	**1,203**	252
At end of year	**1,736**	533

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about current conditions and forecasts of future economic conditions. The loss rate applied as at 31 December 2021 was assessed to be minimal.

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Note	2021 RMB'000	2020 RMB'000
Prepayments		**92,442**	58,643
Prepayments for land use rights		**—**	528,444
Deposits and other receivables		**469,941**	530,880
Due from a related party		**30,164**	26,793
Due from joint ventures		**—**	246
Cost to obtain contracts	(a)	**58,153**	73,499
Other tax recoverable		**230,460**	228,056
		881,160	1,446,561
Impairment allowance		**(16,648)**	(17,075)
		864,512	1,429,486

Note:

(a) Cost to obtain contracts is initially recognised for revenue earned from the sale of completed properties. Included in cost to obtain contracts for the sale of completed properties are sales commission and stamp duty. When the revenue from the related property sale is recognised, the amount recognised as cost to obtain contracts is charged out to selling and distribution expenses and administrative expenses. The increase in cost to obtain contracts in 2021 was the result of the increase in the ongoing sale of properties at the end of the year. As at 31 December 2021 and 2020, the loss allowance was assessed to be minimal.

The expected timing of recovery or settlement for cost to obtain contracts as at 31 December is as follows:

	2021 RMB'000	2020 RMB'000
Within one year	**58,153**	73,499

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS *(continued)*

The movements in the loss allowance for impairment of other receivables are as follows:

	2021 RMB'000	2020 RMB'000
At beginning of year	**17,075**	12,146
Impairment losses (note 7)	**(427)**	4,929
At end of year	**16,648**	17,075

Deposits and other receivables mainly represent deposits with suppliers and governments. Expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied as at 31 December 2021 and 2020 was assessed to be minimal.

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2021 and 2020, the loss allowance was assessed to be minimal.

24. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2021 RMB'000	2020 RMB'000
Total cash and bank balances, including pledged deposits	**423,207**	555,786
Less: Pledged time deposits with original maturity of one years when acquired	**(12,583)**	(20,652)
Pledged time deposits with original maturity of three years when acquired	**(10,550)**	—
Restricted cash as security for purchasers' mortgage loans	**(159,701)**	(1,033)
Cash and cash equivalents	**240,373**	534,101

At 31 December 2021, the cash and bank balances of the Group denominated in RMB amounted to RMB305,594,000 (2020: RMB385,188,000). The RMB is not freely convertible into other currencies, however, under Mainland China's 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.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

Pursuant to relevant regulations in the PRC, certain property development companies of the Group are required to place certain amounts of cash in designated bank accounts for specified use. Bank deposits of RMB159,701,000 were pledged as security for purchasers' mortgage loans.

25. TRADE AND BILLS PAYABLES

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

	2021 RMB'000	2020 RMB'000
Less than 1 year	**270,091**	469,822
1 to 2 years	**318,041**	213,607
2 to 3 years	**165,392**	385,995
3 to 4 years	**372,405**	12,858
4 to 5 years	**4,570**	74,321
Over 5 years	**106,170**	53,915
	1,236,669	1,210,518

The trade and bills payables are unsecured, interest-free and are normally settled based on the progress of construction.

26. OTHER PAYABLES AND ACCRUALS

	Notes	2021 RMB'000	2020 RMB'000
Payroll and welfare payable		**13,936**	10,614
Payables to government authority		**1,501**	2,374
Deposits related to sales of properties		**23,595**	4,587
Deposits related to construction		**2,942**	2,893
Sales commission payable		**5,474**	5,561
Payables to third parties	(a)	**133,397**	115,973
Due to related parties		**114,391**	935
Due to a director		**85**	87
Advances from lessees		**4,103**	4,799
Interest payable		**12,439**	6,716
Advances from government			
— Phase I of Longtian Project	(b)	**1,646,466**	1,667,450
— Beiliubao Project	(c)	**3,914**	3,914
Taxes payable other than corporate income tax		**284,123**	15,986
		2,246,366	1,841,889

Notes:

(a) Other payables are unsecured, non-interest-bearing and repayable on demand.

(b) Represented the payment from the management committee and Finance Commission of the Economic Technology Development District, Jinzhong, as development costs for the construction of Phase I of Longtian Project, which would be paid to the suppliers.

(c) Represented the payment from the Finance Commission of the Economic Technology Development District, Jinzhong, as development costs for the construction of Beiliubao Project, which would be paid to the suppliers.

27. CONTRACT LIABILITIES

	2021 RMB'000	2020 RMB'000
Contract liabilities	**4,025,605**	5,125,592

Details of contract liabilities are as follows:

	2021 RMB'000	2020 RMB'000
Sale of properties	**4,025,605**	5,125,592
Total contract liabilities	**4,025,605**	5,125,592

Contract liabilities include the sales proceeds received from buyers in connection with the Group's pre-sale of properties and short-term advances received from customers to deliver construction materials.

28. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2021			2020		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Lease liabilities (note 16(b))	—	—	—	4.75	2021	480
Bank loans — secured	4.15–7.44	2022	65,300	—	—	—
Current portion of long term bank loans — secured	6.18–15.00	2022	2,320,814	6.18–15.00	2021	2,033,642
			2,386,114			2,034,122
Non-current						
Bank loans — secured	6.80–8.65	2022–2025	754,264	6.80–8.65	2022–2025	706,737
			754,264			706,737
			3,140,378			2,740,859

	2021 RMB'000	2020 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	2,386,114	2,033,642
In the second year	425,320	409,583
In the third to fifth years, inclusive	328,944	297,154
	3,140,378	2,740,379
Other borrowings repayable:		
Within one year or on demand	—	480
In the second year	—	—
	—	480

28. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

Notes:

The Group's bank loans are secured by:

(i) mortgages over the Group's property under development, which had a net carrying value at the end of the reporting period of approximately RMB1,355,993,000 (2020: RMB621,233,000) (note 15);

(ii) mortgages over the Group's completed properties held for sale, which had a net carrying value at the end of the reporting period of approximately RMB67,303,000 (2020: RMB87,220,000) (note 21);

(iii) mortgages over the Group's investment properties, which had a net carrying value at the end of the reporting period of approximately RMB133,000,000 (2020: RMB138,000,000) (note 14);

(iv) mortgages over the Group's buildings, which had a net carrying value at the end of the reporting period of approximately RMB29,996,000 (2020: RMB33,207,000) (note 13); and

(v) the guarantees provided by the Company, the subsidiary of the Group, the director of the Company and the Company's controlling shareholder.

29. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Right-of-use assets RMB'000	Fair value adjustment arising from investment properties RMB'000	Withholding tax RMB'000	Gain on property revaluation RMB'000	Accrued LAT RMB'000	Cost to obtain contracts RMB'000	Total RMB'000
At 1 January 2020	400	20,165	12,837	7,777	24,733	17,801	83,713
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	(287)	(750)	10,986	–	(12,678)	573	(2,156)
Gross deferred tax liabilities at 31 December 2020 and 1 January 2021	113	19,415	23,823	7,777	12,055	18,374	81,557
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	(113)	(1,250)	4,264	–	(16,996)	(3,835)	(17,930)
Gross deferred tax liabilities at 31 December 2021	–	18,165	28,087	7,777	(4,941)	14,539	63,627

29. DEFERRED TAX *(continued)*

The movements in deferred tax liabilities and assets during the year are as follows: *(continued)*

Deferred tax assets

	Lease liabilities RMB'000	Fair value adjustments of equity investments at fair value through other comprehensive income RMB'000	Unrealised revenue in contract liabilities RMB'000	Tax losses RMB'000	Accrued payroll RMB'000	Unrealised profit attributable to the intra-group transactions RMB'000	Impairment of property held for sale RMB'000	Decelerated depreciation for tax purposes RMB'000	Impairment of trade receivables and other receivables RMB'000	Total RMB'000
At 1 January 2020	391	23,185	256,503	1,349	1,236	12,576	135	429	613	296,417
Deferred tax credited to other comprehensive income during the year	–	(401)	–	–	–	–	–	–	–	(401)
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	(271)	–	(30,284)	2,047	(127)	11,742	1,543	(62)	1,295	(14,117)
Gross deferred tax assets at 31 December 2020 and 1 January 2021	120	22,784	226,220	3,396	1,109	24,318	1,678	367	1,908	281,900
Deferred tax charged to other comprehensive income during the year	–	2,576	–	–	–	–	–	–	–	2,576
Deferred tax credited to the statement of profit or loss during the year (note 10)	(120)	–	(22,284)	(1,078)	10	(441)	553	–	194	(23,166)
Gross deferred tax assets at 31 December 2021	–	25,360	203,935	2,318	1,119	23,877	2,231	367	2,102	261,309

29. DEFERRED TAX *(continued)*

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2021 RMB'000	2020 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**225,769**	224,166
Net deferred tax liabilities recognised in the consolidated statement of financial position	**28,087**	23,823

Deferred tax assets have not been recognised in respect of the following item:

	2021 RMB'000	2020 RMB'000
Tax losses	**70,372**	63,968

The above tax losses are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprise established in Mainland China. 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/arrangement between Mainland China and the jurisdiction of the foreign investors and the foreign investors are the beneficial owners of the dividends. The Group is therefore liable to withholding taxes on dividends distributed by those foreign invested subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. For the Group, the applicable rate is 10%.

29. DEFERRED TAX *(continued)*

Deferred tax liabilities are recognised based on the estimated dividend to be distributed from the distributable earnings for the year ended 31 December 2021 from the subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries established in Mainland China will distribute the remaining earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised was approximately RMB729,606,000 as at 31 December 2021 (2020: RMB687,873,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

30. SHARE CAPITAL

	2021 HK$'000	2020 HK$'000
Authorised: 1,000,000,000 (2020: 1,000,000,000) ordinary shares of HK$0.01 each	**10,000**	10,000

	2021 HK$'000	2021 RMB'000	2020 HK$'000	2020 RMB'000
Issued and fully paid: 599,999,989 (2020: 599,999,989) ordinary shares of HK$0.01 each	**6,000**	**4,855**	6,000	4,855

A summary of movements in the Company's share capital and share premium is as follows:

	Number of shares in issue	Share capital RMB'000	Share premium account RMB'000	Total RMB'000
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	**599,999,989**	**4,855**	**344,141**	**348,996**

31. RESERVES

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 on pages 304 to 305 of the financial statements.

Statutory surplus reserve

In accordance with the Company Law of the PRC, certain subsidiaries of the Group which are registered in the PRC as domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserves may be converted to increase share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

Capital reserve

Capital reserve of the Group represents the aggregate amount of the paid-up capital of those companies comprising the Group prior to the incorporation of the Company.

On 12 September 2013, Sichuan Changxing (Holdings) Limited ("**Sichuan Changxing**") injected additional capital of RMB139,200,000 into Chen Xing Sichuan. Upon completion of the capital contribution, the shareholding of the Group in Chen Xing Sichuan decreased from 100% to 83.89%. The difference between the contributed amount of RMB139,200,000 net of tax of RMB1,375,000 and the share of net assets of Chen Xing Sichuan by Sichuan Changxing was recorded as the capital reserve.

On 24 December 2014 and as part of the reorganisation, the Group acquired Chen Xing from the shareholders of Chen Xing at a cash consideration of RMB203,809,000, which was fully paid in January 2015.

32. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loans are included in note 28 to the financial statements.

33. COMMITMENTS

(a) The Group had the following capital commitments at the end of the reporting period:

	2021 RMB'000	2020 RMB'000
Contracted, but not provided for:		
Property development activities	**2,086,256**	2,987,027
Capital contribution payable to joint ventures	**252,950**	252,950
	2,339,206	3,239,977

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

2021

	Lease liabilities RMB'000	Interest-bearing bank and other borrowings RMB'000
At 1 January 2021	**480**	**2,740,379**
Changes from financing cash flows	**(600)**	**504,999**
Revision of lease terms	**120**	**—**
At 31 December 2021	**—**	**3,245,378**

2020

	Lease liabilities RMB'000	Interest-bearing bank and other borrowings RMB'000
At 1 January 2020	1,565	2,814,469
Changes from financing cash flows	(1,085)	(74,090)
Interest expense	40	—
Interest paid classified as operating cash flows	(40)	—
At 31 December 2020	480	2,740,379

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(b) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2021 RMB'000	2020 RMB'000
Within operating activities	**460**	242
Within financing activities	**600**	1,085

35. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	2021 RMB'000	2020 RMB'000
Guarantees given to banks in respect of mortgage facilities granted to the purchasers of the Group's properties	**1,979,500**	2,477,533

The Group provided guarantees in respect of mortgage facilities granted by certain banks to the purchasers of the Group's completed properties held for sale. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible for repaying the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to those banks. The Group is then entitled to take over the legal titles of the related properties. The Group's guarantee period commences from the date of grant of the relevant mortgage loan and ends at the execution of individual purchaser's collateral agreement.

The Group did not incur any material losses during the reporting period in respect of the guarantees provided for mortgage facilities granted to the purchasers of the Group's completed properties held for sale. The directors considered that in case of default on payments, the net realizable value of the related properties would be sufficient to repay the outstanding mortgage loans together with any accrued interest and penalty, and therefore no provision has been made in connection with the guarantees.

36. RELATED PARTY TRANSACTIONS

Details of the Group's principal related parties are as follows:

Name	Relationship
Mr. Bai Xuankui	Director, the ultimate controlling shareholder
Mr. Bai Wukui	Director, the ultimate controlling shareholder
Mr. Bai Guohua	Director, the ultimate controlling shareholder
Mr. Jiao Wuli	key management personnel of the entity
Shanxi Wanjia Property Service Co., Ltd. ("**Shanxi Wanjia**")	Company controlled by the daughter of Mr. Bai Xuankui
Shanxi Wanzhong Heating Co., Ltd. ("**Shanxi Wanzhong**")	Company controlled by the daughter of Mr. Bai Xuankui
Shanghai Xuanyu Investment Management Center (limited Partnership) ("**Shanghai Xuanyu**")	Company controlled by Mr. Bai Xuankui
Xi'an Agile Consulting Co., Ltd. ("**Xi'an Agile**")	Shareholder of a subsidiary
Shanxi Greentown Property	A joint venture
Yunchen Real Estate	An associate (before 30 October 2020)
Ms. Bai Lihua	The daughter of Mr. Bai Xuankui

36. RELATED PARTY TRANSACTIONS *(continued)*

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

	2021 RMB'000	2020 RMB'000
Interest income from:		
Yunchen Real Estate	—	8,716
Interest expense to:		
Shanxi Wanzhong	1,200	—
Shanghai Xuanyu	2,367	—
	3,567	—
Loan from:		
Shanxi Wanjia	11,230	—
Shanxi Wanzhong	40,000	—
Shanghai Xuanyu	60,000	—
	111,230	—
Operation support fund to:		
Xi'an Agile	—	19,800
Property management service from:		
Shanxi Greentown Property	2,428	4,935
Shanxi Wanzhong	—	6,123
Shanxi Wanjia	806	771
	3,234	11,829
Royalty fee to:		
Xi'an Agile	179	197
Leasing from:		
Ms. Bai Lihua	—	474

36. RELATED PARTY TRANSACTIONS *(continued)*

(b) Other transactions with related parties:

Mr. Bai Xuankui has guaranteed certain of the Group's bank loans up to RMB1,853,340,000 (2020: RMB1,700,550,000) as at the end of the reporting period (note 28).

Mr. Bai Wukui has guaranteed certain of the Group's bank loans up to RMB19,000,000 (2020: Nil) as at the end of the reporting period (note 28).

Mr. Jiao Wuli have guaranteed certain of the Group's bank loans up to RMB9,600,000 (2020: Nil) as at the end of the reporting period (note 28).

(c) Outstanding balances with related parties:

Details of the Group's outstanding balances with its joint ventures, related parties and a director as at the end of the reporting period are disclosed in notes 23 and 26 to the financial statements. The balances are unsecured, interest-free and have no fixed terms of repayment.

(d) Compensation of key management personnel of the Group:

	2021 RMB'000	2020 RMB'000
Short term employee benefits	**1,967**	3,079
Pension scheme contributions	**171**	188
Total compensation paid to key management personnel	**2,138**	3,267

Further details of directors' and chief executive's emoluments are included in note 8 to the financial statements.

37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2021

Financial assets

	Financial assets at fair value through other comprehensive income		
	Equity investments RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Financial assets included in prepayments, other receivables and other assets	—	450,977	450,977
Equity investment at fair value through other comprehensive income	54,198	—	54,198
Trade receivables	—	3,953	3,953
Pledged deposits	—	12,583	12,583
Time deposits	—	10,550	10,550
Restricted cash	—	159,701	159,701
Cash and cash equivalents	—	240,373	240,373
	54,198	878,137	932,335

37. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

2021

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bill payables	**1,236,669**
Financial liabilities included in other payables and accruals	**293,825**
Interest-bearing bank and other borrowings	**3,140,378**
	4,670,872

2020

Financial assets

	Financial assets at fair value through other comprehensive income		
	Equity investments RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Financial assets included in prepayments, other receivables and other assets	—	540,844	540,844
Equity investment at fair value through other comprehensive income	64,501	—	64,501
Trade receivables	—	4,319	4,319
Pledged deposits	—	20,652	20,652
Restricted cash	—	1,033	1,033
Cash and cash equivalents	—	534,101	534,101
	64,501	1,100,949	1,165,450

37. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

2020

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bill payables	1,210,518
Financial liabilities included in other payables and accruals	134,539
Interest-bearing bank and other borrowings	2,740,859
	4,085,916

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, restricted cash, trade receivables, financial assets included in prepayments, other receivables and other assets, trade payables, financial liabilities included in other payables and accruals and the current portion of interest-bearing bank and other borrowings, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the board of directors. At each reporting date, the corporate finance team 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 chief financial officer. The valuation process and results are discussed with the board of directors twice a year for interim and annual financial reporting.

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a currant transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of listed equity investments are based on quoted market prices. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

Management has assessed that the fair values of the non-current portion of interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the fact that such borrowings were made between the Group and an independent third party financial institution based on prevailing market interest rates.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Equity investment designated at fair value through other comprehensive income	54,198	—	—	54,198

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy *(continued)*

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments: *(continued)*

Assets measured at fair value: *(continued)*

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Equity investment designated at fair value through other comprehensive income	64,501	–	–	64,501

The Group did not have any financial liabilities measured at fair value as at 31 December 2021 and 2020.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2020: Nil).

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly include cash and bank balances, pledged deposits, trade receivables and trade payables, which arise directly from its operations. The Group has other financial assets and liabilities such as interest-bearing bank and other borrowings, other receivables and other payables. The main purpose of these financial instruments is to raise finance for the Group's operations.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. Generally, the Group introduces conservative strategies on its risk management. The Group has not used any derivatives and other instruments for hedging purposes to keep the Group's exposure to these risks to a minimum. The Group does not hold or issue derivative financial instruments for trading purposes. The chief financial officer reviews and agrees policies for managing each of these risks and they are summarised below:

Interest rate risk

The Group's exposure to risk for changes in market interest rates relates primarily to the Group's interest-bearing bank and other borrowings set out in note 28. The Group does not use derivative financial instruments to hedge interest rate risk. The Group manages its interest cost using variable rate bank borrowings.

The following table demonstrates the sensitivity to a reasonably possible change in the RMB interest rate, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000
2021		
RMB	**0.5**	**(22,245)**
RMB	**(0.5)**	**22,245**
2020		
RMB	0.5	(18,259)
RMB	(0.5)	18,259

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between the RMB and other currencies in which the Group conducts business may affect the Group's financial condition and results of operations. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the Hong Kong dollar exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in HK$ rate %	Increase/ (decrease) in profit before tax RMB'000
2021		
If the RMB weakens against the HK$	**5**	**5,643**
If the RMB strengthens against the HK$	**(5)**	**(5,643)**
2020		
If the RMB weakens against the HK$	5	7,202
If the RMB strengthens against the HK$	(5)	(7,202)

Credit risk

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its contractual obligations.

The Group has no concentrations of credit risk in view of its large number of customers. The Group did not record any significant bad debt losses during the reporting period.

The credit risk of the Group's other financial assets, which mainly comprise pledged deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank, lease liabilities and other borrowings. Cash flows are closely monitored on an ongoing basis.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on contractual undiscounted payments, is as follows:

31 December 2021

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings (excluding lease liabilities)	—	145,526	2,353,491	851,167	3,350,184
Trade and bills payables	1,236,669	—	—	—	1,236,669
Financial liabilities included in other payables and accruals	293,825	—	—	—	293,825
	1,530,494	145,526	2,353,491	851,167	4,880,678
Financial guarantees issued: Maximum amount guaranteed (note 35)	1,979,500	—	—	—	1,979,500

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk *(continued)*

31 December 2020

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings (excluding lease liabilities)	—	238,736	1,940,276	775,178	2,954,190
Trade and bills payables	1,210,518	—	—	—	1,210,518
Lease liabilities	—	480	—	—	480
Financial liabilities included in other payables and accruals	134,539	—	—	—	134,539
	1,345,057	239,216	1,940,276	775,178	4,299,727
Financial guarantees issued: Maximum amount guaranteed (note 35)	2,477,533	—	—	—	2,477,533

The amounts included above for financial guarantee contracts are the maximum amounts that the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

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 a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure, which includes total equity, and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 31 December 2020.

The Group monitors capital using a gearing ratio, which is total debt divided by total equity. Total debt includes interest-bearing bank and other borrowings. The gearing ratios as at the end of the reporting periods were as follows:

	2021 RMB'000	2020 RMB'000
Interest-bearing bank and other borrowings	**3,140,378**	2,740,859
Total debt	**3,140,378**	2,740,859
Total equity	**1,713,960**	1,609,601
Gearing ratio	**183.22%**	170.28%

40. EVENTS AFTER THE REPORTING PERIOD

As at the date of approval of the financial statements, the Group had no events after the reporting period that needs to be disclosed.

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSET		
Investment in a subsidiary	**818**	842
CURRENT ASSETS		
Due from a subsidiary	**329,222**	330,818
Cash and cash equivalents	**29,189**	33,384
Total current assets	**358,411**	364,202
CURRENT LIABILITIES		
Due to a director	**3**	3
Due to subsidiaries	**14,614**	14,686
Total current liabilities	**14,617**	14,689
NET CURRENT ASSETS	**343,794**	349,513
TOTAL ASSETS LESS CURRENT LIABILITIES	**344,612**	350,355
NET ASSETS	**344,612**	350,355
EQUITY		
Share capital	**4,855**	4,855
Reserves (note)	**339,757**	345,500
TOTAL EQUITY	**344,612**	350,355

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium account RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2020	344,141	18,160	(6,176)	356,125
Total comprehensive loss for the year	—	—	(2,052)	(2,052)
Exchange differences on translation of foreign operations	—	(8,573)	—	(8,573)
At 31 December 2020 and 1 January 2021	344,141	9,587	(8,228)	345,500
Total comprehensive loss for the year	**—**	**—**	**(1,971)**	**(1,971)**
Exchange differences on translation of foreign operations	**—**	**(3,772)**	**—**	**(3,772)**
At 31 December 2021	**344,141**	**5,815**	**(10,199)**	**339,757**

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 31 March 2022.

FIVE YEAR FINANCIAL SUMMARY

	Year ended 31 December				
	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000
REVENUE	**1,568,596**	1,207,502	1,307,084	1,064,690	1,076,685
Cost of sales	**(1,108,092)**	(743,629)	(955,554)	(697,999)	(700,354)
Gross profit	**460,504**	463,873	351,530	366,691	376,331
Other income and gains	**27,391**	93,015	39,845	35,110	25,673
Selling and distribution expenses	**(59,986)**	(50,932)	(77,560)	(55,063)	(46,611)
Administrative expenses	**(64,140)**	(67,865)	(82,219)	(73,395)	(45,190)
Other expenses	**(46,634)**	(22,165)	(6,957)	(26,633)	(7,356)
Finance costs	**(32,092)**	(3,806)	(22,168)	(19,679)	(6,806)
Share of profits and losses of:					
Joint ventures	**1,148**	1,453	1,198	(295)	—
Associate	**—**	(128)	(10)	(10)	—
PROFIT BEFORE TAX	**286,191**	413,445	203,659	226,726	296,041
Income tax expense	**(172,693)**	(177,344)	(88,666)	(95,540)	(116,473)
PROFIT FOR THE YEAR	**113,498**	236,101	114,993	131,186	179,568
Attributable to:					
Owners of the parent	**78,723**	206,738	106,028	124,889	170,519
Non-controlling interests	**34,775**	29,363	8,965	6,297	9,049
	113,498	236,101	114,993	131,186	179,568

FIVE YEAR FINANCIAL SUMMARY

	As at 31 December				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
TOTAL ASSETS	**12,608,077**	12,683,570	12,440,981	8,998,712	6,974,329
TOTAL LIABILITIES	**10,894,117**	(11,073,969)	(11,066,396)	(7,800,885)	(5,866,625)
NON-CONTROLLING INTERESTS	**(193,533)**	(158,758)	(128,423)	(118,858)	(88,583)
	1,520,427	1,450,843	1,246,162	1,078,969	1,019,121

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