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

2022 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. Lee Angel Pui Shan

AUTHORIZED REPRESENTATIVES

Mr. Bai Guohua
Ms. Lee Angel Pui Shan

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

BDO Limited
Certified Public Accountant
25th Floor, Wing On Centre
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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

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STOCK CODE

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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 Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2022 (the "**Reporting Period**") together with the comparative figures for the year ended 31 December 2021.

— For the Reporting Period, contracted sales of the Group amounted to approximately RMB634.1 million and the corresponding contracted gross floor area ("**GFA**") amounted to approximately 81,090 sq.m., representing a decrease of approximately 3.3% and an increase of approximately 9.5% comparing with the same period last year, respectively;

— Revenue of the Group for the Reporting Period amounted to approximately RMB1,195.9 million, of which approximately RMB1,188 million was revenue from property development;

— Gross profit of the Group for the Reporting Period amounted to approximately RMB359.8 million, of which approximately RMB369.5 million was gross profit from property development;

— Net profit of the Group for the Reporting Period amounted to approximately RMB50.9 million, of which approximately RMB10.4 million was net profit attributable to owners of the parent of the Company;

— Total GFA of land bank of the Group amounted to approximately 2,739,643 sq.m. and the average cost of land bank was approximately RMB834.6 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 RMB7,819.7 per sq.m.;

— Basic earnings per share of the Company for the Reporting Period was approximately RMB0.02; and

— The Board has resolved not to declare a final dividend for the year ended 31 December 2022.

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 2022.

Review of Annual Results for 2022

In 2022, due to the repeated outbreaks of the COVID-19 epidemic in many places in China, the real estate industry was severely affected and many market phenomena were out of expectations. A lot of domestic large and medium-sized real estate enterprises were exposed to debt crises, resulting in a series of problems including project suspension and corporate bankruptcy, which triggered credit crisis of real estate enterprises in the market economy and unprecedented survival crisis and market risks in the real estate industry in PRC. In the middle of 2022, the Chinese government regulators issued a series of policies to ensure the stability of the property market and optimize financial credit. The real estate market was still subject to deep adjustment, giving rise to slowed growth rate of market development. On the one hand, affected by the repeated outbreaks of the COVID-19 epidemic, consumers' income expectations lowered and many real estate projects were suspended or in default, resulting in a lack of consumer confidence, more cautious and conservative property purchases and the general wait-and-see mood of consumers. On the other hand, from the perspective of market supply and demand, the rigid-demand housing in the domestic real estate market was oversupplied, due to the large inventory and supply and weak demand of rigid-demand housing. Meanwhile, the market of housing for home upgrades was better than the rigid-demand housing market as a whole. As consumers were affected by prices and restricted by purchase qualification, the market of housing for home upgrades was under great pressure of sales de-stocking.

In terms of land supply, due to the continuous adjustment of the real estate market and the capital pressure of real estate enterprises, the willingness of government to sell and the willingness of real estate enterprises to acquire land were low, leading to a decrease in the overall land supply and demand scale and the overall sluggish performance of the land auction market. The performance of the land supply and demand market was differentiated with stable supply and demand in first-tier cities and decreased land for sale in second-tier and third-tier cities. Real estate enterprises were cautious in acquiring land, thus the rate of abortive auction of land was relatively high. As a result, the market performance was worse then that of previous years.

In the context of repeated outbreaks of the COVID-19 epidemic and the sluggish real estate industry, the Company's operation in 2022 was also greatly affected. However, the Company still maintained the principle of prudence and constantly adjusted its development strategy and business strategy to adapt to the policy changes and market development demands. Therefore, the Company's operating results could still maintain stable development.

During the Reporting Period, the Group's contracted sales amounted to approximately RMB634.1 million, representing a decrease of approximately 3.3% as compared with the same period last year; the Group's total contracted GFA amounted to approximately 81,090 sq.m., representing an increase of approximately 9.5% as compared with the same period last year.

During the Reporting Period, the Group recorded a revenue of approximately RMB1,195.9 million, representing a decrease of approximately 23.8% as compared with the same period last year, among which, revenue from property development was approximately RMB1,188 million, representing a decrease of approximately 24.1% as compared with the same period last year. Profit attributable to the owners of the parent of Group for the year was approximately RMB10.4 million, representing a decrease of approximately 86.7% as compared with the same period last year, which was mainly attributable to the provision on expected credit loss on financial assets made during the Reporting Period.

As at the end of the Reporting Period, the Group's land bank was approximately 2,739,643 sq.m., as comparing to 2,916,370 sq.m. of the same period last year.

Final Dividend

The Board has resolved not to declare a final dividend for the year ended 31 December 2022.

Prospect for 2023

In 2023, with the improvement of the COVID-19 epidemic situation and under the general principle of "housing is for accommodation but not for speculation", macro policy regulation will be strengthened and proactive fiscal policy and prudent monetary policy will promote the steady recovery of economy in China. Various places will implement localised policies and "guaranteeing delivery of housing" will still be the key goal. The solution of the problem with delivery of housing under construction will boost market sentiment and stabilize home buyers' expectations. Financial institutions will provide financing support to real estate enterprises to ease their financial pressure and stabilize the expectations of market entities; at the same time, policy support on the demand side will be strengthened to drive the recovery of market sales; with the in-depth study and judgment on the trend of policy and development, the real estate industry and the market regulation goals will be subject to adjustments from "promoting the stable development of the real estate market" to "virtuous circle and healthy development of the real estate industry". The real estate industry will gradually usher in the era of high-quality development. It is expected that in the overall supply structure in the market, projects for home upgrades will be dominant, and the housing for home upgrades will become the mainstream of the market.

In 2023, following the changes in the real estate industry and market, the Company will proactively adapt to the new industry policies and market environment. The Company's overall strategy will focus on prudent operation and risk prevention. Meanwhile, the Company will positively explore the market of housing for home upgrades to seize the development opportunities for in-depth development in selected cities and of selective projects, thus to achieve transformation through bypassing the industry cycle by virtue of adjustment of products. On the one hand, the Company will increase sales efforts for de-stocking and actively use data and new media tools for targeted marketing, to accelerate the return of funds and enhance its own ability to resist risks. On the other hand, the Company will seize the development opportunity of the market of housing for home upgrades and grasp the mainstream demand of the market. It will intensify the construction of housing for home upgrades, pay more attention to product design and research and development, and proactively cultivate and introduce design, research and development teams, to improve the market competitiveness of products and the corporate core competitiveness of the Group, thereby maintaining development advantages in market competition.

In 2023, the Company will be in a critical stage of strategic transformation and high-quality development. Therefore, talent reserve is very important. The Company will take the initiative to search for outstanding talents and accelerate the introduction of talents, to solve the talent bottleneck and strengthen the construction of the Company's talent team, which will provide impetus and talent guarantee for the Company's development and transformation. In the meantime, the Company will implement refined management and keep pace with the times to update management methods, to improve middle and high-level management standards and management quality. Through "cost reduction and efficiency enhancement", the Company will seek benefits from management to achieve its stable and high-quality development.

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 during the year. Meanwhile, I would also like to thank the investors, customers and partners for their unfailing support and trust in the Group.

Bai Xuankui
Chairman

24 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the Reporting Period, the Group's contracted sales amounted to approximately RMB634.1 million, representing a decrease of approximately 3.3% as compared with the same period last year. During the Reporting Period, the Group's revenue amounted to approximately RMB1,195.9 million, representing a decrease of approximately 23.8% as compared with the same period last year, among which, revenue from property development was approximately RMB1,188 million, representing a decrease of approximately 24.1% as compared with the same period last year. During the Reporting Period, net profit of the Group amounted to approximately RMB50.9 million, of which net profit attributable to the owners of the parent of the Company was approximately RMB10.4 million.

Contracted Sales

The Group's contracted sales for the years ended 31 December 2022 and 2021 were approximately RMB634.1 million and RMB656.0 million, respectively, representing a decrease of approximately 3.3%. The total contracted GFAs for the years ended 31 December 2022 and 2021 were approximately 81,090 sq.m. and 74,043 sq.m., respectively, representing an increase of approximately 9.5%. By geographical location, the Group's contracted sales from Jinzhong, Taiyuan, Mianyang and Haikou, were approximately RMB53.6 million, RMB102.6 million, RMB463.9 million and RMB14.0 million, respectively, representing approximately 8.5%, 16.2%, 73.2% and 2.2% of the Group's total contracted sales, respectively.

The table below sets forth the Group's contracted sales for the year ended 31 December 2022 by geographic location:

	Contracted Sales for 2022 (RMB million)	Contracted Sales for 2021 (RMB million)	Contracted GFA for 2022 (sq.m.)	Contracted GFA for 2021 (sq.m.)	Average Contracted Sales Price for 2022 (RMB/sq.m.)	Average Contracted Sales Price for 2021 (RMB/sq.m.)
Jinzhong						
Yijun Community (頤郡小區)	1.6	5.5	604	1,127	2,583.2	4,856.0
Chenxing Yijun (辰興頤郡)	38.0	66.5	5,693	9,200	6,676.7	7,230.9
Xiyuan (熙苑)	10.0	2.3	3,180	291	3,144.7	7,874.2
Xin Xing International Cultural Town (新興國際文教城) (Phases III, IV and V)	4.0	5.4	409	901	9,910.0	5,979.7
Taiyuan						
Yosemite Valley Town – Taiyuan (龍城優山美郡) (Phase I)	64.2	25.1	9,212	2,468	6,971.7	10,189.9
Yosemite Valley Town – Taiyuan (龍城優山美郡) (Phase II)	11.9	45.1	2,150	3,941	5,522.0	11,445.9
Yosemite Valley Town – Taiyuan (龍城優山美郡) (Phase III)	26.5	81.3	3,290	10,230	8,041.6	7,948.4
Mianyang						
Yosemite Valley Town (優山美郡)	–	0.4	–	189	–	1,977.5
Elite Gardens (天禦)	–	0.3	–	170	–	1,676.6
Chang Xing Star Gardens (長興星城)	5.2	53.8	1,196	20,905	4,308.5	2,574.9
Chang Xing Jinhutingyuan (長興金湖庭院)	458.7	343.2	54,447	22,872	8,423.8	15,004.7
Hainan						
Chenxing Shangpinhui (辰興尚品匯)	14.0	27.1	909	1,749	15,425.6	15,488.9
Total	634.1	656.0	81,090	74,043	7,819.7	8,859.7

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 3,164,147 sq.m. and a land bank with a total GFA of approximately 2,739,643 sq.m., comprising (i) a total GFA of approximately 127,496 sq.m. which is completed but unsold; (ii) a total GFA of approximately 1,685,883 sq.m. which is under development; and (iii) a total planned GFA of approximately 926,264 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	879,339	83,147	320,660
High-rise	1,250,951	529,624	234,812
Townhouses	27,612	196,834	—
Multi-story garden apartments	576,743	124,427	16,771
Retail outlets	194,251	266,243	112,936
SOHO apartments	6,931	15,984	15,791
Hotels	—	108,743	—
Parking spaces	221,205	338,092	207,873
Ancillary facilities[2]	7,115	22,789	17,421
Total GFA	3,164,147	1,685,883	926,264
Attributable GFA[3]	2,990,454	1,411,966	809,957

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 or leasable.

(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 2022:

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	2,327	–	542,720	–	100.00
Phase IV	Jinzhong, Shanxi (山西省晉中市)	Residential/ Commercial	July 2016	30,987	71,103	747	–	70,356	–	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
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

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] (%)
10. Shuncheng Street Underground Space (順城街地下空間)	Jinzhong, Shanxi (山西省晉中市)	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	9,049	–	49,779	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
13. Chenxing Yijun (辰興頤郡)										
Stage I (portion)	Jinzhong, Shanxi (山西省晉中市)	Residential/ Commercial	January 2022	19,056	35,676	17,409	–	17,803	464	100.00
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	18,450	–	387,715	–	100.00
Northern District, Phase I	Taiyuan, Shanxi (山西省太原市)	Residential/ Commercial	November 2016	108,005	397,867	13,768	–	313,720	70,379	100.00
Phase II (portion)	Taiyuan, Shanxi (山西省太原市)	Residential/ Commercial	June 2020	86,318	246,891	32,068	–	214,823	–	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 (天璽)	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	5,442	–	281,687	1,321	83.89
Phase II	Mianyang, Sichuan (四川省綿陽市)	Residential/ Commercial	November 2020	36,158	122,271	4,674	–	116,666	931	83.89
Total				**1,212,677**	**3,164,147**	**127,496**	**18,851**	**2,939,260**	**78,540**	
Total Attributable GFA[3]				**1,129,401**	**2,990,454**	**117,454**	**18,851**	**2,776,787**	**77,362**	

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 2022:

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] (%)
				Under development				Held for future development		
Jinzhong (晉中)										
1. Phase I of Longtian Project (龍田項目一期)			**129,049**		**449,634**	**427,999**	**30,059**	**–**	**–**	**51.00**
Stage I	Jinzhong, Shanxi (山西省晉中市)	Residential/ Commercial/ Parking Space	14,346	December 2023	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 2023	110,725	101,385	–	–	–	51.00
Stage III	Jinzhong, Shanxi (山西省晉中市)	Residential/ Commercial/ Parking Space	26,682	December 2023	126,120	121,061	–	–	–	51.00
Stage IV	Jinzhong, Shanxi (山西省晉中市)	Commercial/ Parking Space	13,422	December 2023	28,819	28,819	–	–	–	51.00
Stage V	Jinzhong, Shanxi (山西省晉中市)	Commercial/ Parking Space	50,232	December 2023	105,016	102,531	–	–	–	51.00
2. Yijun Community (頤郡小區)			**79,203**		**52,641**	**19,267**	**2,468**	**154,347**	**–**	**51.00**
Stage I (portion)	Jinzhong, Shanxi (山西省晉中市)	Residential	21,102	December 2023	52,641	19,267	2,468	–	–	51.00
Stage II	Jinzhong, Shanxi (山西省晉中市)	Commercial	16,410	August 2024	–	–	–	44,157	–	51.00
Stage III	Jinzhong, Shanxi (山西省晉中市)	Residential/ Commercial	41,691	August 2024	–	–	–	110,190	–	51.00

Project	Location	Project Type	Site Area (sq.m.)	Under development: Actual/ Estimated Completion Date	Under development: GFA under development (sq.m.)	Under development: Saleable/ Leasable GFA (sq.m.)	Under development: Pre-sold GFA (sq.m.)	Held for future development: Planned GFA (sq.m.)	Held for future development: GFA with the land use certificate not obtained yet (sq.m.)	Ownership interest[1] (%)
3. Chenxing Yijun (辰興頤郡)			**178,230**		**95,348**	**92,599**	**45,642**	**356,400**	**–**	**100.00**
Stage I (portion)	Jinzhong, Shanxi (山西省晉中市)	Residential/ Commercial	37,545	December 2023	95,348	92,599	45,642	–	–	100.00
Stage II	Jinzhong, Shanxi (山西省晉中市)	Residential/ Commercial	37,462	December 2024	–	–	–	99,500	–	100.00
Stage III	Jinzhong, Shanxi (山西省晉中市)	Residential/ Commercial	85,669	December 2024	–	–	–	209,300	–	100.00
Stage IV	Jinzhong, Shanxi (山西省晉中市)	Residential/ Commercial	17,554	December 2024	–	–	–	47,600	–	100.00
4. Shiguang Zhicheng (時光之城)	Jinzhong, Shanxi (山西省晉中市)	Commercial	**28,296**	December 2024	**112,383**	**53,880**	**–**	**–**	**–**	**100.00**
5. Jinxiu SOHO (錦繡中心)	Jinzhong, Shanxi (山西省晉中市)	Commercial	**3,461**	December 2024	**20,506**	**–**	**–**	**–**	**–**	**100.00**
Taiyuan (太原)										
1. Yosemite Valley Town – Taiyuan (龍城優山美郡)			**107,038**		**358,948**	**334,732**	**223,564**	**–**	**–**	**100.00**
Phase II (portion)	Taiyuan, Shanxi (山西省太原市)	Residential/ Commercial	24,917	December 2023	129,448	118,086	80,045	–	–	100.00
Phase III	Taiyuan, Shanxi (山西省太原市)	Residential/ Commercial	60,273	November 2024	216,881	216,646	143,519	–	–	100.00
Phase IV	Taiyuan, Shanxi (山西省太原市)	Primary School	21,848	September 2023	12,619	–	–	–	–	100.00
Haikou (海口)										
1. Shangpinhui (尚品匯)	Haikou, Hainan (海南省海口市)	Commercial	**43,795**	October 2023	**98,140**	**55,876**	**1,860**	**–**	**–**	**100.00**
2. Jiangdong Shangyuan (江東上院)	Haikou, Hainan (海南省海口市)	Residential/ Commercial	**57,446**	December 2024	**56,425**	**–**	**–**	**17,240**	**–**	**100.00**
Wuzhishan (五指山)										
1. Yijun (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 2023	48,013	1,559	–	–	–	100.00
Phase II	Wuzhishan, Hainan (海南省五指山市)	Residential	23,827	May 2024	35,274	–	–	–	–	100.00
Phase III	Wuzhishan, Hainan (海南省五指山市)	Residential	18,244	May 2024	26,666	10,734	–	–	–	100.00
Phase IV	Wuzhishan, Hainan (海南省五指山市)	Residential	21,706	May 2024	26,469	–	–	–	–	100.00

Project	Location	Project Type	Site Area	Under development				Held for future development		
				Actual/ Estimated Completion Date	GFA under development	Saleable/ Leasable GFA	Pre-sold GFA	Planned GFA	GFA with the land use certificate not obtained yet	Ownership interest[1]
			(sq.m.)		(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(%)
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 2025	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 2026	95,465	–	–	145,781	–	100.00
Mianyang (綿陽)										
1. Jinhutingyuan (金湖庭院)			**154,367**		**172,575**	**133,720**	**77,338**	**252,496**	**–**	**83.89**
Phase I	Mianyang, Sichuan (四川省綿陽市)	Residential/ Commercial	62,672	December 2023	172,575	133,720	77,338	–	–	83.89
Phase II	Mianyang, Sichuan (四川省綿陽市)	Residential/ Commercial	91,695	December 2025	–	–	–	252,496	–	83.89
Total			**1,097,187**		**1,685,883**	**1,130,366**	**380,931**	**926,264**	**–**	
Total Attributable GFA[2]					**1,411,966**	**889,663**	**352,534**	**809,957**	**–**	

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 2022:

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 2022 (RMB million)	2021 (RMB million)
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	5,904	55.6	1.0	1.1
Office Building of West Yingbin Street (迎賓西街辦公樓)	Retail Outlets	2,762	2,313	83.7	0.6	0.9
Total		**21,613**	**8,217**	**–**	1.8	**2.2**

The table below sets forth the Group's land bank as at 31 December 2022 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	46,541	730,512	510,747	1,287,800	47.0	853.9
Taiyuan	64,286	358,948	–	423,234	15.4	393.5
Mianyang	16,669	172,575	252,496	441,740	16.1	1,063.9
Haikou	–	154,565	17,240	171,805	6.3	2,183.2
Wuzhishan	–	136,422	–	136,422	5.0	1,145.2
Xishuangbanna	–	132,861	145,781	278,642	10.2	1,006.9
Total	**127,496**	**1,685,883**	**926,264**	**2,739,643**	**100.0**	**834.6**

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 2022 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	27,182	83,147	320,660	430,989	15.7
High-rise	29,092	529,624	234,812	793,528	28.9
Townhouses	1,472	196,834	—	198,306	7.2
Multi-story garden apartments	3,408	124,427	16,771	144,606	5.3
Available-for-sale office/ commercial properties	42,545	266,243	112,936	421,724	15.4
SOHO apartments	58	15,984	15,791	31,833	1.2
Hotels	—	108,743	—	108,743	4.0
Parking spaces	23,739	338,092	207,873	569,704	20.8
Ancillary facilities[2]	—	22,789	17,421	40,210	1.5
Total	**127,496**	**1,685,883**	**926,264**	**2,739,643**	**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 RMB1,195.9 million, representing a decrease of approximately 23.8% as compared with approximately RMB1,568.6 million in the same period last year. The decrease was mainly due to the decrease in total GFA of completed properties delivered during the Reporting Period.

During the Reporting Period, the Group's revenue from property development amounted to approximately RMB1,188 million, representing a decrease of approximately 24.1% as compared with the same period last year. The decrease was mainly due to the decrease in total GFA of completed properties delivered during the Reporting Period.

Sales and Services Cost

The Group's sales and services cost decreased by approximately 24.74% from approximately RMB1,111 million for the year ended 31 December 2021 to approximately RMB836 million for the Reporting Period, the decrease of which was mainly due to a corresponding decrease in cost of sales and services with the decrease in revenue from sales and services during the Reporting Period.

Gross Profit

During the Reporting Period, the Group's gross profit was approximately RMB359.8 million, representing a decrease of approximately 21.4% as compared with approximately RMB457.6 million in the same period last year. During the Reporting Period, the Group's gross profit margin was approximately 30.1%, representing an increase of 0.9 percentage points as compared with approximately 29.2% in the same period last year.

During the Reporting Period, the Group's gross profit from property development was approximately RMB369.5 million, representing a decrease of approximately 19.1% as compared with approximately RMB456.9 million in the same period last year, which was mainly due to the decrease in the area sold of delivered projects during the Reporting Period, leading to a decrease in revenue from sales.

During the Reporting Period, the Group's gross profit margin of property development was approximately 31.1%, representing an increase of approximately 1.9 percentage points as compared with approximately 29.2% in the same period last year.

Other Income and Gains

During the Reporting Period, the Group's other income and gains were approximately RMB12.8 million, representing a decrease of approximately 53.2% as compared with approximately RMB27.4 million in the same period last year, which was mainly due to a decrease in rental income and interest income.

Profit Attributable to Owners of the Parent of the Company

During the Reporting Period, the profit attributable to owners of the parent of the Company was approximately RMB10.4 million, representing a decrease of approximately 86.7% from approximately RMB78.7 million in the same period last year. The decrease in the profit attributable to owners of the parent of the Company was mainly due to the significant provision on expected credit loss on financial assets made during the Reporting Period.

Change in Fair Value of Investment Properties

The fair value of the Group's investment properties decreased by approximately 9.0% from approximately RMB133.0 million for the year ended 31 December 2021 to approximately RMB121.0 million for the Reporting Period, and the decrease was primarily due to the decrease of fair value 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 decreased by approximately 5.5% from approximately RMB60.0 million for the year ended 31 December 2021 to approximately RMB56.7 million for the Reporting Period, and the decrease was primarily due to the decrease in office expenses and employee remuneration during the Reporting Period.

Administrative Expenses

The Group's administrative expenses decreased by approximately 18.8% from approximately RMB64.1 million for the year ended 31 December 2021 to approximately RMB52.1 million for the Reporting Period, and the decrease was primarily due to the decrease in labour costs and office expenses.

Finance Costs

The Group's financing expenses increased by approximately 84.1% from approximately RMB32.1 million for the year ended 31 December 2021 to approximately RMB59.1 million for the Reporting Period, and the increase was primarily due to the increase in borrowings from related parties during the Reporting Period, resulting in an increase in finance costs of the Group.

Income Tax Expenses

The Group's income tax expenses decreased by approximately 65.4% from approximately RMB172.7 million for the year ended 31 December 2021 to approximately RMB60.0 million for the Reporting Period, and the decrease was primarily due to a decrease in profit before tax for the Reporting Period.

Total Profit and Comprehensive Income for the Period

As a result of the foregoing, the Group's total profit and comprehensive income for the period decreased by approximately 53.1% from approximately RMB104.4 million for the year ended 31 December 2021 to approximately RMB48.9 million for the Reporting Period.

Cash Position

As at the end of the Reporting Period, the Group's cash and cash equivalents were approximately RMB334.8 million, representing an increase of approximately 39.3% as compared to approximately RMB240.4 million as at 31 December 2021, and the increase was primarily due to an increase in advance of sales proceeds from buyers in connection with the Group's pre-sale of properties and sales of construction materials during the Reporting Period.

Net Operating Cash Flow

The Group recorded a positive operating cash flow of approximately RMB22.0 million as at the end of the Reporting Period, while the negative operating cash flow was approximately RMB500.0 million as at 31 December 2021.

Borrowings

The Group had outstanding bank borrowings of approximately RMB3,155.1 million as at the end of the Reporting Period while the Group had outstanding bank borrowings of approximately RMB3,140.4 million as at 31 December 2021.

Pledged Assets

Certain of the Group's borrowings were secured by properties under development. As at the end of the Reporting Period, the assets pledged to secure certain borrowings granted to the Group amounted to approximately RMB2,127.0 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 RMB2,012.9 million.

During 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 RMB3,155.1 million and total equity of approximately RMB1,762.9 million, the gearing ratio of the Group was approximately 179% (31 December 2021: approximately 183%). Gearing ratio is calculated by dividing total debt over total equity, and total debt includes interest-bearing bank and other borrowings. The decrease in gearing ratio was mainly due to an increase in non-controlling interests 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 does not have a hedging policy in relation to the foreign currency risk.

Material Acquisitions and Disposals and Material Investments

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

Outstanding receivable from Global Sunac in respect of disposal of Yunchen Real Estate

Reference is made to the announcement of the Company dated 30 October 2020 regarding the equity transfer agreement (the "**Disposal Agreement**") entered into between Chenxing Real Estate Development Co, Ltd.* (辰興房地產發展有限公司) ("**Chenxing Real Estate**"), a wholly-owned indirect subsidiary of the Company, and Xishuangbanna Global Sunac Tourism Development Co., Ltd.* (西雙版納環球融創旅遊發展有限公司) ("**Global Sunac**") in respect of the then transfer of 49% of equity interests in Xishuangbanna Yunchen Real Estate Co., Ltd.* (西雙版納雲辰置業有限公司) ("**Yunchen Real Estate**") at a consideration of RMB95.35 million (equivalent to approximately HK$104.89 million).

Pursuant to the terms of the Disposal Agreement, Global Sunac shall settle the balance of consideration, being RMB79.55 million (equivalent to approximately HK$87.51 million) as second installment within 12 months from the date of the Disposal Agreement (i.e. on or before 30 October 2021). Global Sunac shall also pay interest to Chenxing Real Estate at the rate of 8% per annum on the second installment for the period from the date of the payment of the first installment to the date of payment of the second installment to Chenxing Real Estate. Furthermore, pursuant to the terms of the Disposal Agreement, Yunchen Real Estate shall also repay an outstanding loan principal within 12 months from the date of this Agreement at an interest rate of 8% per annum for the period from the date of payment of the first repayment to the date of final repayment of the outstanding loan principal.

As at 31 December 2022, amount of RMB89,697,000 (2021: RMB89,697,000) was still outstanding, management of the Company are hesitated about the ability and the incentives of Global Sunac or its holding company to repay the outstanding balances and considered the possibility of recovery was remote. Therefore, a lifetime expected credit losses (Stage 3) of RMB89,697,000 was recognised during the year ended 31 December 2022.

During the year ended 31 December 2022, the Group has taken legal action against Global Sunac, for the settlement of the outstanding receivables. Up to the date of this report, the case is still under relevant legal procedures.

The Group will make further announcement(s) in respect of the development as and when appropriate.

* *for identification purposes only*

MANAGEMENT DISCUSSION AND ANALYSIS

Significant Events after the Reporting Period

As of 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 above, the Group has no future plans of material investment as at the date of this report.

Employees and Remuneration Policies

As at the end of the Reporting Period, the Group had 237 employees. During the Reporting Period, the Group had incurred the employee costs of approximately RMB30.8 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.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Bai Xuankui (白選奎), aged 71, is one of the founders and controlling shareholders of the Group. He is also an executive Director, chairman of the Board and chairman of the nomination committee as well as the chairman of Chenxing. 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 20 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 60, 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 Chenxing, 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 47, 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 65, 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 60, 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 58, 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 67, 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

Ms. Chen Jianhua (陳建華), aged 48, is the deputy general manager in engineering of the Group. Ms. Chen, joined the Group in July 1996, is responsible for managing the design and construction management of the Group's installation projects. She has served as the deputy general manager in engineering of Taiyuan Branch of the Company since May 2011. She was appointed as the deputy general manager in engineering of the Company in January 2022.

Ms. Chen obtained her diploma in electrical equipment from Shanxi Construction Engineering Technology School in 1995 and the senior engineer qualification in 2020.

Mr. Wang Binzhou (王斌周), aged 46, 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 46, 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.

Ms. Guo Lina (郭麗娜), aged 43, is the deputy general manager in marketing of the Group.

Ms. Guo, joined the Group in April 2007, is responsible for project planning, product packaging, etc. of the Group. She was appointed as the head of the planning department of the Group since September 2016 and was promoted to the deputy general manager in marketing of the Group in January 2022.

Ms. Guo obtained a bachelor's degree in advertising from the School of Journalism and Communication, Hebei University in June 2003.

COMPANY SECRETARY

On 31 March 2022, Ms. Ng Wing Shan resigned as the company secretary of the Company. On the same date, Ms. Lee Angel Pui Shan was appointed as the company secretary of the Company.

Ms. Lee is a Corporate Secretarial Executive of SWCS Corporate Services Group (Hong Kong) Limited ("**SWCS**") and has extensive company secretarial professional experience. Ms. Lee holds a bachelor's degree in accounting. She is certified public accountant of The Hong Kong Institute of Certified Public Accountants, and an associate member of The Chartered Governance Institute. Before joining SWCS, she worked for Ernst & Young (Hong Kong and Beijing), participated in a number of Chinese overseas listings, and was also responsible for many internal control projects to meet the requirements of Hong Kong and overseas listings.

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 2022.

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 305.

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

The Group's analysis of its annual performance using financial key performance indicators is set out in pages 209 to 224 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.

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 pay any fixed dividend which is payable on any shares of the Company half-yearly or on any other dates as considered by the Board to be justified by the profits of the Company.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding the Company's securities.

FINAL DIVIDEND

The Board resolved not to declared the payment of final dividend for the year ended 31 December 2022.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting will be convened on Wednesday, 24 May 2023, a notice of which will be published and delivered to the Company's Shareholders in due course.

SHARE CAPITAL

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

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 308 to 309 of this annual report.

DISTRIBUTABLE RESERVES

Distributable reserves of the Group amounted to RMB942.0 million for the Reporting Period (Distributable reserves as of 31 December 2021 amounted to RMB936.4 million).

BANK LOANS 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

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 Xuankui, Mr. Qiu Yongqing and Mr. Tian Hua shall retire at the forthcoming annual general meeting, 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 3.13 of the Listing Rules. As of 31 December 2022, 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).

INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

During the Reporting Period, none of the Directors or their connected entities and controlling Shareholders had direct or indirect material interest in any transaction, arrangement or contract which was significant to the business of the Group and the Company or any of its subsidiary was a party thereto.

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 4.64% of the total purchases of the Group, and the amount of purchases from the five largest suppliers of the Group represented approximately 12.84% 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 0.54% of the total sales of the Group, and the amount of sales to the five largest customers of the Group represented approximately 1.46% 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 2022, the interests and/or short positions of the following 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	10,481,740	1.74%

Notes:

1. As at 31 December 2022, 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 2022, save as disclosed above, none of the Directors or chief executives of the Company had any interest and/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 2022, to the best knowledge of the Company and the Directors, the following persons (not being Directors or chief executives of the Company) had interests or short positions in the shares and/or 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 2022, 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 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 is 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 2022, 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/or 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.

ANNUAL REVIEW AND DISCLOSURE REQUIREMENT OF DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as disclosed in this annual report, for the Reporting Period, none of the Directors or their respective associates engaged in or had any interest in any business which was or might be in competition 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 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 244 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

As at the latest practicable date before the publication of this annual report, according to the public information available to the Company and to the knowledge of the Directors, the Company has maintained sufficient public float as required by the Listing Rules during the Reporting Period and up to the date of this annual report.

AUDITOR

On 2 September 2022, Ernst & Young resigned as the auditor of the Company.

On 2 September 2022, the Company appointed BDO Limited ("**BDO**") as the auditor of the Company with effect from 2 September 2022 to fill the casual vacancy following the resignation of Ernst & Young and to hold office until the conclusion of the next annual general meeting of the Company.

The Group's consolidated financial statements for the year ended 31 December 2022 have been audited by BDO.

BDO will retire and, be eligible, will offer themselves for re-appointment at the forthcoming annual general meeting. A resolution for the re-appointment of BDO as the auditor of the Company will be proposed at the forthcoming annual general meeting.

Save as disclosed above, there were no other changes in the Company's auditors during the past three years (including the Reporting Period).

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

24 March 2023

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report of the Company for the year ended 31 December 2022.

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 Rules (the "**Listing Rules**") Governing the Listing of Securities on the Stock Exchange as its own code of corporate governance. During the Reporting Period, the Company had complied with all the applicable code provisions under the CG Code.

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, 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.

The Company has established relevant mechanisms to ensure that the Board can obtain independent views and opinions, for example, pursuant to the code provisions C.5.6 and C.5.9 of the CG Code, the Board and its committees are provided with sufficient information and have separate and independent access to the Company's senior management to make informed decisions. In particular, all members of the Board are entitled to timely access to the information of the Group (including but not limited to management accounts, operating performance and statistical data, audit results, and other relevant industry and market information and forecasts), as well as the assistance and professional advice of the company secretary (if necessary), at the expenses of the Company. The Board promotes an enlightened culture and constructive relationship between independent non-executive directors and other directors. The chairman of the Board also holds at least one meeting with independent non-executive directors every year without the presence of other directors and senior management to facilitate independent non-executive directors to raise realistic independent views and opinions.

In order to ensure the high degree of independence of the Board, the Nomination Committee reviews the implementation and effectiveness of these mechanisms every year, and makes recommendations to the Board in due course.

Pursuant to code provision C.1.5 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.

Board Diversity Policy

The Board has adopted a board diversity policy (the "**Board Diversity Policy**") and the Nomination Committee has been delegated to be responsible for the implementation, monitoring and annual review of this policy.

In line with the vision of realizing the sustainable and balanced development of the Company, in order to equip the members of the Board with diverse views and perspectives, the Company regards the diversity of the Board as a necessary condition for realizing its strategic goals. The appointment of directors is based on merit and is carried out on the basis of full consideration of a series of diversity objectives, including gender, age, cultural and educational background, length of service, professional experience, understanding of the Group's business, and a wide range of personal traits, interests and values.

In terms of gender diversity, the Board believes that gender diversity is representative of Board diversity as well as all other measurable goals. The Board is committed to maintaining an appropriate proportion of female members, and the proportion of female representatives on the Board is 14% as at the end of the Reporting Period. The Company's goal is to maintain at least the current level of female representatives on the Board, with the ultimate goal of achieving gender equality.

The Board believes that the current composition of members has provided the Company with a balance of skills, experience and a diversity of perspectives relevant to the Company's business needs. The Board will continue to review its composition on a regular basis and take into account the diversity of the Board in review to meet the business needs and interests of the Company.

The Nomination Committee reviews the implementation and effectiveness of the Board Diversity Policy at least once a year to ensure that the policy is still valid and appropriate for the Company and complies with regulatory requirements and good corporate governance practices.

To further strengthen gender diversity, the Board and the Nomination Committee are always on the lookout for potential successors to the Board. The Company regularly conducts recruitment and promotion to encourage and attract qualified employees to serve as senior management and positions on the Board.

The Company is also committed to maintaining a balanced ratio of male to female employees. As at the end of the Reporting Period, the ratio of male to female employees of the Company was approximately 58% to 42%. The Company's recruitment is merit-based and non-discriminatory. The Board is satisfied that the Company has achieved gender diversity in its workforce. For further details on the gender diversity of the Company's employees, please refer to the disclosures in the section headed "Environmental, Social and Governance Report" of this annual report.

Chairman and Chief Executive Officer

The chairman 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 formal and all-rounded trainings. 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. Bai Xuankui, Mr. Qiu Yongqing and Mr. Tian Hua will retire by rotation at the forthcoming annual general meeting 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	4/4	1/1

The chairman of the Board convened a meeting with the independent non-executive Directors without the presence of the executive 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 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;

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

(v) to make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive;

(vi) to review the Board Diversity Policy and any measurable objectives for implementing such Board Diversity Policy as may be adopted by the Board from time to time and to review the progress on achieving the objectives; and to make disclosure of results of its review in the corporate governance report of the Company on a yearly basis;

(vii) to review the policy for the nomination of Directors ("**Nomination Policy**"). The Nomination Policy shall set out, inter alia, the nomination procedures and process and criteria to select and recommend candidates for directorship; and

(viii) to consider other topics, as defined by the Board.

Nomination Policy

The Company adopts a Director Nomination Policy, including nomination procedures and processes as well as criteria for screening and recommending director candidates, so that the Board has a sustainable and optimal combination of members to the greatest extent, ensuring that the Board members have the skills, experience and diversity requirements required by the Company's business.

When selecting director candidates, the Nomination Committee comprehensively considers the following factors:

- Character and honesty;
- Qualifications (including professional qualifications, skills, knowledge and experience relevant to the Company's business and corporate strategy);
- Requirements for independent non-executive directors under the Listing Rules and whether candidates are considered independent in terms of independence guidelines as set out in the Listing Rules;
- Any measurable goals adopted for diversity and potential contributions to the Board in respect of the diversity of candidates;
- The willingness of candidates and whether they can devote enough time and have relevant interests to perform the duties; and
- Other factors applicable to the Company's business and its successor plans.

For the appointment of new directors, the Nomination Committee as authorized by the Board shall identify and evaluate candidates according to the above criteria to determine whether the candidates are eligible to serve as directors. If the candidates are deemed qualified, the Nomination Committee will recommend them to the Board for consideration; and if the Board considers them appropriate, it will approve the appointment of the proposed candidates as new directors.

For the re-election of directors at the general meeting, the Nomination Committee as authorized by the Board shall review the contributions made by the retiring directors and whether they can continue to perform their duties as required according to the above criteria. The Board shall then recommend directors for re-election to the shareholders at the general meeting in accordance with the recommendation of the Nomination Committee.

For the nomination of any candidate (except retiring directors) by the Board or Shareholders for election as directors at the general meeting of the Company, the Nomination Committee shall, after receiving the nomination proposal and the candidate's resume, evaluate whether he/she is suitable according to the same criteria as stated above. The Board may or may not make recommendations to Shareholders on their voting for the proposed election in the relevant announcement and/or circular to Shareholders as recommended by the Nomination Committee.

The Nomination Committee will regularly review the Director Nomination Policy to ensure its effectiveness.

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, the Board Diversity Policy, made recommendations to the Board on the re-appointment of Directors, and assessed independence of the independent non-executive Directors.

Remuneration Committee

The Remuneration Committee 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 review and approve the management's remuneration with reference to the Board's corporate goals and objectives;

(v) to review and approve the compensation payable to executive directors and senior management members for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair, reasonable and not excessive;

(vi) to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

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

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

(ix) to review and/or approve the matters related to share scheme under Chapter 17 of the Listing Rules.

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 two meetings. 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	2/2
Ms. Gao Jianhua	2/2
Mr. Bai Xuankui	2/2

During the Reporting Period, the Remuneration Committee has reviewed the remuneration policy and structure for all Directors and senior management of the Company, assessed performance of executive directors, approved the terms of executive directors' service contracts, reviewed the remuneration of individual Directors and senior management and made recommendations to the Board, and considered the amendments to the terms of reference of the Remuneration Committee and made recommendations to the Board.

Audit Committee

The Audit Committee 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:

1. Liaison with the Company's external auditors

1.1 to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and approval of the remuneration and terms of engagement of the external auditor, and any question of its resignation or dismissal;

1.2 to review and monitor the external auditor's independence and objectivity as well as the effectiveness of the audit process in accordance with applicable standard. The Audit Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;

1.3 to develop and implement policy on the engagement of an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally; and

1.4 to identifying, reporting to and making recommendations on any matters to the Board where action or improvement is needed.

2. Review of the Company's financial information

2.1 to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them; and

2.2 Regarding 2.1 above: (i) members of the Audit Committee should liaise with the Board and senior management and the Audit Committee must meet, at least twice a year, with the Company's auditors; (ii) the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer and auditors.

3. Oversight of the Company's financial reporting system, risk management and internal control systems

3.1 to review the Company's financial control, and unless expressly addressed by a separate board risk committee, or by the board itself, to review the Company's risk management and internal control systems;

3.2 to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. The discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting functions;

3.3 to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to such findings;

3.4 to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

3.5 to review the Group's financial and accounting policies and practices;

3.6 to review the external auditors' management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;

3.7 to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

3.8 to act as the key representative body for overseeing the Company's relationship with the external auditor;

3.9 to review arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Mommittee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

3.10 to report to the Board on the matters in the code provisions of the CG Code under Appendix 14 of the Listing Rules;

3.11 to consider other topics, as defined by the Board;

3.12 where the Board disagrees with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Company should include in the Corporate Governance Report a statement from the audit committee explaining its recommendation and also the reason(s) why the Board has taken a different view; and

3.13 the Audit Committee should establish a whistle blowing policy and system for employees and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence, with the Audit Committee about possible improprieties in any matter related to the Company.

4. Performing the Company's corporate governance functions

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

4.2 to review and monitor the training and continuous professional development of Directors and senior management of the Company;

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

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

4.5 review the Company's compliance with the code provisions of the CG Code and disclosure in the Corporate Governance Report of the Company.

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 2021, the interim results of the Group for the six months ended 30 June 2022, 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 the annual results of the Group for the year ended 31 December 2022, and the audit report prepared by the external auditor related to accounting issues and material findings during the audit process.

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 Reporting Period, 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 2022, which gives a true and fair view of the financial position of the Group.

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.

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.

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 298 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 (including material risks relating to environmental, social and governance):

(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 period from the date of signing the Deed of Non-competition until 31 December 2022.

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

AUDITOR'S REMUNERATION

For the year ended 31 December 2022, the audit services fees payable to its external auditor, BDO, amounted to RMB2.38 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. Lee Angel Pui Shan, the corporate secretarial executive of SWCS (a professional corporate service provider), to act as the company secretary of the Company, 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. Lee Angel Pui 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.

The chairman of the Board ensures that appropriate steps are taken to maintain effective communication with the Shareholders and that their views are communicated to the Board as a whole. The Company is committed to carefully listening and evaluating the impact of operations to its stakeholders, including the Shareholders, the employees, the investors and the community. This policy aims at ensuring the Shareholders are provided with ready, equal and timely access to information about the Company, in order to enable Shareholders to exercise their rights in an informed manner and to enhance communication between the Company and the Shareholders.

The Company strictly complies with disclosure requirements under the Listing Rules with respect to the disclosure of its financial statements and fosters two-way communication between the Company and the Shareholders and potential investors mainly through the following channels:

(i) Corporate communication

Annual and interim reports, results announcements, circulars and notices of general meetings and associated explanatory documents will be published in a timely manner on the websites of the Company and the Stock Exchange.

Corporate communication of the Company will be provided to the Shareholders in both English and Chinese versions to facilitate the Shareholders' understanding.

Shareholders can choose to receive corporate communications via electronic means, with the aim of reducing resource consumption relating to printing and distribution of hard copies.

(ii) Shareholders' enquiries and general meetings of the Company

Shareholders can raise any comments on the performance and future directions of the Group to the Directors at general meetings and are welcomed at all times to send their enquiries on the matters of the Company to the Board and/or Investor Relations Department by post to the Company's head office and principal place of business in the PRC (18 Anning Street, Yuci District, Jinzhong City, Shanxi Province, the PRC) or by email to the Company's mailbox (cxfz@chen-xing.cn).

(iii) Capital market communications

Periodic meetings with institutional investors will be held from time to time in order to facilitate communication between the Company and Shareholders and the investor community.

The Board reviews the Shareholders' communication policy on an annual basis, and makes any changes it considers necessary to ensure its effectiveness and that the legal interests of Shareholders and investors are substantially protected.

The Board has conducted a review of the implementation and effectiveness of the Shareholders' communication policy of the Company during the Reporting Period. Having considered the communication channels in place, the Board is satisfied that an effective Shareholders' communication policy has been properly implemented throughout the year ended 31 December 2022.

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 voting rights at general meetings of the Company on a one vote per shares basis and 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 head office and principal place of business in the PRC (18 Anning Street, Yuci District, Jinzhong City, Shanxi Province, the PRC) 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**") to present our plans and performance in terms of sustainable development. 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	This Report has identified and disclosed the process of important environmental, social and governance issues, the criteria for selecting these issues, and the description of the identified important stakeholders and the process and results of stakeholder engagement.
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 statistical disclosure methods which are consistent with those for the previous years in 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.

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 2022 to 31 December 2022 (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 24 March 2023 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 extensive property model with diversified business formats, striving to achieve leapfrog development with higher quality products and services.

Chen Xing Development won the "2022 Top 500 China Real Estate Development Enterprises in Terms of Overall Capabilities" in for the eleventh time, which is the recognition and affirmation of the Group's comprehensive strength in terms of eight aspects including enterprise scale, risk management, profitability, growth potential, operational performance, innovation ability, product quality and social responsibility.

In 2022, Chen Xing Development shifted the focus to enterprise products, focusing on product design, strengthening product strength, maintaining development advantages in market competition, and looking for development space and opportunities. Meanwhile, adhering to the main business of real estate, it implemented refined management, sought benefits from management through "cost reduction and efficiency enhancement", and eased liquidity pressure, to achieve stable and high-quality development of the Company.

SUSTAINABLE DEVELOPMENT STRATEGY

Statement by the Board of Directors

The Group attaches great importance to ESG work, adheres to a top-down management approach and continues to improve its ESG management system. The Board is the highest ESG governance body of the Group, responsible for making decisions and overseeing the Company's ESG activities, including reviewing the overall ESG direction, objectives, performance, materiality assessment and management of ESG issues, as well as regularly reviewing the progress of environmental objectives and determining the setting of environmental targets. In order to achieve high-quality sustainable development, in the year, the Board has reviewed the results of the materiality assessment and the progress of the environmental objectives as well as the sustainable performance of the Group during the operation period, which has covered waste management, greenhouse gas emission management, energy efficiency management and water efficiency management, etc., so as to minimize the impact of the Group's business operations on the environment and better fulfill the Company's ESG responsibilities.

Sustainability Governance

In order to implement the sustainable development policy, the Group has established a robust ESG management structure, formed a three-in-one ESG management system consisting of the Board, ESG working group and ESG - related departments, and implemented a three-level working mechanism. In particular, we have established an ESG working group, responsible for assisting the Board in monitoring the progress and performance of ESG work, and advancing the Group's ESG work in an efficient and orderly manner.

Decision-making Level: the Board of Directors

- Take full responsibility for ESG strategy and reporting
- Decide and approve the Group's ESG strategy, ESG issues and ESG risk management
- Continuously track and review ESG-related performance and progress against targets to ensure that all ESG issues are properly managed and implemented

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

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

We are fully aware that the opinions of stakeholders are very important in formulating and implementing short-term and long-term sustainable development strategies. In order to better respond to the concerns of stakeholders on sustainable development issues, we actively establish a normalized and diversified two-way communication mechanism with stakeholders to keep abreast of the requirements and expectations of all parties, so as to help the Company achieve long-term sustainable development.

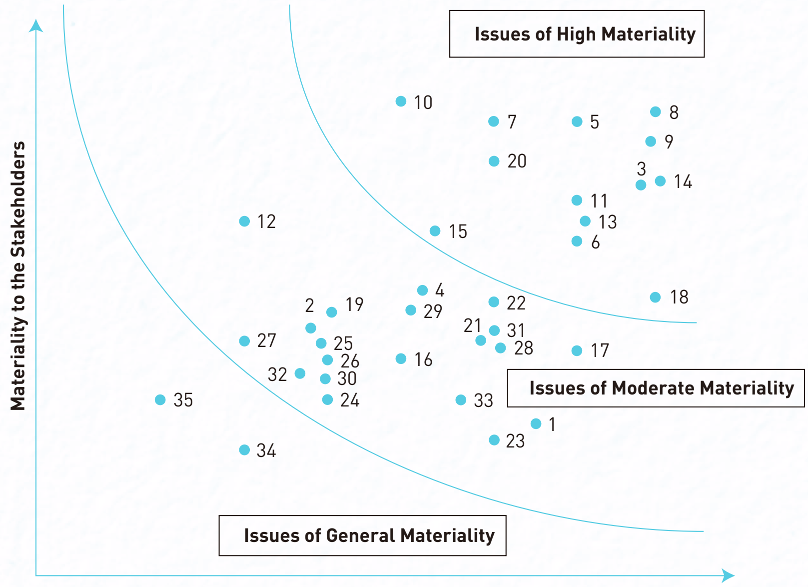
Stakeholders	Communication Channels	Main Concerns
Customers	• Customer service centre • Online service platform • Customer satisfaction survey and feedback form • Daily operation/communication • Customer relations manager visits • Telephone and email	• Compliance operation • Data privacy protection • Information transparency • Responsible marketing
Employees	• Work performance meetings • Labour union meetings • Special advisory committee/ discussion panel • Face-to-face meetings • Employee Intranet	• Occupational safety and health • Employee rights protection • Employee salary and benefits • Employee development and training • Product quality and safety
Shareholders/ Investors	• Annual general meeting and other general meetings • Interim reports and annual reports • Senior management/investor meetings • Corporate correspondence • Results announcements • Investor meeting	• Risk management strategy • Corporate Governance • Stable operation • Business growth • Investment income • Product quality and safety
Business partners	• Meetings • Strategic cooperation projects • Reports • Visits	• Product quality and safety • Anti-corruption • Fair and just procurement • Environmental protection
Peers	• Strategic cooperation projects • Communication meetings	• Intellectual property protection • Responsible marketing • Anti-corruption • Green buildings

Stakeholders	Communication Channels	Main Concerns
Regulatory authorities	• Compliance reports • Written replies to public inquiries • Meetings	• Employee rights protection • Employee salary and benefits • Product quality and safety • Fair and just procurement • Environmental protection
Suppliers	• Supplier management procedures • Supplier/subcontractor assessment system • Meetings • On-site visits	• Stable operation • Anti-corruption • Fair and just procurement • Building materials • Building life cycle management
Media	• News releases/press conferences • Results announcements • Media gatherings	• Stable operation • Product innovation and research and development • Product quality and safety • Participation in social welfare undertakings • Environmental protection • Land use
Community/non-governmental organizations	• Community activities	• Employee rights protection • Promotion of community development • Participation in social welfare undertakings • Waste management • Environmental protection

Materiality Assessment

The Group carried out the materiality assessment in 2020, focusing on the disclosure obligations covered by the Guide of the Stock Exchange, the relevant industries of the Sustainability Accounting Standards Board (SASB), and peer comparisons, etc., and selected a list of important issues that were consistent with the Group's operations. 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 issues in the materiality results for 2020, including the 13 issues of high materiality, 20 issues of moderate materiality and 2 issues of general materiality. 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	19	Employee diversity, non-discrimination and equal opportunity
2	Market competitiveness	20	Prevention al child labour and forced labour
3	Compliance with laws and regulations	21	Employee training and development
4	Responsible procurement	22	Employee professional conduct
5	Quality control	23	Energy efficiency
6	Technology development and application	24	Greenhouse gas emission
7	Customer health and safety	25	Water efficiency
8	Service commitment	26	Exhaust emission
9	Protection of customers' privacy	27	Sewage discharge and treatment
10	Customer salisfaclionsatisfaction	28	Waste disposal
11	Anti-corruption	29	Use of materials
12	Whistle-blowing mechanism	30	Climate change
13	Complaint handling and responding mechanism	31	Employee environmental awareness
14	Protection of intellectual property right	32	Biodiversity
15	Product labelling	33	Green building
16	Employment rights	34	Attention to community
17	Labour relations	35	Community investment and involvement
18	Occupational health and safety		

COMPLIANCE OPERATION

Chen Xin Development is committed to becoming a first-class health and lifestyle service provider in China, and operating our business with the core value of "Building a Brand Name with Good Faith and Improving Earnings through a Quality Brand". In order to continuously enhance the value of our brand, the Group has integrated the concept of compliance into all aspects of business operations and established a sound internal control system. 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.

Product Responsibility Management

The Group is committed to creating superior design and construction quality. Throughout the project construction cycle, we focus on the planning and standard formulation of the project development stage, engineering stage and acceptance, continuously monitor the quality and strengthen and quality inspection procedures.

Development stage	With the implementation of 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.
Engineering stage	In order to ensure the progress of projects, we have established a construction progress management system to ensure that a progress plan is drawn up for the construction of each project, so as to effectively control the orderly progress of construction. During the construction period of projects, we continue to monitor the progress of projects. 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, so as to shorten the construction cycle as much as possible.

Acceptance stage	We strictly implement the inspection and acceptance requirements specified in the national standards, and have 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. In order to continuously improve the management level and construction quality, 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.
Product delivery	We have established strict property acceptance specifications for projects, and formulated acceptance procedures, policies and quality standards. 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.

The Group not only develops high-quality property projects for customers, but also optimizes customer experience and attaches great importance to after-sales services of projects, including daily management of properties and responding to residents' needs, etc., to ensure that customers' requirements and expectations are met. Therefore, the Group has set up a complete after-sales service and customer opinion feedback channels, to regularly collect all opinions and complaints about services and product quality, and has dedicated personnel responsible for follow-up and improvement to ensure that all customer opinions and complaints are deal with in a satisfactory manner.

In terms of daily management of the project, we have formulated 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' opinions through different channels and strengthen the relationship between the Property Services Centre and customers. In case of feedback from residents, we proactively deal with the needs of residents, and the reception staff of the Property Services Centre will investigate, verify and record the results in a timely manner and provide feedback to the responsible departments. For the follow-up handling of complaints, regular visits are 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 exceeded92%. The Group will continue to work hard and expect to continue to aim at high-quality real estate projects and improving customer satisfaction in the coming year.

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》), to ensure that all management plans are carried out under safe conditions and constantly identify any potential sources of danger in a timely manner 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.

We always follow the production principles of compliance and safety in our operations. Before the construction of each project, we have obtained the construction permit. We have put in place regular safety management measures including placing warning signs at potential access points and potentially hazardous areas around the site to remind employees to prevent sudden dangers. Meanwhile, in order to guide and supervise the safety management of projects, we will arrange safety personnel to conduct safety inspections and keep records of daily inspections at the construction sites. Pre-shift safety activities and inspection of protective equipment are carried out daily by the construction team to provide relevant support and guarantee. In addition, we have also formulated the "Emergency Plan for Project Site Safety" (《項目現場安全應急預案》). By implementing the safety production responsibility system of each unit, we can efficiently and quickly deal with emergencies at the project site, ensuring timely and appropriate handling of accidents in emergencies, which can minimize the harm of emergencies and avoid casualties.

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 eliminate potential fire hazards. We have established a sound fire safety management and relevant organisations including a fire safety leadership team and a fire rescue team which take charge of the daily fire safety work and carry out the filing to local fire safety supervision authorities. We have also 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.

Information Security Management

The Group is committed to comprehensively managing the confidentiality of business information. We abide by 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》) and other laws and regulations related to information security in the whole process of collecting, using and storing customer data.

In the process of daily management and project execution, 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》), which regulate the computer room management, computer and network equipment management, information management, network security management and code of practice for computer operators in information processing. In addition, we have formulated a special confidentiality system, which requires the classification and grading of information assets, access control measures, and inspection and review mechanisms. We strictly limit the contractually specified use of the data we collect and ensure that it is used responsibly. At the same time, we have implemented permission management to clarify the responsibilities and access permissions of file management personnel in the information system, including computer room management, computer and network equipment management, information management, network security management, and computer operators. We require every employee to abide by the relevant guidelines on privacy and data protection, and have stated in the "Employee Handbook (《員工手冊》)" that all employees are responsible for keeping the Group's business secrets and customer information confidential, and regard the confidentiality of employee information as a basic professional ethics. In addition, we have also established a firewall to protect the Company's computers, and signed a confidentiality agreement with third-party companies, requiring third-party companies to conduct regular information security inspections and strict file security management to prevent information leakage.

The Group firmly believes that only a good brand reputation can build customer confidence and win long-term support from customers. Therefore, while emphasizing the provision of high-quality projects to meet customer requirements, the Group serves customers with sincerity, and rejects all acts of deceiving customers by using false and misleading product descriptions to prevent misleading or damage to customer rights. The Group ensures that all sales, promotional documents and data comply with relevant advertising laws and regulations, including 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. We strictly manage information disclosure in advertising. The Group has formulated the "Administration of the Release of Advertisement" (《廣告發佈管理辦法》) to standardize project promotional materials and provide guidance to relevant employees to ensure that complete, true and accurate information is conveyed to the public in advertisements.

In addition, we attach great importance to the protection of intellectual property rights. In addition to safeguarding the Group's trademark rights, the Group also ensures that the intellectual property rights such as patent rights, trademark rights and copyrights of business partners are protected. To this end, we require employees not to infringe on the intellectual property rights of others, and promise to deal with any violations found as appropriate. At the same time, we will proactively protect the legitimate rights and interests of the Group. If any infringement is found, we will first seek to resolve the matter through negotiation and reserves the right to pursue legal action.

Anti-Corruption Operations

The Group promotes a corporate culture of honesty and integrity, and is committed to safeguarding the legitimate rights and interests of the Company. We strictly comply 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》).

The Group strictly prohibits any form of corruption and bribery, and through a sound monitoring, whistle-blowing, auditing and anti-corruption training system, it continues to standardize various business management decision-making behaviors, to form a mechanism of mutual restraint and mutual supervision, thereby ensuring the clean operation of the Group. 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. To guard against the risk of corruption, we strictly prohibit all acts that violate business ethics, such as accepting gifts, bribes or various forms of payments or gifts. During the procurement and tendering process, we also prohibit 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 year, we have comprehensively carried out anti-corruption work and strengthened internal control, and conducted anti-corruption supervision and anti-corruption training for directors and employees.

The Group encourages whistle-blowing with a rigorous attitude of seeking evidence. We have established a clear and orderly whistle-blowing mechanism and channels. Employees and people who have business dealings with the Group can report suspected corruption and fraud through channels such as email, telephone, and letter. We strictly protect the identity of the whistleblower, and confirm the authenticity of the information with a rigorous attitude of seeking evidence. Any violations will be stopped immediately and dealt with seriously. 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 is committed to integrating sustainable development into our core business. In order to build sustainable supplier management, we pay more attention to ESG risks in the supply chain, and focus on monitoring the performance of suppliers in compliance operations, environmental protection and health and safety. Our procurement process strictly abides by laws and regulations including the Tendering and Bidding Law of the People's Republic of China (《中華人民共和國招標投標法》) and 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》).

We have established a standardised tendering process to select suppliers based on the principles of fairness, impartiality and transparency. In order to effectively reduce potential ESG risks in the Group's supply chain, we continue to track the updates of laws and regulations related to supply chain quality and environmental management and refer to the risks faced by peers. During the supplier selection process, we will review whether the supplier's ESG measures (including environmental protection, labour management, occupational safety and health, etc.) comply with national regulations, such as formulation of effective measures to limit the discharge of pollutants and waste in the production process, prevention of the employment of child labour, etc., to gain an in-depth understanding of the supplier's construction methods and raw material usage. Meanwhile, we also consider the input and performance of suppliers in areas such as product quality, environmental protection, occupational safety and health, such as whether they have "ISO9001 Quality Management System" and other certifications, to evaluate whether the supplier's ESG performance is in line with the Group's sustainable procurement concept. In addition to reviewing the relevant certifications of suppliers in terms of ESG, the Group will also conduct goodwill reviews, data reviews, and on-site reviews of suppliers to ensure suppliers' ability to perform contracts and service quality. For example, we will conduct quality inspections or on-site inspection on material suppliers and evaluation of the management level of the supervision company, the quality of the supervision engineers, and the work conditions. At the same time, we require suppliers to be committed to protecting the environment and reducing the impact of business operations on the environment, and encourage them to implement green procurement.

During the Year, we had 25 major suppliers located in Shanxi, providing products and services in the areas of building components, electromechanical supplies, and finishing. In the future, we will strengthen the promotion of suppliers to improve sustainable development practices, aiming to reduce ESG risks in the supply chain.

TALENT MANAGEMENT

The Group adheres to people-oriented, respects and protects the legitimate rights and interests of every employee, and regulates employment management, to guarantee the occupational health and safety of employees and create a healthy, safe, equal and inclusive working environment for employees, so as to consolidate the close and long-term relationship between the Group and employees.

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》).

The Group adopts a merit-based attitude in recruitment, and recruits outstanding talents based on the principle of fairness, impartiality and openness. In order to meet the needs of business development and the principle of fairness and justice, we have established a sound and transparent recruitment process, only recruit talents in response to job requirements, and prevent any form of discrimination against applicants and employees based on their gender, age, race, and religious beliefs. We will conduct assessments, background checks, and approval applications for candidates, and consider the applicants' education, work experience, and skills as the conditions for recruitment assessment. 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.

To prevent the recruitment of child labour, the Group abides by laws and regulations such as the Provisions on the Prohibition of Using Child Labour and the Law of the People's Republic of China on the Protection of Minors. When signing a legally effective labour contract and establishing a legal labour relationship, the Group carefully reviews the identity information of the applicants and only recruits those who have reached the legal working age. 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. 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 respects and values the legitimate rights and interests of all employees, and is committed to protecting the basic rights and interests of employees and providing employees with due benefits. We strictly comply with the Labour Law of the People's Republic of China and relevant regulations in other places of operation, as well as 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, we have established a scientific and reasonable salary system, and formulated the "Chen Xing development Salary System Design Plan" (《辰興發展薪酬體系設計方案》) to ensure that our salary system is fair and market-competitive. The remuneration of our employees consists of basic wages, appraisal wages, performance wages and seniority wages. Every year, we use the employee's performance evaluation, the length of service the employee has served in the Group, and market environment and the Company's economic performance as the basis for appraisal wages, performance wages, seniority wages and position adjustment.

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.

In terms of holidays, our employees enjoy comprehensive and flexible holiday benefits, including annual leave, wedding leave, funeral leave, maternity leave, sick leave and work injury leave, etc., to provide employees with a good work-life balance.

Occupational Health and Safety

It is our responsibility and mission to protect the occupational safety of employees. Therefore, we are committed to providing employees with a safe working environment and complying with relevant national 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 will conduct regular work inspections on the working environment, and implement 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 promote occupational safety management during business operations and eliminate hidden dangers of accidents. We also do not forget to improve the occupational safety awareness of employees, and the safety concept of "Safety is first, Precaution is Crucial and Comprehensive Rectification" in all construction personnel. For pre-service workers, 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》), and arrange for employees to receive pre-service training on general knowledge of construction safety, knowledge of electricity safety, first-aid and induction training for special operators. Meanwhile, we regularly organize occupational safety education and training, including on-site safety education meetings, centralised lectures, slide shows, publicity posters and assessment tests, etc., to publicize and promote safety culture.

Case: mountaineering activity

In order to promote a healthy living atmosphere in the Company, the Group organized a mountaineering activity for employees in the Jinzhong this year to pay attention to the health of employees.

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.

Staff Training and Development

The Group attaches great importance to the long-term development of its employees and is committed to providing various learning opportunities. We are committed to achieving a win-win situation for the development of employees and the Company. Through proactive employee training, employees can improve their industry knowledge and skills. We have a clear understanding of employee training needs, and organized training on knowledge, skills and attitudes related to business and positions this year.

In terms of employee promotion, the Group adheres to the merit-based recruitment concept, and has 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》). We have established a scientific performance-oriented employee assessment mechanism, which stimulates the potential and value of employees through evaluation of work performance, and promotes the retention of outstanding talents. 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.

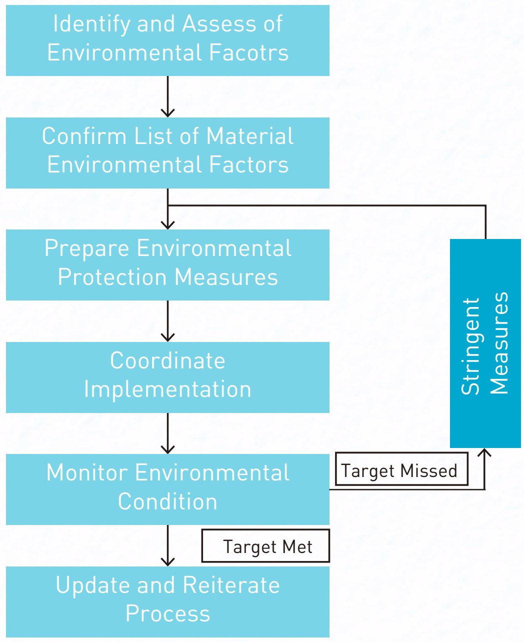
Case: Product Training

In the year, the Group organized product training for employees to ensure the transmission of complete, true and accurate information to the public in the sales process.

GREEN OPERATION

The Group has always adhered to the concept of green environmental protection, and is committed to continuously improving the environmental sustainability of its business and integrating environmental protection measures into our business operations to minimize the impact on the environment. 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, including formulation and implementation of 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》) and other system files, responsible for monitoring the environmental quality of development and construction projects, and standardizing the environmental assessment of development projects and the environmental protection acceptance of the project completion, and identifying the environmental factors of the development and construction projects that have potential impact on the environment. At the same time, we have set up an environmental protection management leading group, and established environmental protection, environmental sanitation management and inspection systems at the construction site. We have also 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

The Group is committed to developing high-quality buildings in which man and nature coexist harmoniously. Therefore, we try our best to add green elements to the properties to be developed before project construction to create green properties. We actively explore the low-carbon development of properties, and compiled the "Design Concept Brochure for Green Building Projects" (《綠色建築項目的設計概念小冊子》), covering use of natural light, lighting, energy saving, water conservation and site selection as a reference for green property design. 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.

During the construction period of the project, the Group strictly abides by 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. The Group has formulated relevant systems such as the the Green Construction Guidelines (《綠色施工導則》) for daily operations, and adopts green construction operations in terms of energy, water use, materials and environmental protection. We promote resource conservation and environmental friendliness on the premise of reducing environmental pollution or reducing the use of raw materials. Our green construction initiatives are 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

In order to achieve the Group's environmental goals, we have continued to monitor the Group's green operations and energy-saving achievements this year. We also strengthened the green operation of office and managed our energy, water, waste and greenhouse gas emissions in a holistic manner, to further reduce the potential impact of the Group's operations on the environment.

Environmental Aspect	Target	Performance in 2022
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.	Decrease from base year
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.	Decrease from base year
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.	Decrease from base year
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.	Decrease from base year

Energy Saving and Emission Reduction

The Group's greenhouse gas emissions are mainly from office electricity consumption and company vehicle emissions. We 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. In the year, the Group's total greenhouse gas emissions were 1,731.57 tons of carbon dioxide equivalent, and the greenhouse gas emission intensity was 0.18 ton of carbon dioxide equivalent per square meter. Targets for the year are well completed, with a decrease of approximately 16% as compared to the base year. In terms of electricity consumption, the Group's total electricity consumption was 2,766.00 MWh, and the electricity consumption intensity was 0.28 MWh per square meter. Targets for the year are well completed, with a decrease of approximately 43% as compared to the base year.

To achieve our goals, we monitor each emission source and identify opportunities for further energy saving and emission reduction. We have optimized the energy consumption of the office and implemented energy-saving and consumption-reducing measures for green office. For the lighting system, we reduce the use of electric lights, divide the office into several different lighting areas, and set up independently controllable lighting switches. We have installed dynamic sensor lights in places that are infrequently used and where there is sufficient sunlight, to use daylight lighting as much as possible and reduce dependence on electric lights. In terms of the air-conditioning system, 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.

Water Conservation Office

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 35,746.00 m^3, while the water consumption intensity was 3.63 m^3 per square metre. Targets for the year are well completed with a decrease of approximately 41% as compared to the base year.

In order to achieve the goal, we start by reducing unnecessary waste of water resources, and regularly conduct water pipe leakage and faucet drip tests to check whether there is any water leakage. We cultivate a water-saving culture in the Company 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.

Waste Reduction Office

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 31.00 metric tonnes and the intensity of non-hazardous waste generated was 3.15 kilograms per square metre. Targets for the year are well completed, with a decrease of approximately 46% as compared to the base year. Our hazardous waste was mainly waste electronic equipment, including 7 computers and 130 pieces of used ink cartridges/used toner cartridges. We work with electronic companies to collect and recycle used computers and other electronic waste.

To achieve the goal, we take waste reduction at the source as the main policy, and encourage 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.

Responding to Climate Change

As a top domestic healthy life service provider, the Group understands that climate change is closely related to the livability of the living environment and has a certain degree of impact on our operations and business decisions. Therefore, the Group has considered climate change factors in its business operations and incorporated sustainable development factors to improve our ability to cope with climate change.

In addition, the Group also proactively cooperates with the country's vision of striving to reach the peak carbon dioxide emissions by 2030 and carbon neutrality by 2060. We strictly abide by the laws and policies related to climate change. In the year, we carried out a comprehensive risk identification and assessment of the impact of climate change on the Company's business and operating model in accordance with the Guidance on Climate Disclosures prepared by the Stock Exchange.

Identified climate risks	Examples	Potential impact	Current Countermeasures to Mitigate Risks
A. Physical climate risk	Cyclone, extreme heat, coastal flooding, urban flooding, river flooding	Extreme heat can lead to reduced employee productivity	Implement flexible work arrangements in response to climate change, including: formulating the "Special Weather Safety Management" (《特殊天氣安全管理》) and developing seasonal safety construction measures according to the current climate conditions in Taiyuan
B. Chronic climate risk	Community climate change	Climate change may alter community microclimates, affecting local livability	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
C. Policy and regulation risk	Failure to meet the carbon neutrality goals of national and industry standards	Lose competitive advantages	Closely monitor changes in policies, regulations and building standards, and adopt best practices and update guidelines in the design of buildings to enhance our climate change resilience
D. Technical risks	Greater demand for climate-resilient properties	Customers have increased requirements for the effectiveness of climate resilience of properties	Incorporate 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

CARING FOR 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 with a grateful heart by participating in social welfare activities while maintaining a steady growth in business. In the year, the Group carried out voluntary nucleic acid testing for all employees in the community, and organized a total of 19 employees to participate in community epidemic prevention work for three times.

APPENDIX I: SUSTAINABILITY DATA STATEMENTS

Environmental[1]	Unit	2022
Emissions[2]		
Nitrogen oxides	kg	555.50
Sulphur oxides	kg	0.60
Suspended particles	kg	44.12
GHG Emissions[2]		
Direct GHG emissions (Scope 1)	tonnes CO_2e	124.53
Indirect GHG emissions (Scope 2)	tonnes CO_2e	1,607.05
Total GHG emissions (Scope 1 & 2)	tonnes CO_2e	1,731.57
GHG emissions intensity	tonnes CO_2e/ m^2	0.18
Energy Consumption		
Purchased electricity consumption	MWh	2,766.00
Purchased electricity consumption intensity (per square metre)	MWh/m^2	0.28
Natural gas consumption	m^3	6,830.00
Diesel oil consumption	litre	3,716.00
Gasoline consumption	litre	36,889.00
Water Consumption		
Total water consumption	m^3	35,746.00
Water consumption intensity (per square metre)	m^3/m^2	3.63
Paper Consumption		
Total paper consumption	kg	1,563.13
Paper consumption intensity (per employee)	kg/employee	6.60
Waste Produced		
Total amount of non-hazardous waste produced	tonnes	31.00
Non-hazardous waste produced intensity (per square metre)	kg/m^2	3.15
Hazardous waste produced (computer)	sets	7
Hazardous waste produced (ink cartridges, toner cartridges)	pieces	130

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

2 Data are estimated based on nominal vehicle fuel usage and are calculated using the emission factors in Appendix II — Reporting Guidance on Environmental KPIs of the Stock Exchange

Social Aspect	Unit	2022
Total number of employees	person	237
Total number of employees (by gender)		
Female employees	person	99
Male employees	person	138
Total number of employees (by employee type)		
Full time junior employees	person	192
Full time middle management	person	31
Full time senior management	person	14
Total number of employees (by age group[3])		
Employee of age under 30	person	35
Employee of age 30–50	person	168
Employee of age over 50	person	34
Total number of employees (by geographic region[4])		
Northern China	person	166
Eastern China	person	5
North-western China	person	22
Southern China	person	44
Turnover rate[5]		
Overall turnover rate	%	19.11%
Employee turnover rate[5] (by gender)		
Female employee	%	20.16%
Male employee	%	18.34%
Staff turnover rate[5] (by age group)		
Employee of age under 30	%	46.97%
Employee of age 30–50	%	2.33%
Employee of age over 50	%	38.18%

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

4 Based on the actual region of work

5 Calculation: (number of employees at the end of 2021 –number of employees at the end of 2022) ÷number of employees at the end of 2021

Social Aspect	Unit	2022
Employee turnover rate[5] (by geographical region)		
Northern China	%	22.43%
Eastern China	%	37.50%
North-western China	%	4.35%
Southern China	%	8.33%
Percentage of employees trained[6] (by gender)		
Female employees	%	43.85%
Male employees	%	56.15%
Percentage of employees trained[6] (by employee type[3])		
Full time junior employees	%	75.94%
Full time middle management	%	16.58%
Full time senior management	%	7.49%
Average training hours (by gender)		
Female employees	hour	27.3
Male employees	hour	26.6
Average training hours (by employee type[3])		
Full time junior employees	hour	27.1
Full time middle management	hour	17.3
Full time senior management	hour	9.5
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

6 Calculation: number of employees trained in this category ÷ total number of employees trained ×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.	Green Operation
	A1.1	The types of emissions and respective emissions data.	Green Operation — Green Office Appendix I: Sustainability Data Statements
	A1.2	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Green Operation — 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).	Green Operation — 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).	Green Operation — Green Office Appendix I: Sustainability Data Statements
	A1.5	Description of measures to mitigate emissions and results achieved.	Green Operation — Green Office
	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.	Green Operation — Green Office

Indicator			Related section
A2 Use of Resources	General disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Green Operation — 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).	Green Operation — Green Office Appendix I: Sustainability Data Statements
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Green Operation — Green Office Appendix I: Sustainability Data Statements
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Green Operation — 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.	Green Operation — 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.
A3: The Environment and Natural Resources	General disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	Green Operation
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Green Operation

Indicator			Related section
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.	Green Operation — 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.	Green Operation — 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.	Talent Management — Respect for Employee Rights Talent Management — Safeguarding the Well-being of Employees
	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

Indicator			Related section
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.	Talent Management — 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.	Compliance Operation — Safe Production Management Talent Management — 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.	Talent Management — Staff Training and Development
	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

Indicator			Related section
B4: Labour Standards	B4	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.	Talent Management — Respect for Employee Rights
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	Talent Management — Respect for Employee Rights
	B4.2	Description of steps taken to eliminate such practices when discovered.	Talent Management — Respect for Employee Rights
B5: Supply Chain Management	General disclosure	Policies on managing environmental and social risks of the supply chain.	Compliance Operation — Supply Chain Management
	B5.1	Number of suppliers by geographical region.	Compliance Operation — 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.	Compliance Operation — 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.	Compliance Operation — Supply Chain Management
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Compliance Operation — Supply Chain Management

Indicator			Related section
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.	Compliance Operation — Product Responsibility Management Compliance Operation — Safe Production Management Compliance Operation — Information Security Management
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Compliance Operation — Product Responsibility Management
	B6.2	Number of products and service related complaints received and how they are dealt with.	Compliance Operation — Product Responsibility Management
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	Compliance Operation– Information Security Management
	B6.4	Description of quality assurance process and recall procedures.	Compliance Operation — Product Responsibility Management
	B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Compliance Operation — Information Security Management

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.	Compliance Operation — 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.	Compliance Operation — 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.	Compliance Operation — Anti-Corruption Operation
	B7.3	Description of anti-corruption training provided to directors and staff.	Compliance Operation — 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.	Caring for Society
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Caring for Society
	B8.2	Resources contributed to the focus area.	Caring for Society

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF CHEN XING DEVELOPMENT HOLDINGS LIMITED
(incorporated in Cayman Islands with limited liability)

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 298 to 404, which comprise the consolidated statement of financial position as at 31 December 2022, 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.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA.

Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2.1 to the consolidated financial statements, as at 31 December 2022, the Group's total bank and other borrowings amounted to RMB3,155,116,000, out of which RMB1,005,392,000 will be due for repayment within the next twelve months, while its cash and cash equivalents amounted to RMB334,775,000. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

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

Assessment of the net realisable value of properties under development ("PUD") and completed properties held for sale ("PHS")

As at 31 December 2022, the Group's PUD and PHS amounted to RMB9,586,623,000 and RMB1,143,239,000, respectively, which represented in aggregate 85% of the total assets of the Group. The assessment of whether the carrying amounts of the properties were higher than their net realisable values, and consequently, whether a write-down of carrying amounts was required, was made by management through the application of judgement and the use of subjective assumptions such as the expected selling prices, the costs of completion of properties under development and the costs to be incurred in selling the properties based on prevailing market conditions.

The Group's disclosures about the PUD and PHS are included in notes 2.4, 3, 7, 15 and 21 to the consolidated financial statements, which also explain the accounting policies and management's accounting estimates.

Our response:

— Evaluating the basis for the provision assessment by understanding the assumptions used to determine the net realisable values of PUD and PHS;

— Evaluating the assumptions used by checking, on a sample basis, the selling prices of properties to latest sale transactions and the forecasted selling prices and reviewing the pre-sale status of other projects in the same location to evaluate the saleability;

— Assessing the costs to complete or sell the properties by reviewing budgets contractor agreements signed and comparing with historical expenses rate for other similar projects; and

— Performing gross profit margin analysis for projects.

KEY AUDIT MATTERS *(continued)*

Valuation of investment properties

As at 31 December 2022, the Group's investment properties amounted to RMB121,000,000 and were measured at fair value. It is the Group's policy to have investment property valuations performed by an independent professional valuer at least once a year, to assist management in the fair valuation process. The valuations of the investment properties were highly dependent on estimates such as current and future market rents and yields, which were subject to uncertainty and might materially differ from the actual results.

The Group's disclosures about the valuation of investment properties are included in notes 2.4, 3 and 14 to the consolidated financial statements, which also explain the accounting policies and management's accounting estimates.

Our response:

— Evaluating the objectivity of the valuation process and expertise of the independent professional valuer;

— Involving our internal valuation specialists to assist in evaluating the methods applied, the underlying assumptions and parameters adopted in the valuation of investment properties performed by management and the independent professional valuer;

— Assessing the property-related data used as inputs for the valuations by checking to existing rental agreements, the rates of rent quoted for similar properties and the occupancy rates of the properties; and

— Reviewing the related disclosures in the consolidated financial statements.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2021 were audited by another auditor who do not express an opinion on the consolidated financial statements of the Group because of the multiple uncertainties relating to going concern.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors 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 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 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

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

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

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

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

BDO Limited
Certified Public Accountants
Chau Ka Kin
Practising Certificate Number P07445

Hong Kong, 24 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Revenue	5	**1,195,880**	1,568,596
Cost of sales		**(836,120)**	(1,110,951)
Gross profit		**359,760**	457,645
Other income and gains	5	**12,831**	27,391
Selling and distribution expenses		**(56,665)**	(59,986)
Administrative expenses		**(52,097)**	(64,140)
Provision on expected credit loss on financial assets, net	7	**(79,483)**	(776)
Other expenses		**(15,621)**	(42,999)
Finance costs	6	**(59,077)**	(32,092)
Share of profits of joint ventures		**955**	1,148
Profit before tax	7	**110,603**	286,191
Income tax expense	10	**(59,699)**	(172,693)
Profit for the year		**50,904**	113,498
Attributable to:			
Owners of the parent		**10,444**	78,723
Non-controlling interests		**40,460**	34,775
		50,904	113,498
Earnings per share attributable to ordinary equity holders of the parent			
Basic and diluted	12	**RMB0.02**	RMB0.13

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022 RMB'000	2021 RMB'000
Profit for the year	**50,904**	113,498
Other comprehensive income		
Other comprehensive income that will not be reclassified to profit or loss subsequent periods:		
Exchange differences on translation to presentation currency	**4,288**	(1,412)
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**(8,371)**	(10,303)
Income tax effect	**2,093**	2,576
	(6,278)	(7,727)
Other comprehensive income for the year, net of tax	**(1,990)**	(9,139)
Total comprehensive income for the year	**48,914**	104,359
Attributable to:		
Owners of the parent	**8,454**	69,584
Non-controlling interests	**40,460**	34,775
	48,914	104,359

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**57,517**	67,862
Investment properties	14	**121,000**	133,000
Right-of-use assets	16(a)	**1,142**	1,239
Properties under development	15	**202,758**	133,552
Intangible assets	17	**8**	48
Investments in joint ventures	18	**4,949**	3,994
Equity investment designated at fair value through other comprehensive income	19	**45,827**	54,198
Time deposits	24	**4,376**	10,550
Deferred tax assets	29	**221,994**	225,769
Total non-current assets		**659,571**	630,212
CURRENT ASSETS			
Properties under development	15	**9,383,865**	9,783,856
Completed properties held for sale	21	**1,143,239**	821,338
Inventories	20	**25,738**	20,186
Trade receivables	22	**8,579**	3,953
Prepayments, other receivables and other assets	23	**844,947**	864,512
Tax recoverable		**66,709**	71,363
Pledged deposits	24	**11,818**	12,583
Restricted cash	24	**211,756**	159,701
Cash and cash equivalents	24	**334,775**	240,373
Total current assets		**12,031,426**	11,977,865
CURRENT LIABILITIES			
Trade and bills payables	25	**1,289,815**	1,236,669
Other payables and accruals	26	**2,568,794**	2,246,366
Contract liabilities	27	**3,652,823**	4,025,605
Interest-bearing bank and other borrowings	28	**1,005,392**	2,386,114
Tax payable	10	**234,237**	217,012
Total current liabilities		**8,751,061**	10,111,766
NET CURRENT ASSETS		**3,280,365**	1,866,099
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,939,936**	2,496,311

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	28	**2,149,724**	754,264
Deferred tax liabilities	29	**27,338**	28,087
Total non-current liabilities		**2,177,062**	782,351
Net assets		**1,762,874**	1,713,960
EQUITY			
Equity attributable to owners of the parent			
Share capital	30	**4,855**	4,855
Reserves	31	**1,524,026**	1,515,572
		1,528,881	1,520,427
Non-controlling interests		**233,993**	193,533
Total equity		**1,762,874**	1,713,960

Bai Xuankui
Director

Bai Wukui
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	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:											
Exchange differences on translation to presentation currency	–	–	–	–	–	–	(1,412)	–	(1,412)	–	(1,412)
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	–	–	(7,727)	–	–	(7,727)	–	(7,727)
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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	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 2022	4,855	344,141	102,552	172,804	23,331	(76,079)	12,445	936,378	1,520,427	193,533	1,713,960
Profit for the year	–	–	–	–	–	–	–	10,444	10,444	40,460	50,904
Other comprehensive income for the year:											
Exchange differences on translation to presentation currency	–	–	–	–	–	–	4,288	–	4,288	–	4,288
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	–	–	(6,278)	–	–	(6,278)	–	(6,278)
Total comprehensive income for the year	–	–	–	–	–	(6,278)	4,288	10,444	8,454	40,460	48,914
Appropriation to statutory surplus reserve	–	–	–	4,862	–	–	–	(4,862)	–	–	–
At 31 December 2022	4,855	344,141*	102,552*	177,666*	23,331*	(82,357)*	16,733*	941,960*	1,528,881	233,993	1,762,874

* These reserve accounts comprise the consolidated reserves of RMB1,524,026,000, at 31 December 2022 (2021: RMB1,515,572,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**110,603**	286,191
Adjustments for:			
Depreciation of property, plant and equipment	13	**10,414**	11,933
Amortisation of intangible assets	17	**50**	63
Depreciation of right-of-use assets	16(c)	**97**	496
Interest on bank borrowings	6	**207,409**	295,878
Interest on payables to third parties	6	**5,474**	1,640
Interest on loan from related parties	6	**21,683**	3,567
Accretion on contract liabilities	6	**99,333**	110,702
Changes in fair value of investment properties	14	**12,000**	5,000
Share of profits of joint ventures		**(955)**	(1,148)
Write-down of completed properties held for sale	7	**10,488**	2,212
Impairment of trade receivables	7	**2,040**	1,203
Impairment of/(reversal of impairment of) other receivables	7	**77,443**	(427)
Interest income	5	**(5,474)**	(10,509)
		550,605	706,801
Decrease/(increase) in properties under development		**231,452**	(875,306)
(Increase)/decrease in completed properties held for sale		**(332,389)**	83,117
(Increase)/decrease in inventories		**(5,552)**	11,730
Increase in trade receivables		**(6,666)**	(837)
(Increase)/decrease in prepayments, other receivables and other assets		**(54,716)**	568,772
Decrease in pledged deposits		**765**	8,069
Increase in restricted cash		**(52,055)**	(158,668)
Increase in trade and bills payables		**53,146**	26,151
Decrease in contract liabilities		**(372,782)**	(1,099,987)
Increase in other payables and accruals		**45,047**	292,178
Cash generated from/(used in) operations		**56,855**	(437,980)
Income tax paid		**(34,793)**	(62,488)
Net cash flows generated from/(used in) operating activities		**22,062**	(500,468)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(99)**	(1,805)
Proceeds from disposal of items of property, plant and equipment		**30**	61
Purchases of intangible assets		**(10)**	—
Release/(placement) of time deposit		**6,174**	(10,550)
Advance to/(repayment from) related party		**27,900**	(19,514)
Interest received		**5,474**	10,509
Net cash flows generated from/(used in) investing activities		**39,469**	(21,299)

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES	34(a)		
Principal portion of lease payments		—	(600)
Increase in lease liabilities		—	120
New bank and other borrowings		**159,600**	699,986
Repayment of bank and other borrowings		**(144,862)**	(299,987)
Advance from a third party		**7,000**	30,000
Advance from/(repayment to) government		**49,531**	(20,984)
Advance from/(repayment to) a director		**8**	(2)
Advance from related parties		**143,206**	113,456
Interest paid		**(185,900)**	(295,362)
Net cash generated from financing activities		**28,583**	226,627
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**90,114**	(295,140)
Cash and cash equivalents at beginning of year		**240,373**	534,101
Effect of foreign exchange rate changes, net		**4,288**	1,412
CASH AND CASH EQUIVALENTS AT END OF YEAR	24	**334,775**	240,373

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. The principal place of business of the Company is located in 18 Anning Street, Yuci District, Jinzhong City, Shangxi Province, the People's Republic of China (the "**PRC**").

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/ registrations and business	Issued ordinary/ registered 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*	PRC	RMB105,000,000	–	100%	Investment holding
Chenxing Real Estate Development Co., Ltd ("**Chen Xing**")**	PRC	RMB204,000,000	–	100%	Development and sale of properties
Sichuan Chenxing Real Estate Development Co., Limited ("**Chen Xing Sichuan**")**	PRC	RMB119,200,000	–	83.89%	Development and sale of properties
Jinzhong Development Zone Real Estate Development Co., Ltd**	PRC	RMB100,000,000	–	51%	Development and sale of properties
Wuzhishan Chenxing Real Estate Development Co., Limited**	PRC	RMB90,280,000	–	100%	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/ registrations and business	Issued ordinary/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Hainan DeGao Investment Co., Ltd. ("**Hainan Degao**")**	PRC	RMB10,000,000	–	100%	Development and sale of properties
Hainan Youshenghongtao Real Estate Development Co Ltd.**	PRC	RMB10,000,000	–	100%	Development and sale of properties
Shanxi Chenxing Zhida Trading Co., Ltd.**	PRC	RMB10,000,000	–	100%	Sale of construction materials
Shanxi Chenxing Zhicheng Construction Engineering Co., Ltd.**	PRC	RMB50,000,000	–	100%	Property construction
Jinzhong Chenxing Yijun Real Estate Development Co., Ltd.**	PRC	RMB100,000,000	–	100%	Development and sale of properties
Jinzhong Chenxing Shiguang Zhicheng Real Estate Development Co., Ltd.**	PRC	RMB50,000,000	–	100%	Development and sale of properties
Taiyuan Chenya Real Estate Development Co., Ltd.**	PRC	RMB100,000,000	–	100%	Development and sale of properties
Jinzhong Xiya Real Estate Development Co., Ltd.**	PRC	RMB74,630,000	–	67%	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/ registrations and business	Issued ordinary/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Shanxi Chang Xing Zhicheng Construction Engineering Co., Ltd.**	PRC	RMB50,000,000	–	80%	Property construction
Xishuanghanna Jingyuan Investment Development Co., Ltd. ("**Jingyan**")**	PRC	RMB290,314,000	–	100%	Development and sale of properties
Beijing Chenxing Real Estate Broker Co., Ltd. ("**Real Estate Broker**")**	PRC	RMB100,000	–	100%	Real estate brokerage and exhibition
Mianyang Chenxing Yazhi Real Estate Development Co., Ltd. ("**Yazhi**")**	PRC	RMB50,000,000	–	100%	Development and sale of properties

* The entity is registered as a wholly-foreign-owned enterprise under 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 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

As at 31 December 2022, the Group's total bank and other borrowings amounted to RMB3,155,116,000, of which RMB1,005,392,000 will be due for repayment within the next twelve months (Note 28), while its cash and cash equivalents amounted to RMB334,775,000.

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, and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

In view of such circumstances, the directors have given careful consideration to its operating needs, the future liquidity of the Group and its available sources of financing in assessing whether the Group will be able to repay the outstanding debts and be able to finance its future working capital and other financial requirements based on cash flow forecast covering a 18-month period from the end of the reporting period. A number of plans and measures are formulated to mitigate the liquidity pressure and to improve the financial position of the Group, which include, but are not limited to, the following:

(i) following the successful renewal of bank and other borrowings of approximately RMB1,550,000,000 during the year for a term of up to two years, the management expected that the Group would be able to renew bank and other borrowings with an aggregate outstanding principal of RMB1,005,392,000 that are repayable within one year for another year prior to their respective maturity dates;

(ii) the directors of the Company 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 debtors 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 alternative financing and borrowings to finance the settlement of its existing financial obligations and future operating and capital expenditures. Subsequent to 31 December 2022 and as of the date of this report, the Group obtained new borrowing facilities of RMB100 million.

The directors 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 2022. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2022 on a going concern basis.

Notwithstanding the above, material uncertainties exists as to whether management of the Group will be able to implement the aforementioned plans and measures above.

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 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, 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.

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

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.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which 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 ADOPTION OF NEW OR REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") EFFECTIVE 1 JANUARY 2022

In the current year, the Group has applied for the first time the following new or revised standards, amendments and interpretations (the "**new or revised HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), which are relevant to and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2022:

Amendments to HKAS 16	Property, plant and equipment: Proceeds before Intended Use
Amendments to HKAS 37	Provisions, Contingent Liabilities and Contingent Assets (Onerous Contracts — Cost of Fulfilling a Contract)
Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41	Annual Improvements to HKFRSs Standards 2018–2020
Amendments to HKFRS 3	Conceptual Framework for Financial Reporting

None of these new or amended HKFRSs has a material impact on the Group's results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKAS 1	Classification of liabilities as Current or Non-current[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
HK Interpretation 5 (2022)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 16	Liability in a Sale and Leaseback[2]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2024.
3 Effective for annual periods beginning on or after a date to be determined.

The Group is in the process of making an assessment of the impact of these new or revised HKFRSs upon initial application. Up to now, the Group considers that these standards will not have a significant impact on the Group's financial performance and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Joint arrangements

The Group is a party to a joint arrangement when there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangements as either:

— Joint ventures: where the Group has rights to only the net assets of the joint arrangement

— Joint operations: where the Group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

— The structure of the joint arrangement

— The legal form of joint arrangements structured through a separate vehicle

— The contractual terms of the joint arrangement agreement

— Any other facts and circumstances (including any other contractual arrangements).

The Group accounts for its interests in joint ventures in the same manner as investments in associates (i.e. using the equity method — refer above).

Any premium paid for an investment in a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in joint venture. Where there is objective evidence that the investment in a joint venture has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

The Group accounts for its interests in joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations. In accordance with HKFRS 11 Joint Arrangements, the Group is required to apply all of the principles of HKFRS 3 Business Combinations when it acquires an interest in a joint operation that constitutes a business as defined by HKFRS 3.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Joint arrangements *(continued)*

Judgement

For all joint arrangements structured in separate vehicles the Group must assess the substance of the joint arrangement in determining whether it is classified as a joint venture or joint operation. This assessment requires the Group to consider whether it has rights to the joint arrangement's net assets (in which case it is classified as a joint venture), or rights to and obligations for specific assets, liabilities, expenses, and revenues (in which case it is classified as a joint operation). Factors the Group must consider include:

— Structure

— Legal form

— Contractual agreement

— Other facts and circumstances.

Upon consideration of these factors, the Group has determined that all of its joint arrangements structured through separate vehicles give it rights to the net assets and are therefore classified as joint ventures.

Basis of consolidation

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Company considers all relevant facts and circumstances, including:

- The size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights
- Substantive potential voting rights held by the Company and by other parties
- Other contractual arrangements
- Historic patterns in voting attendance.

Non-controlling interests

For business combinations completed on or after 1 January 2010, the Group has the choice, on a transaction by transaction basis, to initially recognise any non-controlling interest in the acquiree which is a present ownership interest and entitles its holders to a proportionate share of the entity's net assets in the event of liquidation at either acquisition date fair value or, at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. Other components of non-controlling interest such as outstanding share options are generally measured at fair value. The Group has not elected to take the option to use fair value in acquisitions completed to date.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued, plus the amount of any non-controlling interests in the acquiree plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree. Contingent consideration is included in cost at its acquisition date fair value and, in the case of contingent consideration classified as a financial liability, remeasured subsequently through profit or loss.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated statement of comprehensive income. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated statement of comprehensive income on the acquisition date.

Fair value measurement

The Group measures its investment properties 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets (excluding inventories, investment properties and deferred tax assets)

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; i.e. cash generating units ("**CGUs**"). Goodwill is allocated on initial recognition to each of the Group's CGUs that are expected to benefit from a business combination that gives rise to the goodwill.

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income. An impairment loss recognised for goodwill is not reversed.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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);

(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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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	1.9%–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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 realisable 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.

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 realisable value. Cost is determined by an apportionment of the total costs of land and buildings attributable to the unsold properties. Net realisable 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases

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

Group as a lessee

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

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any 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 realisable value in accordance with the Group's policy for "Properties under development".

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

Group as a lessee *(continued)*

(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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

Group as a lessee *(continued)*

(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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

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.

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)*

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 trade and lease receivable 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 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 in accordance with the accounting policy for borrowing costs.

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 realisable 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 realisable 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 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 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.

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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).

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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.

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 the PRC. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

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 property development 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 RMB121,000,000 as at 31 December 2022 (2021: RMB133,000,000).

Net realisable 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 realisable 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 realisable 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 2022 were RMB9,586,623,000 (2021: RMB9,917,408,000) and RMB1,143,239,000 (2021: RMB821,338,000), 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 2022 was RMB4,252,000 (2021: RMB2,318,000). The amount of unrecognised tax losses at 31 December 2022 was RMB86,597,000 (2021: RMB70,372,000). 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, completed properties held for sale and deferred tax assets) 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. 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 2022, the carrying value of long-lived non-financial assets (other than properties under development in non-current assets) was RMB58,667,000 (2021: RMB69,149,000).

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 has organised its business units based on their products and services and only has one reportable operating segment. Management monitors the operating results of the Group 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 the PRC and no non-current assets of the Group were located outside the PRC.

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 (2021: same).

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2022 RMB'000	2021 RMB'000
Revenue from contracts with customers	**1,194,047**	1,566,347
Revenue from other sources		
Gross rental income from investment property under operating leases:		
— Fixed lease payments	**1,833**	2,249
	1,195,880	1,568,596

Revenue from contracts with customers

(a) Disaggregated revenue information

	2022 RMB'000	2021 RMB'000
Types of goods		
Sale of properties	**1,187,566**	1,565,021
Sale of construction materials	**6,481**	1,326
Total revenue from contracts with customers	**1,194,047**	1,566,347
Timing of revenue recognition		
Goods transferred at a point in time	**1,194,047**	1,566,347
Total revenue from contracts with customers	**1,194,047**	1,566,347

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:

	2022 RMB'000	2021 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of properties	**1,144,825**	1,474,376

(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:

	2022 RMB'000	2021 RMB'000
Amounts expected to be recognised as revenue:		
Within one year	**1,825,925**	1,278,162
After one year	**2,521,596**	3,205,160
	4,347,521	4,483,322

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

	2022 RMB'000	2021 RMB'000
Other income		
Bank interest income	**1,804**	3,815
Interest income from loans to an associate	**—**	1,605
Other interest income from third parties	**3,670**	5,089
Total interest income on financial assets not at fair value through profit and loss	**5,474**	10,509
Gross rental income from properties not classified as investment property	**6,670**	9,642
Others	**687**	7,240
	12,831	27,391

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2022 RMB'000	2021 RMB'000
Interest on bank borrowings	**207,409**	295,878
Interest on payables to third parties	**5,474**	1,640
Interest on loan from related parties (note 36(a))	**21,683**	3,567
Accretion on contract liabilities (note 1)	**99,333**	110,702
Total interest expense on financial liabilities not at fair value through profit or loss	**333,899**	411,787
Less: Interest capitalised (note 2)	**(274,822)**	(379,695)
	59,077	32,092

Note 1: Represent adjustment to transaction price for certain transactions with significant financing component due to a significant difference between timing of cash receipt from and transfer of properties to buyers.

Note 2: Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate ranging from 4.15% to 8.65% has been applied to the expenditure on the individual assets.

7. PROFIT BEFORE TAX

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

	Notes	2022 RMB'000	2021 RMB'000
Cost of properties sold	21	**818,913**	1,108,092
Cost of construction materials sold		**6,719**	647
Depreciation of property, plant and equipment	13	**10,414**	11,933
Depreciation of right-of-use assets	16(c)	**97**	496
Amortisation of intangible assets*	17	**50**	63
Lease payments not included in the measurement of lease liabilities	16(c)	**920**	460
Auditor's remuneration		**2,380**	2,150
Employee benefit expense (excluding directors' and chief executive's remuneration (note 8))**:			
Wages and salaries		**22,332**	25,580
Staff welfare expenses		**2,299**	3,788
Pension scheme contributions		**1,153**	2,665
		25,784	32,033
Provision on expected credit loss on financial asset, net			
— Impairment of trade receivables	22	**2,040**	1,203
— Impairment of/(reversal of impairment of) other receivables	23	**77,443**	(427)
		79,483	776
Changes in fair value of investment properties	14	**12,000**	5,000
Foreign exchange losses, net		**3,621**	2,334
Written-down of completed properties held for sale	21	**10,488**	2,212

* 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:

	2022 RMB'000	2021 RMB'000
Fees	**120**	113
Other emoluments:		
Salaries, allowances and benefits in kind	**1,232**	1,415
Pension scheme contributions	**83**	83
	1,315	1,498
	1,435	1,611

(a) Independent non-executive directors

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

	2022 RMB'000	2021 RMB'000
Ms. Gao Jianhua	**40**	33
Mr. Tian Hua	**40**	40
Mr. Qiu Yongqing	**40**	40
	120	113

There were no other emoluments payable to the independent non-executive directors during the year (2021: 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
2022					
Executive directors:					
Mr. Bai Xuankui	–	430	–	–	430
Mr. Bai Wukui	–	433	–	31	464
Mr. Dong Shiguang	–	129	–	21	150
Mr. Bai Guohua	–	240	–	31	271
	–	1,232	–	83	1,315
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

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 (2021: same).

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 (2021: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors (2021: three directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two (2021: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2022 RMB'000	2021 RMB'000
Salaries, allowances and benefits in kind	**347**	347
Performance related bonuses	**—**	—
Pension scheme contributions	**56**	56
	403	403

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

	Number of employees 2022	 2021
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 (2021: Nil).

10. INCOME TAX EXPENSE

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 calculated based on a tax rate of 16.5% (2021: 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 (2021: Nil).

10. INCOME TAX EXPENSE *(continued)*

The provision for Mainland China current income tax is based on the statutory rate of 25% of the assessable profits of 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:

	2022 RMB'000	2021 RMB'000
Current tax:		
Income tax charge	**36,531**	90,604
LAT	**18,048**	76,853
Deferred tax (note 29)	**5,120**	5,236
Total tax charge for the year	**59,699**	172,693

10. INCOME TAX EXPENSE *(continued)*

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

	2022 RMB'000	2021 RMB'000
Profit before tax	**110,603**	286,191
Tax at the statutory tax rate	**27,651**	72,439
Provision for LAT	**18,048**	76,853
Tax effect of LAT provision	**(4,512)**	(19,213)
Effect of withholding tax at 10% on distributable profits of the Group's PRC subsidiaries	**766**	4,329
Expenses not deductible for tax	**13,077**	36,971
Income not subject to tax	**(239)**	(287)
Tax losses not recognised	**4,908**	1,601
Tax charge at the Group's effective rate	**59,699**	172,693

Tax payable in the consolidated statement of financial position represents:

	2022 RMB'000	2021 RMB'000
Tax payable		
— PRC corporate income tax	**149,683**	134,442
— PRC land appreciation tax	**84,554**	82,570
	234,237	217,012

11. DIVIDENDS

The directors resolved not to declare an interim and a final dividend for the year ended 31 December 2022 (2021: 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 (2021: 600,000,000) in issue during the year.

The calculation of basic earnings per share is based on:

	2022 RMB'000	2021 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**10,444**	78,723

	Number of shares 2022 '000	 2021 '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

Diluted earnings per share is the same as basic earning per share because the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2022 and 2021.

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 2022						
At 1 January 2022:						
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
At 1 January 2022, net of accumulated depreciation	51,881	10,447	522	3,865	1,147	67,862
Additions	—	—	—	99	—	99
Disposals	—	(5)	—	(25)	—	(30)
Depreciation provided during the year	(4,501)	(3,590)	(198)	(1,831)	(294)	(10,414)
At 31 December 2022, net of accumulated depreciation	47,380	6,852	324	2,108	853	57,517
At 31 December 2022:						
Cost	82,783	35,474	1,394	23,636	3,276	146,563
Accumulated depreciation	(35,403)	(28,622)	(1,070)	(21,528)	(2,423)	(89,046)
Net carrying amount	47,380	6,852	324	2,108	853	57,517

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 2021						
At 1 January 2021:						
Cost	82,783	35,677	1,366	22,856	3,076	145,758
Accumulated depreciation	(26,402)	(22,166)	(680)	(17,419)	(1,040)	(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

None of the property, plant and equipment were pledged to secure bank loans granted to the Group (2021: RMB29,996,000) (note 28).

14. INVESTMENT PROPERTIES

	2022 RMB'000	2021 RMB'000
Carrying amount at 1 January	**133,000**	138,000
Net loss from a fair value adjustment	**(12,000)**	(5,000)
Carrying amount at 31 December	**121,000**	133,000

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 2022 based on valuations performed by DTZ Debenham Tie Leung Limited ("**DTZ**"), an independent professionally qualified valuer, at RMB121,000,000 (2021: RMB133,000,000).

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.

None of the investment properties were pledged to secure bank loans granted to the Group (2021: RMB133,000,000) (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 2022 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	–	–	89,000	89,000
Office properties	–	–	32,000	32,000
	–	–	121,000	121,000

	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

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 (2021: 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 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 and 1 January 2022	92,000	41,000	133,000
Net loss from a fair value adjustment recognised in other expenses in the statement of profit or loss	**(3,000)**	**(9,000)**	**(12,000)**
Carrying amount at 31 December 2022	**89,000**	**32,000**	**121,000**

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 2022	2021
Retail properties	Income approach	Prevailing market rents Yield rate	**RMB24 to RMB114** **7%**	RMB24 to RMB123 7%
Office properties	Income approach	Prevailing market rents Yield rate	**RMB80 to RMB123** **7%**	RMB80 to RMB123 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

	2022 RMB'000	2021 RMB'000
Carrying amount at 1 January	**9,917,408**	9,128,247
Additions	**820,517**	1,789,579
Transfer to completed properties held for sale (note 21)	**(1,151,302)**	(1,000,418)
Carrying amount at 31 December	**9,586,623**	9,917,408
Less: Current portion	**(9,383,865)**	(9,783,856)
Non-current portion	**202,758**	133,552

Properties under development expected to be recovered:

	2022 RMB'000	2021 RMB'000
Within one year	**2,014,034**	3,704,852
After one year	**7,572,589**	6,212,556
	9,586,623	9,917,408

At 31 December 2022, certain of the Group's properties under development with a carrying value of approximately RMB2,216,817,000 (2021: RMB1,355,993,000) 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 land that is used in its operations. Lump sum payments were made upfront to acquire the leased land with initial lease periods of 40 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings generally have initial lease terms between 1.25 and 5 years. 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 2021	1,284	451	1,735
Depreciation charge	(45)	(451)	(496)
As at 31 December 2021 and 1 January 2022	**1,239**	**—**	**1,239**
Depreciation charge	**(97)**	**—**	**(97)**
As at 31 December 2022	**1,142**	**—**	**1,142**

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:

	2022 RMB'000	2021 RMB'000
Carrying amount at 1 January	—	480
Revision of a lease term arising from a change in the non-cancellable period of a lease	—	120
Payments	—	(600)
Carrying amount at 31 December	—	—
Analysed into:		
Current portion	—	—

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

	2022 RMB'000	2021 RMB'000
Depreciation of right-of-use assets	97	496
Expense relating to leases of low-value assets (included in administrative expenses)	920	460
Total amount recognised in profit or loss	1,017	956

(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) 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 RMB8,503,000 (2021: RMB11,891,000), details of which are included in note 5 to the financial statements.

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

	2022 RMB'000	2021 RMB'000
Within one year	**2,149**	1,986
After one year but within two years	**1,827**	844
After two years but within three years	**1,507**	848
After three years but within four years	**1,175**	853
After four years but within five years	**393**	857
After five years	**393**	14
	7,444	5,402

17. INTANGIBLE ASSETS

	Software RMB'000
31 December 2022	
Cost at 1 January 2022, net of accumulated amortisation	**48**
Addition	**10**
Amortisation provided during the year	**(50)**
At 31 December 2022	**8**
At 31 December 2022:	
Cost	**1,918**
Accumulated amortisation	**1,910**
Net carrying amount	**8**
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

18. INVESTMENTS IN JOINT VENTURES

	2022 RMB'000	2021 RMB'000
Share of net assets	**4,949**	3,994

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

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

	2022 RMB'000	2021 RMB'000
Share of the joint ventures' profit for the year	**955**	1,148
Share of the joint ventures' total comprehensive income	**955**	1,148
Aggregate carrying amount of the Group's investments in the joint ventures	**4,949**	3,994

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

	2022 RMB'000	2021 RMB'000
Listed equity investment, at fair value	**45,827**	54,198

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

	2022 RMB'000	2021 RMB'000
Raw materials	**25,738**	20,167
Low value consumables	**—**	19
	25,738	20,186

21. COMPLETED PROPERTIES HELD FOR SALE

	2022 RMB'000	2021 RMB'000
Carrying amount at 1 January	**821,338**	931,224
Transfer from properties under development (note 15)	**1,151,302**	1,000,418
Transfer to cost of properties sold (note 7)	**(818,913)**	(1,108,092)
Write-down during the year (note 7)	**(10,488)**	(2,212)
Carrying amount at 31 December	**1,143,239**	821,338

At 31 December 2022, certain of the Group's completed properties held for sale with a carrying value of approximately RMB66,531,000 (2021: RMB67,303,000) were pledged to secure bank loans granted to the Group (note 28).

22. TRADE RECEIVABLES

	2022 RMB'000	2021 RMB'000
Trade receivables	**12,355**	5,689
Impairment	**(3,776)**	(1,736)
	8,579	3,953

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:

	2022 RMB'000	2021 RMB'000
Within 3 months	**6,296**	17
3 to 6 months	**—**	1
Over 6 months	**2,283**	3,935
	8,579	3,953

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

	2022 RMB'000	2021 RMB'000
At beginning of year	**1,736**	533
Impairment losses (note 7)	**2,040**	1,203
At end of year	**3,776**	1,736

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.

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Notes	2022 RMB'000	2021 RMB'000
Prepayments		**135,317**	92,442
Consideration receivables	(b)	**89,697**	89,697
Deposits and other receivables		**464,864**	380,244
Due from a related party		**33,326**	30,164
Cost to obtain contracts	(a)	**39,620**	58,153
Other tax recoverable		**176,214**	230,460
		939,038	881,160
Impairment allowance	(c)	**(94,091)**	(16,648)
		844,947	864,512

Notes:

(a) Cost to obtain contracts is initially recognised as an asset for revenue to be recognised upon transfer of completed properties held for sale. Included in cost to obtain contracts are sales commission and stamp duty. When the revenue from the related contract is recognised, the amount recognised as cost to obtain contracts is charged out to selling and distribution expenses and administrative expenses. The decrease in cost to obtain contracts in 2022 was the result of the decrease in the ongoing sale of properties at the end of the year. As at 31 December 2022 and 2021, the loss allowance was assessed to be minimal.

As at 31 December 2021, the cost to obtain contracts is expected to be recovered or settled within two years.

(b) On 30 October 2020, a wholly owned indirect subsidiary of the Company disposed 49% equity interests in an associate, Xishuangbanna Yunchen Real Estate Co., Ltd. to Xishuangbanna Global Sunac Tourism Development Co., Ltd. ("**Global Sunac**") at a consideration of approximately RMB95.35 million. Global Sunac is a subsidiary of Sunac China Holdings Limited ("**Sunac China**"), which is listed in Main Board of the Hong Kong Stock Exchange Limited. Pursuant to the disposal agreement, the consideration is payable within 12 months from the date of the disposal agreement. As at 31 December 2022, amount of RMB89,697,000 (2021: RMB89,697,000) was still outstanding, management of the Company are hesitated the ability and the incentives of Sunac China Group to repay the outstanding balances and considered the possibility of recovery was remote. Therefore, a lifetime ECL (Stage 3) of RMB89,697,000 was recognised during the year ended 31 December 2022.

During the year ended 31 December 2022, the Group has taken legal action against Sunac China Group for the settlement of the outstanding receivables. Up to the date of this report, the case is still under relevant legal procedures.

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

	2022 RMB'000	2021 RMB'000
At beginning of year	**16,648**	17,075
Provision on impairment losses (note b)	**89,697**	570
Reversal of impairment losses	**(12,254)**	(997)
At end of year	**94,091**	16,648

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

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 2022 and 2021 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, except for the consideration receivables mentioned in above note (b). As at 31 December 2022 and 2021, the loss allowance was assessed to be minimal.

24. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2022 RMB'000	2021 RMB'000
Total cash and bank balances, including pledged deposits	**562,725**	423,207
Less: Pledged time deposits with original maturity of one years when acquired	**(11,818)**	(12,583)
Pledged time deposits with original maturity of three years when acquired	**(4,376)**	(10,550)
Restricted cash as security for purchasers' mortgage loans	**(211,756)**	(159,701)
Cash and cash equivalents	**334,775**	240,373

At 31 December 2022, the cash and bank balances of the Group denominated in RMB amounted to RMB500,423,000 (2021: RMB305,594,000). 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.

24. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS *(continued)*

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 RMB211,756,000 (2021: 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:

	2022 RMB'000	2021 RMB'000
Less than 1 year	**751,216**	270,091
1 to 2 years	**255,878**	318,041
2 to 3 years	**145,201**	165,392
3 to 4 years	**17,143**	372,405
4 to 5 years	**57,476**	4,570
Over 5 years	**62,901**	106,170
	1,289,815	1,236,669

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	2022 RMB'000	2021 RMB'000
Payroll and welfare payable		**12,157**	13,936
Payables to government authority		**16,305**	1,501
Deposits related to sales of properties		**108,226**	23,595
Deposits related to construction		**2,685**	2,942
Sales commission payable		**5,031**	5,474
Payables to third parties	(a)	**121,564**	133,397
Due to related parties	36(c)	**257,597**	114,391
Due to a director	(a)	**93**	85
Advances from lessees		**2,426**	4,103
Interest payable		**61,105**	12,439
Advances from government			
— Phase I of Longtian Project	(b)	**1,695,997**	1,646,466
— Beilubao Project	(c)	**3,914**	3,914
Taxes payable other than corporate income tax		**281,694**	284,123
		2,568,794	2,246,366

Notes:

(a) Other payables and amount due to a director are unsecured, carried with interest at 15% and repayable on demand of which RMB37,000,000 (2021: RMB30,000,000) is to finance the Group's operation (note 34(a)).

(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

	2022 RMB'000	2021 RMB'000
Contract liabilities	**3,652,823**	4,025,605

Details of contract liabilities are as follows:

	2022 RMB'000	2021 RMB'000
Sale of properties	**3,652,823**	4,025,605
Total contract liabilities	**3,652,823**	4,025,605

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

28. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2022			2021		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans — secured	**4.15–8.65**	**2023**	**1,005,392**	4.15–15.00	2022	2,386,114
			1,005,392			2,386,114
Non-current						
Bank loans — secured	**5.23–8.65**	**2024–2025**	**2,149,724**	6.80–8.65	2023–2024	754,264
			2,149,724			754,264
			3,155,116			3,140,378

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

	2022 RMB'000	2021 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	**1,005,392**	2,386,114
In the second year	**1,942,724**	425,320
In the third to fifth years, inclusive	**207,000**	328,944
	3,155,116	3,140,378

Notes:

As at 31 December 2022, 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 RMB2,126,817,000 (2021: RMB1,355,993,000) (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 RMB66,531,000 (2021: RMB67,303,000) (note 21); and

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

In addition to the above:

(i) there is mortgages over the Group's investment properties at 31 December 2021 which had a net carrying value of RMB133,000,000 (note 14) as at that date; and

(ii) there is mortgages over the Group's buildings at 31 December 2021 which had a net carrying value of RMB29,996,000 (note 13) as at that date.

All of the banking facilities were subject to the fulfilment of covenants commonly found in lending arrangements with financial institutions. If the Group was to breach the covenants, the borrowings would become repayable on demand. The Group regularly monitors its compliance with these covenants. At the end of each reporting period, none of the covenants related to drawn down facilities had been breached.

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
Gross deferred tax liabilities at 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 and 1 January 2022	–	18,165	28,087	7,777	(4,941)	14,539	63,627
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	–	(3,000)	766	–	(1,608)	(4,634)	(8,476)
Gross deferred tax liabilities at 31 December 2022	–	15,165	28,853	7,777	(6,549)	9,905	55,151

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
Gross deferred tax assets at 1 January 2021	120	22,784	226,220	3,396	1,109	24,318	1,678	367	1,908	281,900
Deferred tax credited to other comprehensive income during the year	–	2,576	–	–	–	–	–	–	–	2,576
Deferred tax (charged)/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 and 1 January 2022	–	25,360	203,935	2,318	1,119	23,877	2,231	367	2,102	261,309
Deferred tax credited to other comprehensive income during the year	–	2,093	–	–	–	–	–	–	–	2,093
Deferred tax (charged)/credited to the statement of profit or loss during the year (note 10)	–	–	(30,272)	1,934	558	(10,435)	2,622	(367)	22,365	(13,595)
Gross deferred tax assets at 31 December 2022	–	27,453	173,663	4,252	1,677	13,442	4,853	–	24,467	249,807

29. DEFERRED TAX *(continued)*

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

	2022 RMB'000	2021 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**221,994**	225,769
Net deferred tax liabilities recognised in the consolidated statement of financial position	**27,338**	28,087

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

	2022 RMB'000	2021 RMB'000
Tax losses	**86,597**	70,372

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 after 31 December 2007 from the subsidiaries established in Mainland China. In the opinion of the directors, expect for an amount of RMB288,530,000 (2021: RMB280,870,000) 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 RMB737,269,000 as at 31 December 2022 (2021: RMB729,606,000).

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

30. SHARE CAPITAL

	2022 RMB'000	2021 RMB'000
Authorised:		
1,000,000,000 (2021: 1,000,000,000) ordinary shares of HK$0.01 each	**10,000**	10,000

	2022 HK$'000	2022 RMB'000	2021 HK$'000	2021 RMB'000
Issued and fully paid:				
599,999,989 (2021: 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 2021, 31 December 2021, 1 January 2022 and 31 December 2022	**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 308 to 309 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:

	2022 RMB'000	2021 RMB'000
Contracted, but not provided for:		
Property development activities	**1,207,875**	2,086,256
Capital contribution payable to joint ventures	**252,950**	252,950
	1,460,825	2,339,206

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

2022

	Payables to third parties (note 26) RMB'000	Due to related parties (note 26) RMB'000	Interest payable (note 26) RMB'000	Amount due to a director (note 26) RMB'000	Advance from government (note 26) RMB'000	Interest-bearing bank and other borrowings (note 28) RMB'000	Total RMB'000
At 1 January 2022	30,000	114,391	12,439	85	1,650,380	3,140,378	4,947,673
Changes from financing cash flows:							
Advance from government	–	–	–	–	49,531	–	49,531
Advance from director	–	–	–	8	–	–	8
Advance from related parties	–	143,206	–	–	–	–	143,206
Advance from third parties	7,000	–	–	–	–	–	7,000
New bank and other borrowings	–	–	–	–	–	159,600	159,600
Repayment of bank and other borrowings	–	–	–	–	–	(144,862)	(144,862)
Interest paid	(5,474)	(21,683)	48,666	–	–	(207,409)	(185,900)
Total change from financing cash flows	1,526	121,523	48,666	8	49,531	(192,671)	28,583
Other charge:							
Interest on bank borrowings (note 6)	–	–	–	–	–	207,409	207,409
Interest on payables to third parties (note 6)	5,474	–	–	–	–	–	5,474
Interest on loan from related parties (note 6)	–	21,683	–	–	–	–	21,683
At 31 December 2022	37,000	257,597	61,105	93	1,699,911	3,155,116	5,210,822

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

(a) Changes in liabilities arising from financing activities *(continued)*

2021

	Lease liabilities RMB'000	Payables to third parties (note 26) RMB'000	Due to related parties (note 26) RMB'000	Interest payable (note 26) RMB'000	Amount due to a director (note 26) RMB'000	Advance from government (note 26) RMB'000	Interest-bearing bank and other borrowings (note 28) RMB'000	Total RMB'000
At 1 January 2021	480	–	935	6,716	87	1,671,364	2,740,379	4,419,961
Changes from financing cash flows:								
Principal portion of lease payments	(600)	–	–	–	–	–	–	(600)
Repayment to government	–	–	–	–	–	(20,984)	–	(20,984)
Repayment to director	–	–	–	–	(2)	–	–	(2)
Repayment to related parties	–	–	113,456	–	–	–	–	113,456
Advance from third parties	–	30,000	–	–	–	–	–	30,000
New bank and other borrowings	–	–	–	–	–	–	699,986	699,986
Repayment of bank and other borrowings	–	–	–	–	–	–	(299,987)	(299,987)
Revision of lease terms	120	–	–	–	–	–	–	120
Interest paid	–	(1,640)	(3,567)	5,723	–	–	(295,878)	(295,362)
Total change from financing cash flows	(480)	28,360	109,889	5,723	(2)	(20,984)	104,121	226,627
Other charge:								
Interest on bank borrowings (note 6)	–	–	–	–	–	–	295,878	295,878
Interest on payables to third parties (note 6)	–	1,640	–	–	–	–	–	1,640
Interest on loan from related parties (note 6)	–	–	3,567	–	–	–	–	3,567
At 31 December 2021	–	30,000	114,391	12,439	85	1,650,380	3,140,378	4,947,673

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 consolidated statement of cash flows is as follows:

	2022 RMB'000	2021 RMB'000
Within operating activities	**920**	460
Within financing activities	**—**	600

35. GUARANTEES

	2022 RMB'000	2021 RMB'000
Guarantees given to banks in respect of mortgage facilities granted to the purchasers of the Group's properties	**2,012,850**	1,979,500

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 realisable 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 Wukui	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
Xi'an Agile Consulting Co., Ltd. ("**Xi'an Agile**")	Shareholder of a subsidiary
Shanxi Greentown Property	A joint venture
Shanghai Xuanyu Investment Management Co., Ltd.("**Shanghai Xuanyu**")	Limited partnership with director Mr. Bai Xuankui and Mr. Bai Wukui
Mr. Bai Aijing	Key management personnel

36. RELATED PARTY TRANSACTIONS *(continued)*

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

	2022 RMB'000	2021 RMB'000
Interest expense to:		
Mr. Bai Aijing	**6,294**	—
Shanxi Wanzhong	**2,501**	1,200
Shanghai Xuanyu	**12,888**	2,367
	21,683	3,567
Amount due to related parties:		
Shanxi Wanjia	**14,230**	11,230
Mr. Bai Aijing	**51,000**	—
Shanxi Wanzhong	**54,200**	40,000
Shanghai Xuanyu	**106,150**	60,000
	225,580	111,230
Property management service from:		
Shanxi Greentown Property	**196**	2,428
Shanxi Wanjia	**901**	806
	1,097	3,234
Royalty fee to:		
Xi'an Agile	**—**	179

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 RMB2,508,530,000 (2021: RMB1,853,340,000) as at the end of the reporting period (note 28).

Mr. Bai Wukui has guaranteed certain of the Group's bank loans up to RMB337,170,000 (2021: RMB19,000,000) as at the end of the reporting period (note 28).

Mr. Jiao Wuli does not have guaranteed the Group's bank loans as at the end of the reporting period (2021: RMB9,600,000) (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. At 31 December 2022, the balances are unsecured, interest-free and repayable on demand, except for the amount of RMB211,350,000 (2021: RMB100,000,000) payable to related parties are interest bearing ranging from 5.08–15% p.a and repayable within 1 year.

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

	2022 RMB'000	2021 RMB'000
Short term employee benefits	**1,756**	1,967
Pension scheme contributions	**167**	171
Total compensation paid to key management personnel	**1,923**	2,138

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:

2022

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	—	448,722	448,722
Equity investment at fair value through other comprehensive income	45,827	—	45,827
Trade receivables	—	8,579	8,579
Pledged deposits	—	11,818	11,818
Time deposits	—	4,376	4,376
Restricted cash	—	211,756	211,756
Cash and cash equivalents	—	334,775	334,775
	45,827	1,020,026	1,065,853

37. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

2022

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	**1,289,815**
Financial liabilities included in other payables and accruals	**2,287,100**
Interest-bearing bank and other borrowings	**3,155,116**
	6,732,031

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 bills payables	1,236,669
Financial liabilities included in other payables and accruals	1,962,243
Interest-bearing bank and other borrowings	3,140,378
	6,339,290

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, time deposits, restricted cash, trade receivables, financial assets included in prepayments, other receivables and other assets, trade and bills 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.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a recent transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

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 2022

	Quoted prices in active market (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	**45,827**	**–**	**–**	**45,827**

As at 31 December 2021

	Quoted prices in active market (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

The Group did not have any financial liabilities measured at fair value as at 31 December 2022 and 2021.

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 (2021: 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 liabilities such as interest-bearing bank and other borrowings and other payables. The main purpose of these financial instruments is to raise finance for the Group's operations.

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
2022		
RMB	0.5%	(28,203)
RMB	(0.5%)	28,203
2021		
RMB	0.5%	(22,245)
RMB	(0.5%)	22,245

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
2022		
If the RMB weakens against the HK$	**5**	**3,127**
If the RMB strengthens against the HK$	**(5)**	**(3,127)**
2021		
If the RMB weakens against the HK$	5	5,643
If the RMB strengthens against the HK$	(5)	(5,643)

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, except for the impairment loss on other receivables disclosed in note 23.

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 2022

	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)	—	78,411	1,002,974	2,249,351	3,330,736
Trade and bills payables	1,289,815	—	—	—	1,289,815
Financial liabilities included in other payables and accruals	2,287,100	—	—	—	2,287,100
	3,576,915	78,411	1,002,974	2,249,351	6,907,651
Financial guarantees issued: Maximum amount guaranteed (note 35)	2,012,850	—	—	—	2,012,850

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk *(continued)*

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	1,962,243	—	—	—	1,962,243
	3,198,912	145,526	2,353,491	851,167	6,549,096
Financial guarantees issued: Maximum amount guaranteed (note 35)	1,979,500	—	—	—	1,979,500

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 there is a remote possibility 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 2022 and 31 December 2021.

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:

	2022 RMB'000	2021 RMB'000
Interest-bearing bank and other borrowings	**3,155,116**	3,140,378
Total debt	**3,155,116**	3,140,378
Total equity	**1,762,874**	1,713,960
Gearing ratio	**178.98%**	183.22%

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:

	2022 RMB'000	2021 RMB'000
Non-current asset		
Investment in a subsidiary	893	818
Current assets		
Other receivables	1,430	—
Due from a subsidiary	337,101	329,222
Cash and cash equivalents	29,961	29,189
Total current assets	368,492	358,411
Current liabilities		
Due to a director	3	3
Due to subsidiaries	14,842	14,614
Total current liabilities	14,845	14,617
Net current assets	353,647	343,794
Total assets less current liabilities	354,540	344,612
Net assets	354,540	344,612
Equity		
Share capital (note 30)	4,855	4,855
Reserves (note)	349,685	339,757
Total equity	354,540	344,612

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 2021	344,141	9,587	(8,228)	345,500
Total comprehensive loss for the year	—	—	(1,971)	(1,971)
Exchange differences on translation to presentation currency	—	(3,772)	—	(3,772)
At 31 December 2021 and 1 January 2022	344,141	5,815	(10,199)	339,757
Total comprehensive loss for the year	**—**	**—**	**(1,864)**	**(1,864)**
Exchange differences on translation to presentation currency	**—**	**11,792**	**—**	**11,792**
At 31 December 2022	**344,141**	**17,607**	**(12,063)**	**349,685**

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 24 March 2023.

FIVE YEAR FINANCIAL SUMMARY

	Year ended 31 December				
	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
REVENUE	**1,195,880**	1,568,596	1,207,502	1,307,084	1,064,690
Cost of sales	**(836,120)**	(1,110,951)	(743,629)	(955,554)	(697,999)
Gross profit	**359,760**	457,645	463,873	351,530	366,691
Other income and gains	**12,831**	27,391	93,015	39,845	35,110
Selling and distribution expenses	**(56,665)**	(59,986)	(50,932)	(77,560)	(55,063)
Administrative expenses	**(52,097)**	(64,140)	(67,865)	(82,219)	(73,395)
Other expenses	**(95,104)**	(43,775)	(22,165)	(6,957)	(26,633)
Finance costs	**(59,077)**	(32,092)	(3,806)	(22,168)	(19,679)
Share of profits and losses of:					
Joint ventures	**955**	1,148	1,453	1,198	(295)
Associate	**—**	—	(128)	(10)	(10)
PROFIT BEFORE TAX	**110,603**	286,191	413,445	203,659	226,726
Income tax expense	**(59,699)**	(172,693)	(177,344)	(88,666)	(95,540)
PROFIT FOR THE YEAR	**50,904**	113,498	236,101	114,993	131,186
Attributable to:					
Owners of the parent	**10,444**	78,723	206,738	106,028	124,889
Non-controlling interests	**40,460**	34,775	29,363	8,965	6,297
	50,904	113,498	236,101	114,993	131,186

FIVE YEAR FINANCIAL SUMMARY

	Year ended 31 December				
	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
TOTAL ASSETS	**12,690,997**	12,608,077	12,683,570	12,440,981	8,998,712
TOTAL LIABILITIES	**(10,928,123)**	(10,894,117)	(11,073,969)	(11,066,396)	(7,800,885)
NON-CONTROLLING INTERESTS	**(233,993)**	(193,533)	(158,758)	(128,423)	(118,858)
	1,528,881	1,520,427	1,450,843	1,246,162	1,078,969

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