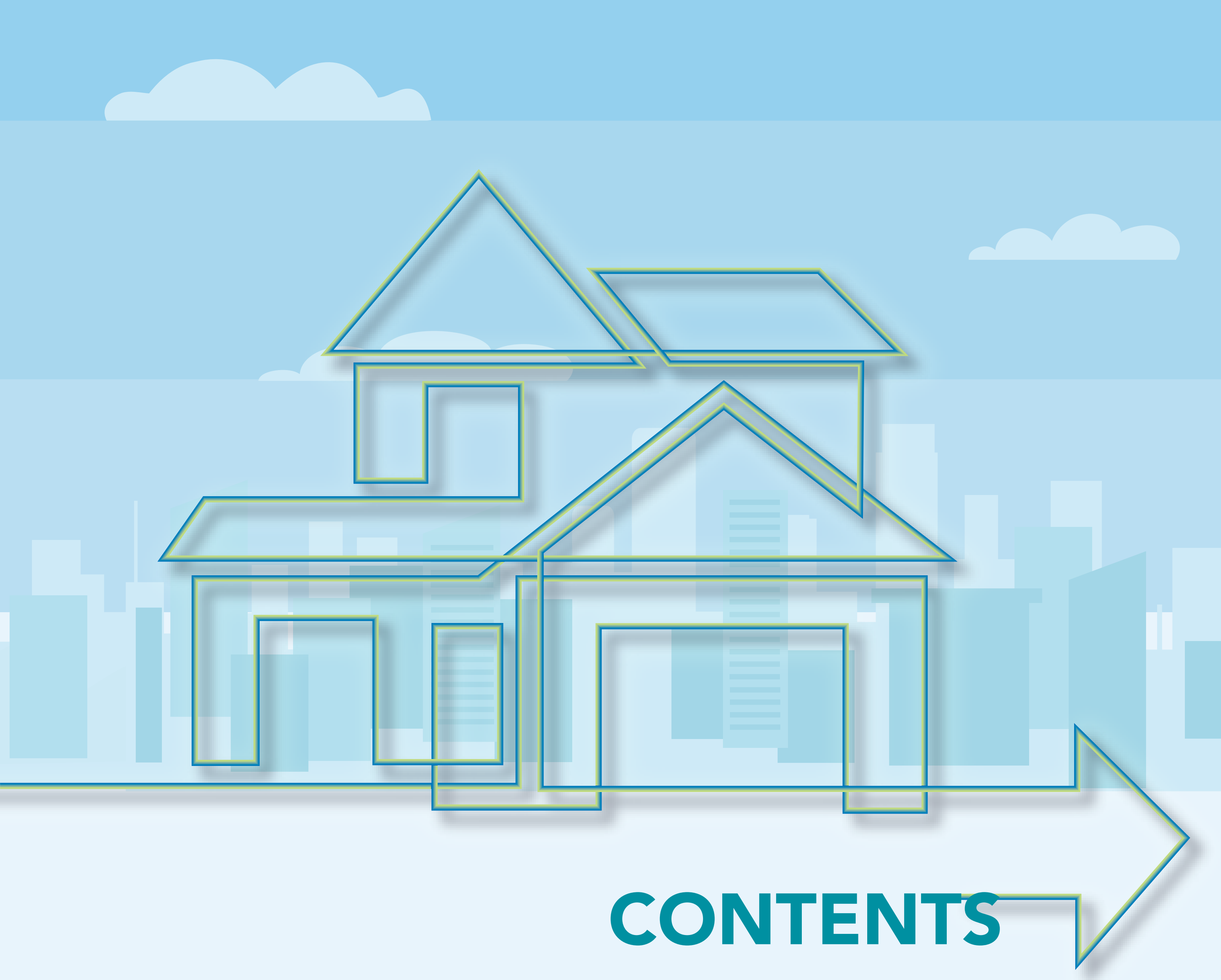
鑫苑物業服務集團有限公司
Xinyuan Property Management Service (Cayman) Ltd.

(Incorporated in the Cayman Islands with limited liability)
Stock code : 1895

2022
ANNUAL REPORT



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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. SHEN Yuan-Ching *(Chairman of the Board)*
(appointed as independent non-executive director on 13 April 2022, appointed as vice chairman of the Board on 29 August 2022 and re-designated as executive director and chairman of the Board on 19 September 2022)
Mr. FENG Bo *(appointed on 29 August 2022)*
Mr. WANG Yong *(Chief Financial Officer)*
(appointed on 21 October 2022)
Ms. WANG Yanbo *(Chief Executive Officer)*
(resigned on 29 August 2022)
Mr. HUANG Bo *(Chief Financial Officer)*
(resigned on 15 February 2022)

NON-EXECUTIVE DIRECTORS

Mr. TIAN Wenzhi *(appointed on 21 October 2022)*
Mr. ZHANG Yong *(Chairman of the Board)*
(resigned on 29 August 2022)
Ms. YANG Yuyan *(resigned on 29 August 2022)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LI Yifan
Mr. LING Chenkai *(appointed on 21 October 2022)*
Mr. LAN Ye *(appointed on 21 October 2022)*
Ms. ZHAO Xia *(appointed on 8 April 2024)*
Mr. LUO Ji *(resigned on 21 October 2022)*
Mr. FU Shaojun *(resigned on 13 April 2022)*

AUDIT COMMITTEE

Mr. LI Yifan *(Chairman)*
Mr. LAN Ye *(appointed on 21 October 2022)*
Ms. ZHAO Xia *(appointed on 8 April 2024)*
Mr. LING Chenkai *(appointed on 21 October 2022 and resigned on 8 April 2024)*
Mr. LUO Ji *(resigned on 21 October 2022)*
Mr. FU Shaojun *(resigned on 13 April 2022)*
Mr. SHEN Yuan-Ching
(appointed on 13 April 2022 and resigned on 19 September 2022)

REMUNERATION COMMITTEE

Mr. LING Chenkai *(Chairman)*
(appointed on 21 October 2022)
Mr. LI Yifan *(re-designated as member on 21 October 2022)*
Mr. SHEN Yuan-Ching
(appointed on 29 August 2022)
Mr. ZHANG Yong *(resigned on 29 August 2022)*
Mr. LUO Ji *(resigned on 21 October 2022)*

NOMINATION COMMITTEE

Mr. SHEN Yuan-Ching *(Chairman)*
(appointed on 29 August 2022)
Mr. LAN Ye *(appointed on 21 October 2022)*
Mr. LING Chenkai *(appointed on 21 October 2022)*
Mr. ZHANG Yong *(resigned on 29 August 2022)*
Mr. LI Yifan *(resigned on 21 October 2022)*
Mr. LUO Ji *(resigned on 21 October 2022)*

COMPANY SECRETARY

Mr. TSO Ping Cheong Brian
FCPA, FCCA, FCG (CS, CGP), HKFCG (CS, CGP)

AUTHORIZED REPRESENTATIVES

Mr. SHEN Yuan-Ching
(appointed on 29 August 2022)
Mr. ZHANG Yong *(resigned on 29 August 2022)*
Mr. TSO Ping Cheong Brian
FCPA, FCCA, FCG (CS, CGP), HKFCG (CS, CGP)

AUDITOR

Moore CPA Limited (formerly name as
("**Moore Stephens CPA Limited**"))
Registered Public Interest Entity Auditor
801–806 Silvercord, Tower 1
30 Canton Road
Tsimshatsui, Kowloon
Hong Kong

REGISTERED OFFICE IN THE CAYMAN ISLANDS

P.O. Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

Note: Ms. ZHAO Xia was appointed as an independent non-executive Director and a member of the Audit Committee of the Company with effect from 8 April 2024.

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit B, 17/F., United Centre
95 Queensway, Admiralty
Hong Kong

CORPORATE HEADQUARTER

3/F., International Living Clubhouse
18 Xiuyuan Road
Jinshui District
Zhengzhou City
Henan Province, PRC

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Services (Cayman Islands) Limited
Third Floor, Century Yard
Cricket Square, P.O. Box 902
Grand Cayman, KY1-1103
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

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

PRINCIPAL BANKERS

China Everbright Bank
(Zhengzhou Dongfeng Branch)
58 Jingsan Road, Jinshui District
Zhengzhou City
Henan Province, PRC

Bank of China
(Zhengzhou Mianfang East Road Branch)
1/F., Xinyuan International City Garden
66 Mianfang East Road, Erqi District
Zhengzhou City
Henan Province, PRC

China Everbright Bank
(Zhengbian Road Zhengzhou Branch)
Zheng Bian Road & Ying Xie Road Junction
Zhengzhou City
Henan Province, PRC

Bank of Zhengzhou
(Zhengzhou Weier Road Branch)
8–3 Weier Road, Jinshui District
Zhengzhou City
Henan Province, PRC

Huaxia Bank (Zhengzhou Branch)
29 Shangwu Waihuan Road
Zhengzhou City
Henan Province, PRC

Huaxia Bank (Zhengzhou Nongye Road Branch)
Nongye Road and Dongming Road Intersection
Zhengzhou City
Henan Province, PRC

OVERSEAS BANKER

Industrial and Commercial Bank of China
(Asia) Limited (Queen's Road Central Branch)
Basement, G/F and 1/F
Nos. 122-126 Queen's Road
Central, Hong Kong

LEGAL ADVISERS

As to Hong Kong law:

Sidley Austin LLP
39/F, Two Int'l Finance Centre
Central, Hong Kong

STOCK CODE

1895

COMPANY WEBSITE ADDRESS

www.xypm.hk

HONOURS AND AWARDS

CHAIRMAN'S STATEMENT

Dear Shareholders,

Thank you for your continued support for Xinyuan Service. On behalf of the Board, I hereby present the 2022 annual report.

2022 was a year of challenge and change for both Xinyuan Service and the entire property management industry. We continued to experience the impact of macroeconomic adjustments in the real estate sector and multiple waves of the pandemic. Internally, the Company implemented significant changes to our governance structure. Despite many difficulties, the Company maintained stable operations. We remained firmly committed to our core values while addressing issues we encountered as we bravely navigated through the complex and changing development process.

In terms of corporate governance, we conducted a complete reorganisation of the Board and established an independent, compliant operation mechanism. To demonstrate accountability to our Shareholders and our commitment to the independent development and operation of the Company, we worked proactively and properly towards the resolution of legacy issues with the assistance of various professional firms.

In terms of business development, we focused on our "capability upgrading" approach. We remained committed to a high-quality development path which emphasises dual improvement of sales per unit area and overall operational efficiency. Through a series of precision management and innovative initiatives, we proactively optimised some projects with low sales per unit area and poor performance, allowing us to reach new levels of internal operational quality.

In terms of operational performance, despite facing double pressure from fluctuations in revenue from related parties and provisions for bad debt which resulted in a significant impact on our overall revenue and our profits in particular, our core business maintained robust growth as revenue from our fundamental property services increased 11% year-over-year. This achievement not only demonstrates the Company's operational resilience but also highlights our accomplishments in fundamental services, market expansion, operational efficiency and brand building.

BUILDING ON SERVICES TO CONTINUOUSLY IMPROVE CUSTOMER EXPERIENCE

In 2022, the Group strongly focused on the quality of fundamental services and devoted full efforts to the implementation of Xinyuan Service 4.0. We achieved significant results with comprehensive upgrading of our service capabilities across various business types. Through the upgrade of EHS system documents, we further improved environment, health and safety management standards, creating a safer and more comfortable living environment for property owners. At the same time, we focused on enhancing staff capabilities. We provided systematic training and integrated standardisation documents, thereby improving professional competence and service efficiency of our staff.

We continued to optimise customer experiences in the services we offer. In particular, during the pandemic, we demonstrated our strong service capabilities and a high sense of social responsibility. We coordinated nucleic acid tests for more than more than 20 million instances to ensure the health and safety of property owners. We provided 320,000 living necessity kits for property owners under lockdown to help them tide over living difficulties. Meanwhile, we offered assistance services to special groups for more than 40,000 instances, making every owner feel the warmth of home.

These efforts have won widespread recognition and praise from property owners. According to a third-party survey by the China Index Academy, we scored an industry-leading 93.2 points for satisfaction of property owners, fully demonstrating our service capabilities and effectiveness. Such achievements form a solid foundation for our future development. We will continue to uphold our "customer-centered" service philosophy, constantly improve service quality, and create more value for property owners.

OPTIMISING STRUCTURE TO CONTINUOUSLY ENHANCE EXPANSION CAPABILITY

In 2022, the Group closely followed our "1+4+N" regional expansion strategy and focused on two core regions, Henan and Jiangsu. We achieved significant results through a diverse range of measures, including sociocratic governance, framework agreement conversion and active promotion of red property. During the year, new comprehensive engagement contracted GFA was 3.66 million sq. m. and new GFA under management was 3.25 million sq. m.. In particular, the Central China region accounts for 55% of our entire business scale, demonstrating our sustained intense efforts to develop GFA under management in core regions.

We seek diversified development of our business types structure. During the year, new non-residential projects, including schools, hospitals and public infrastructure totalled 1.30 million sq. m. Non-residential business types account for 29% and growth in this area has helped to optimised the Company's business types structure.

FOCUSING ON QUALITY TO CONTINUOUSLY IMPROVE OPERATIONAL EFFICIENCY

In the face of a complex and ever-changing external environment, the Group remains committed to our high-quality development path. In 2022, we achieved significant results through dual improvement in internal operational efficiency and management quality.

In terms of improving project management quality, we adopted a proactive strategy and optimised our project portfolio. Under our active optimisation strategy, we exited certain projects which offered lower property management fees and incurred operational losses in an orderly manner. Our operational quality effectively improved as revenue per unit area from fundamental services for properties increased by 32.6% year-over-year.

At the same time, we intensified efforts in the strategic development of community value-added services. In particular, we achieved breakthroughs in living services for property owners and renewal and transformation of stock communities. Revenue from provision of living services for property owners increased by 60% year-over-year. Our front-end and back-end integrated stock renewal business model also received critical recognition from industry authorities.

In terms of improving operational efficiency, we implemented a shared business centre which increased the average management area of management personnel. The continuous implementation of business and finance integration and the deep application of technology empowerment have significantly improved internal operational management efficiency.

STRENGTHENING OUR INFLUENCE TO CONTINUOUSLY BUILD A BRAND MATRIX

The Group has expanded from a single brand to a diverse brand matrix and has progressed from an industry brand to a social and public brand. Currently, we have established a unique brand matrix around the tracks of Xin-property, Xin-industry, Xin-technology and Xin-Party building, allowing us to continuously enhance our industry and social brand influence.

Xin-property focuses on core "high cost-performance, high satisfaction, high service experience" IP to establish a diversified property brand centered on Xinyuan Property. This includes Chongqing Hongqi Property* (重慶鴻企物業), which is focused on the industrial park type; Yuesheng Lianghang* (悅晟梁行), which is focused on high-end commercial and office buildings; and other brands such as Kangyang Property* (康陽物業), which is focused on the provision of comprehensive services for old communities, collectively offering a comprehensive property service experience for our customers.

Xin-industry focuses on the gradual establishment of our industrial ecosystem. We have established a range of companies engaged in professional businesses, including Xiaoxin Selection* (小鑫優選), Yingcheng Engineering* (盈晟機電), Shengjia Apartment* (晟家公寓), Jingya Garden* (璟雅園林), Gechen Culture* (格宸文化) and Xinyi Better Life* (鑫怡美好生活).

Xin-technology is based on Xin Smart Sharing Technology* (鑫智享科技). Internally, we focus on business and finance integration to comprehensively improve internal operational efficiency. To serve our customers, we have constructed a 9633 Smart Community, leveraging it to enhance the living and service experiences of our customers. Meanwhile, we have been steadily building our industrial empowerment capabilities. Currently, we have built a Xin Property Cloud Smart Platform* (鑫物雲智慧平台), which has allowed us to extend our experiences in large-scale property infrastructure maintenance, IT maintenance and comprehensive property operational management to the new field of infrastructure, creating innovative smart operation and management platform services, products, and one-stop solutions for property communities, industrial parks, urban grids, public infrastructure and government buildings.

Xin-Party building is guided by smart party building. We continuously innovate new red property service paths, integrating red property into various fields of municipal comprehensive services and upgrading, in order to establish a "Xin Fire 6+1" red property service model which focuses on municipal comprehensive services, upgrading and needs and offers red services across multiple business types, fields and platforms.

FOCUSING ON COMPLIANCE TO CONTINUOUSLY ENHANCE INTERNAL CONTROL CAPABILITIES

Upon reorganisation of the Board, we focused on two core areas of compliance and independence to regulate corporate governance. We actively seeked solutions without evading any issues and effectively handled legacy issues through arbitration. Meanwhile, we maintained the independence of the Board and the operations of the Company and improved various internal control mechanisms to establish a long-lasting mechanism for independent and compliant operations.

The property industry has now become an "industry significant to livelihoods". As the development environment of the property industry further improves, the industry will also enter a new cycle of high-quality development. The Group will continue to focus on compliant development, quickly resolve legacy issues, and continuously achieve iterative upgrades in development along the following three development curves:

The first curve: Our core businesses, which are Xin-property businesses or our management services. Through headquarters + regional investment and development collaboration, continuous enrichment of business types and contents we manage, and industry resource integration enabled by Xin-technology, we will achieve accelerated growth in management scale, maintain medium to high-speed quality growth, continuously expand the scale of our fundamental businesses, and solidifying the foundation for the development of our Company.

The second curve: Growth businesses, which are Xin-industry businesses or our scenario services. Through providing stable support for spatial management in our communities, active promoting of asset management for property owners, and integrating ecosystem-driven community living services, we will be able to build a dual engine model of business growth inside communities and innovation on the outside, forming synergies between internal and external resources and capabilities to achieve fast expansion of scale.

The third curve: Innovative businesses, which are Xin-technology businesses or scenario technology. Through maintaining real estate digital products and services, our industrial internet enabling platform Xinda Smart Property Management Platform* (鑫達智慧物管平台), and successful implementation of new municipal services through our ecosystem, we will be able to realise creative stock maintenance + ecosystem leverage strategies and develop our property + technology core development capabilities.

The three curves will form a development synergy, continuously strengthening technology empowerment and optimising our property + technology development path, allowing us to repay the support and trust of all our investors with excellent performance.

Finally, on behalf of the Board, I would like to extend my sincere gratitude to the Directors, management and our entire staff for their unity, commitment and dedication in contributing to our development in a challenging environment. I would also like to express my heartfelt thanks to all our shareholders, business partners, property owners, customers and partners for their long-term trust in and support for our Group.

SHEN Yuan-ching
12 March 2024

* *For identification purposes only*

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

The Group is a comprehensive property management service provider with widespread influence and robust operation. We strive to be the leading intelligent operator of pan-property industry in China. In 2022, the Group fully implemented its strategic upgrade, service upgrade and organizational upgrade around its core orientation of capability upgrading and the three development dimensions of Xin-property, Xin-industry and Xin-technology, so as to carry out business layout.

On the basis of the Xin-service's 4.0 service system upgrade, Xin-property focused on ensuring the development quality of core operations and building a strong foundation for business development. At the same time, based on the "1+4+N" national development strategy layout, the Group has continued to further develop its business in key regions. As at 31 December 2022, the Group's property management services covered 48 cities in the PRC, with a new contracted GFA of 3.66 million sq.m. and a newly taken-over area of 3.25 million sq.m. in that year, representing a steady market expansion of the Company.

Xin-property focused on carrying out in-depth business layout in areas such as the full life cycle of property owners, comprehensive living scenarios in the community, the full process management of supporting equipment and facilities, and the upstream and downstream whole industry chain of the property. Combining internal and external resources, and capabilities strengths, it achieved a rapid breakthrough, by focusing on home living services, asset operation and stock assets renewal projects. The renewal of stock assets focused on the elevator additions and maintenance construction with funds business, which has developed a preliminary and post project integrated business model for stock assets renewal; in terms of home living services, in the cases of an ongoing pandemic in 2022, it has improved the business system of owners' home living services and launched group purchasing activities to guarantee supply during the pandemic, with online platform revenue increasing by 60% year-on-year; and asset operation focused on the renewal of owners' stock assets and the underwriting of parking spaces, innovating the 4S home services business model and developing asset sales channels.

On the basis of internal business empowerment, Xin-technology continued to develop external output capacity and industrial service capacity. Xinzhixiang Technology Co., Ltd.* (鑫智享科技有限公司) was formed, realizing its breakthrough to external services. The internal construction has completed the construction of digital platforms including smart parking and smart meter, the launching of an aggregate of 166 projects, and development of 10 systems such as the energy consumption system and the storage system; realised the construction of a five-in-one enterprise WeChat ecology, and completed the development and launching of 12 modules on the staff side and the owner's side and more than 200 items of functional optimization. Meanwhile, the Company's Xinzhixiang Technology Co., Ltd. has been certified as a National Science and Technology Enterprise and a Small and Medium-sized Science and Technology Enterprise in Henan Province, received "Science and Technology Enterprises Outstanding Innovation Award" in science and technology innovation competition, and obtained 14 software copyrights of the software issued by the National Copyright Administration, as well as has achieved a breakthrough in the external business by signing sales contracts of software externally, with a contract amount of RMB2.85 million.

In 2022, the Group was recognized as one of the 2022 Top 100 Property Service Companies and 2022 Top 10 Companies with High-End Property Services by Shanghai E-House China R&D Institute and CRIC Property Management; as one of the 2022 Top 100 Property Management Companies in China and 2022 China Property Services Enterprise of Brand Excellence by China Index Academy; and as one of 2022 Smart Property Leading Enterprise in China, one of China's Top 100 Property Management Companies in Terms of Brand Value in 2022, 2022 Featured Brand of China Property Management Service-Xin-services and 2022 China Residential Service Leading Enterprises by CRIC Property Management and CPMRI.

Meanwhile, the Group's employees across China actively participated in pandemic control and prevention work in 2022. During the joint efforts of pandemic prevention and treatment with the community, arrangements for daily nucleic acid tests, services for owners during home quarantine and the safeguarding of property owners' livelihoods during the lockdown, the leadership roles of CCP organizations and pioneers at all levels were given full play. A lot of heroic deeds and people emerged from the pandemic, which have honoured by the governments of all levels and won extensive commendation from the society, fully demonstrating the social responsibilities and social values of enterprises.

PROPERTY MANAGEMENT SERVICES

Adherence to quality development

The Group maintained a robust quality in growth strategy. In 2022, taking traditional model of comprehensive engagement with developers' properties as its core, the Group continued to optimize its business structure with newly contracted residential operation type of 2.36 million sq.m. and non-residential operation type of 1.30 million sq.m. throughout the year, through a proactive development of the stock market and non-residential market, and expansion of owner's committee projects, business parks, complexes and industrial parks.

While increasing scale expansion, the Group also continued to optimize the quality of projects under management, and proactively terminated service contracts for some joint ventures and projects that recorded sustained operating losses and low area effectiveness so as to improve overall operating efficiency. Throughout the year, revenue generated from property services increased by 11.3% year-on-year, revenue per square meter increased by 32.6% year-on-year, and internal operating efficiency was further optimized and improved.

As of 31 December 2022, we provided property management service and value-added service in 48 cities in the PRC, covering contracted GFA of approximately 50.71 million sq.m. for 249 contracted projects; and GFA under management of approximately 31.40 million sq.m. for 190 projects under management.

The following table sets out our contracted GFA and GFA under management as at the dates indicated:

	Year ended 31 December			
	2022		2021	
	Contracted GFA '000 sq.m.	**GFA under management '000 sq.m.**	Contracted GFA '000 sq.m.	GFA under management '000 sq.m.
At the beginning of the year	**63,036**	**37,410**	53,004	34,667
Addition[1]				
Xinyuan Real Estate Group[3]	**160**	**504**	1,847	985
Third party property developers[4]	**3,501**	**2,750**	8,428	1,937
Termination[2]	**15,992**	**9,265**	243	179
At the end of the year	**50,705**	**31,399**	63,036	37,410

Notes:

(1) These new contracts mainly consist of advance management contracts for new properties developed by property developers, and property management service contracts with residential communities in replacing their former property management service providers, and contracts in relation to new mergers and acquisitions.

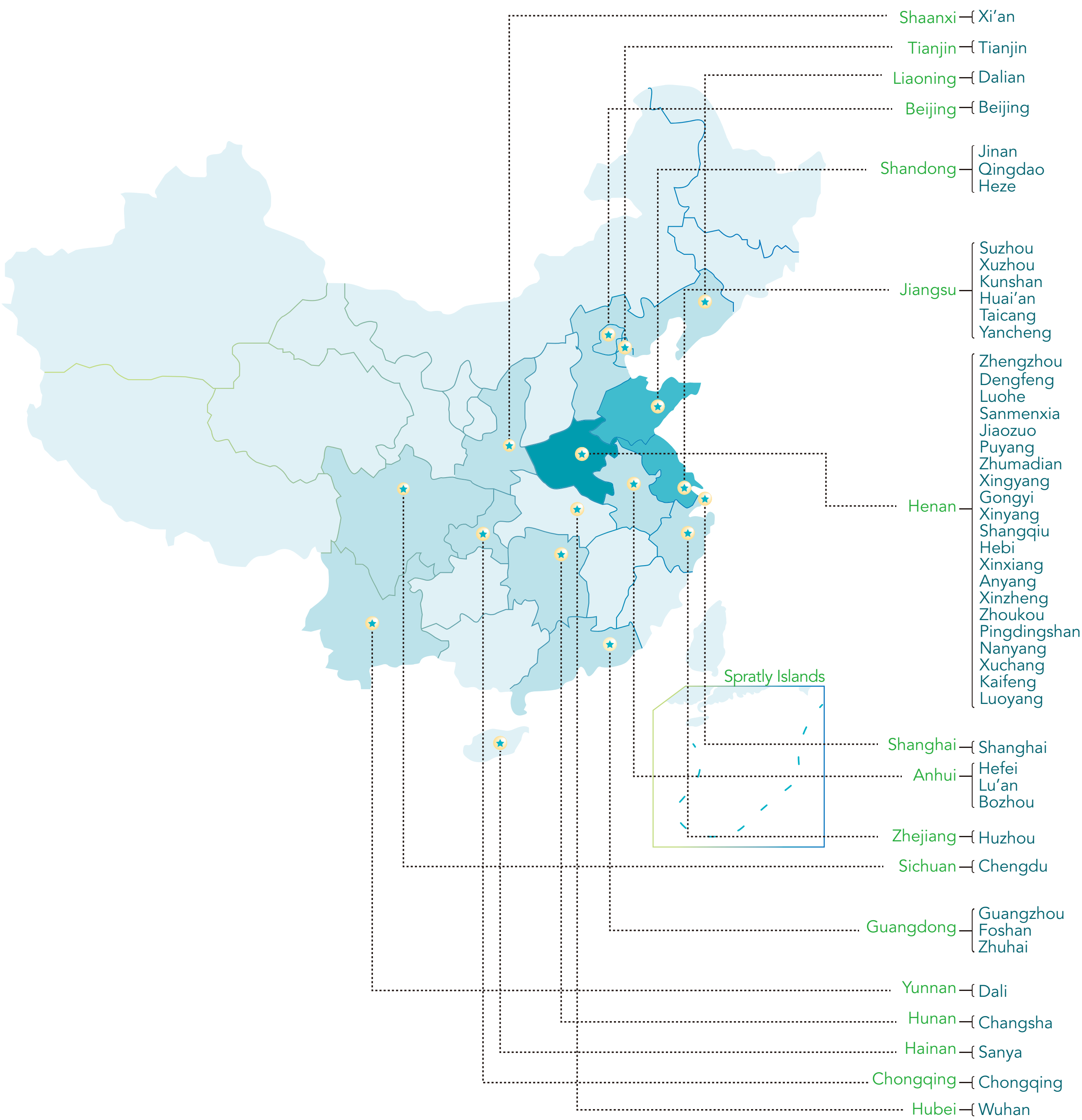
(2) Termination includes certain property management service contracts which we opted not to renew due to our reallocation of resources to contracts with higher profitability in order to optimise our property management portfolio.

(3) Xinyuan Real Estate Co., Ltd. (the "**Ultimate Holding Company**") and its subsidiaries are collectively referred to as the "Xinyuan Real Estate Group". Includes properties exclusively developed by Xinyuan Real Estate Group.

(4) Refers to properties exclusively developed by third party property developers independent of Xinyuan Real Estate Group.

Our geographical coverage

In 2022, based on a "1+4+N" national layout, we conducted deep cultivation of the Central China, Bohai Economic Rim, Yangtze River Delta, Pearl River Delta and the Southwest China regions, and made key breakthroughs in the Central China region focusing on Henan, and the Yangtze River Delta focusing on Jiangsu. As of 31 December 2022, our geographical coverage has expanded from Zhengzhou to 48 cities across the PRC.



The following table sets out our GFA under management as at the dates indicated, and a breakdown of our total revenue from property management service by geographical region for the years ended 31 December 2022 and 2021:

	Year ended 31 December					
	2022			2021		
	GFA 0'000 sq.m.	Revenue RMB'000	Percentage share %	GFA 0'000 sq.m.	Revenue RMB'000	Percentage share %
Central China[1]	**1,717**	**276,228**	**55**	1,687	231,019	52
Yangtze River Delta[2]	**360**	**116,763**	**24**	420	106,472	24
Greater Southwest[3]	**736**	**70,143**	**14**	1,226	76,500	17
Bohai Economic Rim[4]	**311**	**14,872**	**3**	401	12,463	3
Greater Bay Area[5]	**16**	**18,444**	**4**	7	19,577	4
Total	**3,140**	**496,450**	**100**	3,741	446,031	100

Notes:

(1) Includes cities located in Henan province.

(2) Includes cities located in Jiangsu, Anhui, Shandong and Zhejiang provinces and Shanghai municipality.

(3) Includes cities located in Sichuan, Yunnan and Shaanxi provinces and Chongqing municipality.

(4) Includes cities located in Liaoning and Hebei provinces, Beijing and Tianjin municipalities.

(5) Includes cities located in Hainan, Hunan and Guangdong provinces.

Robust growth of scale

The Group has always maintained a robust and high quality growth strategy in expansion of scale, and has developed its own robust model of expansion of scale with comprehensive engagement as its core. In 2022, based on the traditional comprehensive engagement expansion, the Group strengthened cooperation with owners' committees, governments, enterprises and public institutions of existing projects through diversified cooperation models and relying on construction of properties with red spirit to achieve the expansion of comprehensive engagement from incrementing to stocking assets, as well as the extension from residential to non-residential operation type.

In terms of expansion methods, combined with the needs in scale development and market expansion, the Group has established an organizational structure for expansion characterized by "focus on headquarters' investment and development center with synergy effect among multiple regions". The cultivation of benchmark projects under management in Henan and Jiangsu where we have established in-depth presence, created regional service reputation and brand influence, thereby obtaining more cooperation opportunities. As of 31 December 2022, third parties accounted for 53% in terms of GFA under management and 57% in terms of contracted GFA of the Group.

As at 31 December 2022, GFA under management and percentage share of property management service revenue by type of property developer are as follows:

	Year ended 31 December					
	2022			2021		
	GFA 0'000 sq.m.	**Revenue RMB'000**	**Percentage share %**	GFA 0'000 sq.m.	Revenue RMB'000	Percentage share %
Xinyuan Real Estate Group	**1,483**	**345,517**	**70**	1,428	294,165	66
Third party property developers	**1,657**	**150,933**	**30**	2,313	151,866	34
Total	**3,140**	**496,450**	**100**	3,741	446,031	100

Property management portfolio with diverse operation types

We manage both residential and non-residential properties. Currently, our non-residential properties under management span offices, commercial complexes, industrial parks, schools, and public buildings. While revenue from residential properties accounted for and will continue to account for a large portion of our revenue, we strive to diversify our services to cover properties of different types.

In 2022, in the field of expansion of non-residential operation type, we won the bid of property services projects of Luohe Jingdong Logistics Park, Industrial Bank Xinyang Branch, Xinyang City Bookstore, Henan Vocational Institute of Arts and Yangshan Elementary School, and achieved diversified expansions of the business types, forming a maturer market-oriented development trend.

A breakdown of property management service revenue from developed properties by property types for the years ended 31 December 2022 and 2021:

	Year ended 31 December					
	2022			2021		
	GFA 0'000 sq.m.	**Revenue RMB'000**	**Percentage share %**	GFA 0'000 sq.m.	Revenue RMB'000	Percentage share %
Residential	**2,233**	**399,616**	**80**	2,408	357,247	80
Non-residential	**907**	**96,834**	**20**	1,334	88,784	20
Total	**3,140**	**496,450**	**100**	3,742	446,031	100

Value-added services

In 2022, the Group established a community value-added services department, which conducted resource coordination, management coordination and business coordination for the Company's community value-added business. The revenues of some segments were affected to a certain extent, but our overall business development remained robust.

In terms of value-added services for property owners, we have developed a 4S home services business model based on home renewal, home maintenance and home value-adding. Centering on household living needs of property owners during the pandemic, we have enhanced the capability of Xiaoxin U-Pick's community living services, constructed the property owners' life service group, built the community living services scenarios such as online flash sales, group orders of property owners and live commerce, and introduced innovative measures in offering interior furnishing, delivery and charging services around the flaws and weak points in the community life of the property owners.

In terms of household services, we rely on Xinyi Better Life Professional Company* (鑫怡美好生活專業公司). We combined online and offline and integrated internal and external professional service resources to focus on two major aspects of household living services and professional maintenance services. Through organising seasonal activities and themed events, household services have increasingly gained recognition from property owners.

The following table sets out the breakdown of the revenue from community value-added services for the year ended 31 December 2022 and 2021:

Value-added services	Year ended 31 December			
	2022		2021	
	RMB'000	**%**	RMB'000	%
Third party services revenue[1]	**17,167**	**16**	28,576	19
Space resources management[2]	**53,086**	**49**	49,306	33
Domestic living services[3]	**37,292**	**35**	70,510	48
Total	**107,545**	**100**	148,392	100

Notes:

(1) Profit is derived from paid utilities using the cost-plus method.

(2) We collect a pre-agreed fee for public space resource management.

(3) We conduct sales of daily necessities through our Xiaoxin U-Pick mobile application. Profit is derived from the provision of household living services and provision of customised services (such as maintenance of floor heating services).

Pre-delivery and consulting services

Leveraging on the Group's professional property management experience of 24 years, we offer tailored pre-delivery and consulting services to property developers to help enhance the competitiveness of the property development.

Pre-delivery services include providing sales assistance services, for instance (i) property sales venue management services; and (ii) property sales venue "warm-up" services to property developers at the pre-delivery stage of the relevant property or when the property is put onto the market for sale. Consulting services include (i) advising property developers at the early and construction stages of a property on project planning, design management and construction management to enhance its functionality, comfort and convenience; and (ii) intermediary and management services provided to property developers for unsold properties.

In terms of specialized work construction, the Group has established an "EPC+CDI" smart neighbourhood construction model, and expanded towards transform of stock communities, construction by external developers and other aspects. New business in elevator additions and maintenance construction with funds has been explored, which made a gradual improvement on our business capacity.

In 2022, the segment shrank due to the downturn in the overall real estate development trend, meanwhile the Group has been prudent in commencing any pre-delivery and consulting services process and increased the level of risk assessment.

	Year ended 31 December			
Pre-delivery and consulting services	**2022**		2021	
	RMB'000	**%**	RMB'000	%
Xinyuan Real Estate Group	**71,107**	**86**	149,383	85
Third party property developers	**11,396**	**14**	26,370	15
Total	**82,503**	**100**	175,753	100

OUTLOOK

The Group's strategy for the next three to five years will continue to upgrade based on the three major development dimensions of Xin Property, Xin Industry and Xin Technology, and promote the continuous integration of property + technology. We create new scenarios for digitally empowered properties, continue to upgrade around the three major development curves of management services, scenarios services, and scenarios technology, and achieve rapid growth in the Company's operating efficiency and business scale.

I. Xin-property (Management services)

The basic property service module focuses on quality growth and is based on the three major IPs of "high cost-performance ratio, high satisfaction, high service experience". Centering on the development layout of "1+4+N", we focused on the five core regions of Central China, Bohai Economic Rim, Yangtze River Delta, Greater Bay Area and Southwest China to carry out in-depth business layout and cultivate regional presence in depth.

In relation to the expansion strategy, we will focus on the principle of "low cost and steady growth", rely on the creation of diversified service capabilities, the construction of a full industry chain service ecology, and the support of a red property brand, innovate diversified cooperation models on the basis of the existing the expansion of comprehensive engagement. On the basis of cooperation with developers, we will extend to the fields of city services, state-owned enterprise stock business, public construction of enterprises and institutions, and park cooperation, expand cooperation channels, and build an expanded multi-wheel drive model.

II. Xin-industry (Scenarios services)

Focusing on industrial chain to expand horizontally and vertically, we transformed from resource-based development to capability-based development, and made rapid layout relying on the strengths of professional capabilities. We rapidly expands business scale through extends from endogenous growth to exogenous growth.

Xin-industry mainly focuses on empowering the community living service scenarios and makes in-depth layout of community vertical service fields around the three major aspects of "asset + space + people".

In terms of asset operation management, we will focus our effort on the two core businesses of revitalization of stock assets and renovation work of stock properties. On the one hand, we achieve sustained premiums and realization of our own assets; on the other hand, we focus on the elevator additions in old communities and the renovation of public facilities and equipment to cultivate our own engineering management and operational capabilities.

In terms of operating spaces, we will increase the efficiency of revitalizing, integrating and utilizing space resources through the empowerment of digital technology, and continue to innovate business models on the basis of traditional space operations to improve the efficiency of resource utilization.

In term of human services, we will focus on the needs of owners in the full life cycle of community services and provide private customized services for different customer groups, with emphasis on community pension, family services, life services, retail, catering, charging and other areas, constructing community service ecology.

In terms of scenarios service, we will continue to incubate a wide variety of segmented services based on the owners' assets, resources and multiple types of needs.

III. Xin-technology (Scenarios technology)

Xin-technology extends from internal empowerment to external empowerment, and supports scale increment through science and technology. Xin-technology will progressively transform from internal construction to an internet of industries, and change its role from internal solution provider to industrial solution provider.

On the basis of traditional cost reduction and efficiency improvement, we focus on specific community scenarios. Through combination with technology, we discover new needs and scenarios by analyzing and refining insights after simplifying complicated data, and with the help of technology empowerment, we can meet needs and explore new revenue sources and business areas.

While facing the "digital new infrastructure" industrial ecosystem, we will expand our experience in large-scale property infrastructure operation and maintenance, IT operation and maintenance, and comprehensive property operation and management to the new infrastructure field. Based on digital twin platforms, IoT platform, robots and smart park hardware products, we will create innovative service platforms, products and one-stop solutions for smart operation and management towards the field of property communities, urban grids, public facilities, as well as office buildings, large halls and guesthouses and park services.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2022, the Group recorded revenue of approximately RMB686.5 million (corresponding period in 2021: approximately RMB770.2 million), representing a decrease of approximately 10.9% as compared to corresponding period of previous year.

The Group's revenue was derived from three major business, (i) property management services; (ii) value-added services; and (iii) pre-delivery and consulting services:

	Year ended 31 December			
	2022		2021	
	Revenue RMB'000	Percentage %	Revenue RMB'000	Percentage %
Property management services	**496,450**	**72.3**	446,031	57.9
Value-added services	**107,545**	**15.7**	148,392	19.3
Pre-delivery and consulting services	**82,503**	**12.0**	175,753	22.8
Total	**686,498**	**100.0**	770,176	100.0

Gross profit and gross profit margin

The following table sets forth a breakdown of gross profit and gross profit margin by its business lines during the record period:

Segment	2022		2021	
	RMB'000	%	RMB'000	%
Property management services	**148,667**	**29.9**	104,260	23.4
Value-added services	**61,331**	**57.0**	102,162	68.8
Pre-delivery and consulting services	**19,322**	**23.4**	59,735	34.0
Total	**229,320**	**33.4**	266,157	34.6

The Group's gross profit for the year ended 31 December 2022 amounted to RMB229.3 million, representing a decrease of 13.9% over RMB266.2 million in 2021. Gross profit margin decreased to 33.4% from approximately 34.6% in 2021.

Gross profit margin of property management services was 29.9%, representing a growth of 6.5 percentage points as compared to 23.4% in 2021. The growth in gross profit margin for property management services was mainly due to (i) the increase in operation management efficiency; and (ii) effective cost control.

Gross profit margin of value-added services was 57.0%, representing a decrease of approximately 11.8 percentage points as compared to 68.8% in 2021, mainly due to the decrease in revenue from space operation business and the increase in labor cost arising from new business cultivation.

Gross profit margin of pre-delivery and consulting services was 23.4%, representing a decrease of approximately 10.6 percentage points as compared to 34.0% in 2021. The lower gross profit margin of pre-delivery and consulting services was due to initial funding and higher costs arising from expansion of our product and service product (in particular repairs and smart engineering services) portfolio and scale, which led to an increase in staff costs and expenses paid to third parties and subcontracts for subcontracting works arising from provision of such services, thereby reducing our gross profit margin.

Administrative expenses

The Group's administrative expenses for the year ended 31 December 2022 amounted to RMB69.9 million, representing a decrease of 4.2% as compared to RMB73.0 million in 2021, also representing 10.2% of revenue (2021: representing 9.5% of revenue). The decrease was mainly due to (i) the decrease in taxes driven by the decrease in revenue; and (ii) the decrease in share-based payment expenses.

Other income and gains

The Group's other income and gains for the year ended 31 December 2022 amounted to RMB27.8 million, representing an increase of 6.5% as compared to RMB26.1 million in the previous year. The increase was primarily attributable to an increase in foreign exchange gain in 2022.

Income tax expense

The Group's income tax expense for the year ended 31 December 2022 amounted to RMB36.9 million, representing a decrease of RMB14.5 million as compared to RMB51.4 million in the previous year. The decrease in income tax rate for the year ended 31 December 2022 was mainly attributable to the decrease of revenue in the current period.

Loss

The Group's net loss for the year ended 31 December 2022 amounted to RMB334.1 million, primarily owing to increased provision of impairment of financial assets.

Loss attributable to the Company's shareholders for the year ended 31 December 2022 amounted to RMB334.3 million, representing a decrease of RMB456.9 million as compared to profit attributable to the Company's shareholders of RMB122.6 million in the corresponding period in the previous year. Basic loss per share was RMB58.90 cents.

Current assets, reserves and capital structure

The Group maintained a sound financial position during the year ended 31 December 2022. As at 31 December 2022, current assets amounted to RMB901.2 million, representing a decrease of 21.1% as compared to RMB1,141.8 million as at 31 December 2021.

As at 31 December 2022, the Group's total equity was RMB513.3 million, representing a decrease of RMB401.6 million or 43.9% as compared to RMB914.9 million as at 31 December 2021, mainly due to the increased provision for impairment on financial assets.

Property, plant and equipment

As at 31 December 2022, the Group's net property, plant and equipment amounted to RMB8.7 million, representing a decrease of 9.4% as compared to RMB9.6 million as at 31 December 2021, mainly due to the offsetting of provision for depreciation for the current year.

Other intangible assets

As at 31 December 2022, the book value of the Group's other intangible assets was RMB3.3 million, representing a growth of 50% as compared to RMB2.2 million as at 31 December 2021. The Group's intangible assets mainly comprise (i) the Xinyuan Property Integrated Management Platform System; (ii) the Xinyuan Property Call Centre System; (iii) the electronic invoice tax control server invoicing system; (iv) FineReport software; and (v) cost management system.

Trade and bills receivables

As at 31 December 2022, trade and bills receivables amounted to RMB198.6 million, representing a decrease of 23.1% as compared to RMB258.2 million as at 31 December 2021, mainly due to the revenue decreased and the provision for bad debts in respect of account receivables by the Group.

Prepayments and other receivables

Our prepayments and other receivables mainly comprised (i) prepayments to a related party; (ii) prepayments to third parties; and (iii) other receivables. As of 31 December 2022, the Group's prepayments and other receivables was approximately RMB456.9 million, representing an increase of approximately RMB114.8 million as compared to approximately RMB342.1 million as at 31 December 2021. The increase was mainly due to the the increase in receivables from related parties.

Trade payables

As at 31 December 2022, trade payables amounted to RMB112.5 million, representing a growth of 9.3% as compared to RMB102.9 million as at 31 December 2021. The increase was mainly attributable to the increase in the amount of outstanding payables for goods during the current period.

Other payables and accruals

The Group's other payables and accruals mainly comprised (i) non-trade payables to related parties; (ii) deposits and temporary receipts from property owners; and (iii) payroll payables and other taxes payable. As of 31 December 2022, the Group's other payables and accruals (other than contract liabilities) amounted to approximately RMB212.8 million, representing an decrease of approximately 14.8% as compared to approximately RMB249.9 million as at 31 December 2021. Such decrease was mainly attributable to during the year ended 31 December 2022 (i) the decrease in non-trade payables to related parties; (ii) the normal refund of deposits and temporary receipts from property owners; and (iii) the decrease of taxes payable.

Contract liabilities

The Group's contract liabilities mainly resulted from the advance payments received from customers while the underlying services are yet to be provided. As of 31 December 2022, our contract liabilities was approximately RMB109.4 million, representing a decrease of 21.2% as compared to approximately RMB138.8 million as at 31 December 2021, which was mainly due to the slowdown in property fee prepayment activities as a result of the Group's focus on improving the services quality for property owners at the end of the current year.

Borrowings

As of 31 December 2022, the Group had no borrowings or bank loans.

Gearing ratio

Gearing ratio is calculated by dividing total borrowings by total equity, based on the sum of long-term and short-term interest-bearing bank loans and other borrowings as at the corresponding date divided by the total equity on the same date. As at 31 December 2022, gearing ratio was nil.

Pledged assets

As at 31 December 2022, except the four enforced time deposits set out in note 2.1 to the financial statements in this annual report, another twenty deposits were pledged to certain banks in favour of third parties outside the Group during the period from 1 October 2019 to 31 December 2022, the Group had no other pledged assets.

Material acquisition

The Group had no material acquisition during the year ended 31 December 2022.

Material disposal

The Group had no material disposal of subsidiaries and associates during the year ended 31 December 2022.

Significant investment

As at 31 December 2022, the Group did not hold any significant investment.

Contingent liabilities

As at 31 December 2022, the Group had no significant contingent liabilities.

Exchange rate risk

The Group's principal business is conducted in the PRC where most of the Group's revenue and expenses are denominated in RMB. Accordingly, save certain bank balances that were denominated in Hong Kong dollars, the Group was not exposed to material risk directly related to foreign exchange rate fluctuation. Currently, the Group has not entered into any forward contracts to hedge its exchange rate risk, although management will continue to monitor foreign exchange risk and take cautionary measures to minimize foreign exchange risk.

Employment and remuneration policy

As at 31 December 2022, the Group had approximately 1,543 employees (31 December 2021: approximately 1,741 employees). The Group adopts a remuneration policy similar to its peers in the industry. The remuneration payable to our employees is determined with reference to their duties and the prevailing local market rates. Employees are paid discretionary performance bonuses upon review as reward for their contribution. In compliance with the applicable statutory requirements in the PRC and existing requirements of the local government, the Group has participated in different social welfare plans for its employees. In addition, the company adopted a post-IPO share option scheme on 16 September 2019 which enables the Directors to grant share options to the Group's employees in order to retain elite personnel and to provide reward and incentive for their contribution to the Group. No share option thereof was granted during the year ended 31 December 2022.

Use of Proceeds from the Listing

On 11 October 2019, the shares of the Company were successfully listed (the "**Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). After deducting underwriting fees and related expenses, net proceeds from the Listing was approximately RMB197.2 million (the "**Listing Net Proceeds**").

Up to 23 June 2022, the Group utilised approximately RMB79.3 million of the Listing Net Proceeds, with approximately RMB117.9 million of which remained unutilised (the "**Unutilised Listing Net Proceeds**"). Details of the use of the Listing Net Proceeds are as follows:

Use of Listing Net Proceeds	Planned use of Listing Net Proceeds RMB million	Actual use of Listing Net Proceeds from the Listing Date to 31 December 2021 RMB million	Unutilised Listing Net Proceeds up to 31 December 2021 RMB million	Actual use of Listing Net Proceeds from 1 January 2022 to 23 June 2022 RMB million	Unutilised Listing Net Proceeds up to 23 June 2022 RMB million	Expected timeline for the use of the Unutilized Listing Net Proceeds
To expand our property management services, seek strategic acquisition and investment opportunities	118.3	22.2	96.1	0.8	95.3	Expected to be fully utilised on or before 30 September 2023
To expand the types of services offered in our value-added services business line	29.6	22.8	6.8	2.0	4.8	Expected to be fully utilised on or before 30 September 2023
To upgrade and develop our own information technology and smart systems	29.6	6.6	23	5.2	17.8	Expected to be fully utilised on or before 30 September 2023
Funding our working capital needs and other general corporate purposes	19.7	19.7	–	–	–	
Total	197.2	71.3	125.9	8.0	117.9	

Notes:

1. Approximately RMB8.2 million and RMB14.8 million were used, respectively, for the payment for (i) the fees in relation to the development of the scale of our property management services and marketing and promotion of our property management services; and (ii) the acquisition of 100% equity interest in Chongqing Heavy Truck Group Hongqi Property Co. Ltd.* (重慶重型汽車集團鴻企物業有限公司). As disclosed in the Prospectus (as defined below), the Group intends to actively expand our property management services by strategically acquiring or investing in quality property management companies who have a regional scale of business operations. Since 2022, the Group has still selected for appropriate property management service providers with value for purchase or investment in a cautious manner, so as to bring maximum returns to the Company and shareholders.

2. Approximately RMB24.8 million was used for operating on-site software and hardware, space decoration, investment in intelligent operation equipment, investment in new business cultivation, promotion, product and business incubation and others. The Group is still on the lookout for value-added services business providers and contractors to expand the types of value-added services that can be provided by the Group, and has repeatedly carried out research on the relevant market and discussions with potential partners of our value-added services business line.

3. Approximately RMB11.8 million was used for the construction of our hardware end (i.e. servers, real time monitoring equipment and management center). The Group has completed the overall planning for digital development, and 2022 is the key year for the Group's digital upgrading. Core system construction such as internal ERP upgrade, HER construction and comprehensive business-financial integration will be completed, and the mid-end data platform and union of things platform will be fully completed, which will further enhance the Company's internal operation and management efficiency and core competitiveness.

4. Approximately RMB19.7 million was fully utilised for the payment of the wages and salaries of the Group's employees.

Use of Proceeds from the 2020 Placing

Reference is made to the Company's announcements dated 3 July 2020 and 15 July 2020 (collectively, the "**2020 Placing Announcements**"). On 3 July 2020, the Company entered into a placing agreement (the "**Placing Agreement**") with Guotai Junan Securities (Hong Kong) Limited and Valuable Capital Limited (the "**2020 Placing Agents**"), pursuant to which, the 2020 Placing Agents (each on a several but not joint nor joint and several basis) conditionally agreed to procure, as agents of the Company, not less than six (6) placees (the "**2020 Placees**") on a best effort basis for up to an aggregate of 50,000,000 ordinary shares of the Company at the placing price of HK$2.60 per placing share on the terms and subject to the conditions set out in the Placing Agreement (the "**2020 Placing**"). The maximum aggregate nominal value of the placing shares under the 2020 Placing is HK$500. The market price of the placing shares was HK$2.86 per share as quoted on the Stock Exchange on 3 July 2020, being the date of the Placing Agreement. The net price of the placing shares was approximately HK$2.54 per share.

The Directors considered that the 2020 Placing will strengthen the Group's financial position, broaden the Company's shareholder base and is in the interests of the Company and the Shareholders as a whole.

Completion of the 2020 Placing took place on 15 July 2020, a total of 50,000,000 placing shares were placed by the 2020 Placing Agents to the 2020 Placees at the placing price of HK$2.60 per placing share.

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, the 2020 Placees and their respective ultimate beneficial owner(s), as applicable, are parties independent of the Company and not acting in concert with the connected persons of the Company and are not parties acting in concert with each of the other 2020 Placees procured by the 2020 Placing Agents under the Placing Agreement.

The net proceeds from the 2020 Placing amounted to approximately RMB115.0 million (the "**2020 Placing Net Proceeds**"). Up to 23 June 2022, the Group utilised approximately RMB11.5 million of the 2020 Placing Net Proceeds. Details of the use of the 2020 Placing Net Proceeds are as follow:

Use of 2020 Placing Net Proceeds	Planned use of 2020 Placing Net Proceeds RMB million	Actual use of 2020 Placing Net Proceeds up to 31 December 2021 RMB million	Unutilised amount of 2020 Placing Net Proceeds up to 31 December 2021 RMB million	Actual use of 2020 Placing Net Proceeds from 1 January 2022 to 23 June 2022 RMB million	Unutilised amount of 2020 Placing Net Proceeds up to 23 June 2022 RMB million	Expected timeline for the use of the unutilized 2020 Placing Net Proceeds
Business development, which mainly relates to (a) diversifying the types of services offered to the customers and (b) upgrading and developing the Group's smart systems	69.0	–	69.0	–	69.0	Expected to be fully utilised on or before 30 June 2024
Strategic investment in businesses or targets that are related to the Group's principal businesses	34.5	–	34.5	–	34.5	Expected to be fully utilised on or before 30 June 2024
General working capital	11.5	11.5	–	–	–	
Total	115.0	11.5	103.5	–	103.5	

Use of Proceeds from the Subscription

Reference is made to the Company's announcements dated 25 January 2021 and 8 February 2021 (collectively, the "**2021 Placing and Subscription Announcements**"). On 25 January 2021, the Company entered into the placing and subscription agreement (the "**2021 Placing and Subscription Agreement**") with Xinyuan Real Estate, Ltd. (the "**Vendor**") and Guotai Junan Securities (Hong Kong) Limited (the "**2021 Placing Agent**"), pursuant to which (i) the Vendor agreed to appoint the 2021 Placing Agent, and the 2021 Placing Agent agreed to act as an agent of the Vendor to procure not less than six (6) placees, on a best effort basis, to purchase up to 18,000,000 ordinary shares in the Company (the "**Placing Shares**") at the price of HK$2.10 per Placing Share (the "**2021 Placing**"); and (ii) the Vendor agreed to subscribe for, and the Company agreed to allot and issue to the Vendor, up to 18,000,000 new ordinary shares in the Company (the "**Subscription Shares**") at the price of HK$2.06 per Subscription Share (the "**Subscription**"). The maximum aggregate nominal value of the Subscription Shares was HK$180. The market price of the shares of the Company was HK$2.28 per share as quoted on the Stock Exchange on 25 January 2021, being the date of the 2021 Placing and Subscription Agreement.

The 2021 Placing and the Subscription were conducted by the Company as the Directors were of the view that (i) they shall provide a good opportunity to raise additional funds to enable the Group to actively pursue acquisition or investment opportunities and enhance its development in the property management services industry in the PRC; and (ii) they shall also strengthen the financial position and to broaden the shareholder base and capital base of the Group.

Completion of the 2021 Placing took place on 27 January 2021 and completion of the Subscription took place on 8 February 2021. A total of 18,000,000 Placing Shares have been successfully placed by the 2021 Placing Agent to the 2021 Placees. A total of 18,000,000 Subscription Shares had been allotted and issued to the Vendor pursuant to the general mandate granted to the Directors at the Company's annual general meeting held on 29 May 2020.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the placees of the 2021 Placing were individual, professional or institutional investors that were independent of and not connected with the Company and its connected persons, not a party acting in concert with the Vendor. None of such placees had become a substantial shareholder of the Company immediately after completion of the 2021 Placing.

The net proceeds from the Subscription are approximately HK$31.2 million (the "**Subscription Net Proceeds**"). The net price per 2021 Subscription Shares amounted to approximately HK$2.06. Up to 23 June 2022, (i) approximately RMB7.8 million of the Subscription Net Proceeds had been utilised in the manner in line with that were set out in the 2021 Placing and Subscription Announcements; and (ii) approximately RMB23.4 million of the Subscription Net Proceeds remained unutilised (the "**Unutilised Subscription Net Proceeds**"). Details of the use of the Subscription Net Proceeds were as follows:

Use of Subscription Net Proceeds	Planned amount of Subscription Net Proceeds to be used RMB million	Actual use of Subscription Net Proceeds up to 31 December 2021 RMB million	Unutilised amount of Subscription Net Proceeds up to 31 December 2021 RMB million	Actual use of Subscription Net Proceeds from 1 January 2022 to 23 June 2022 RMB million	Unutilised amount of Subscription Net Proceeds up to 23 June 2022 RMB million
Approximately 75% strategic investment in businesses or targets that are related to property management services	23.4	–	23.4	–	23.4
Approximately 25% for general working capital of the Group	7.8	7.8	–	–	–
Total	31.2	7.8	23.4	–	23.4

Change of Use of Proceeds

Reference is made to the announcement of the Company dated 23 June 2022. On 23 June 2022, the Board resolved to revise the use of the Unutilised IPO Net Proceeds, the Unutilised 2020 Placing Net Proceeds and the Unutilised Subscription Net Proceeds, which in aggregate amounted to approximately RMB244.8 million (the "**Total Unutilised Proceeds**"), in a combined manner as set out in the Company's announcement dated 23 June 2022 (the "**Revised Use of Total Unutilised Proceeds**"). Up to 31 December 2022, the Group utilised approximately RMB54.7 million of the Total Unutilised Proceeds pursuant to the Revised Use of Total Unutilised Proceeds. Details of the use of Total Unutilised Proceeds pursuant to the Revised Use of Total Unutilised Proceeds up to 31 December 2022 were as follows:

Revised Use of Total Unutilised Proceeds	Allocated Percentage of Total Unutilised Proceeds %	Allocated Total Unutilised Proceeds as at 23 June 2022 RMB million	Actual use of Total Unutilised Proceeds from 24 June 2022 to 31 December 2022 RMB million	Unused amount of Total Unutilised Proceeds up to 31 December 2022 RMB million	Expected timeline for the Use of Total Unutilised Proceeds
To pursue selective strategic investment and acquisition opportunities and to further develop strategic alliances and expand the scale of the Group's property management, value-added services and property engineering businesses, which include acquiring or investing in companies engaged in businesses related to property management, value-added services or property engineering, or forming joint ventures with such companies, and investing in related industrial funds with business collaborative partners	30	73.4	–	73.4	30 September 2024

Revised Use of Total Unutilised Proceeds	Allocated Percentage of Total Unutilised Proceeds %	Allocated Total Unutilised Proceeds as at 23 June 2022 RMB million	Actual use of Total Unutilised Proceeds from 24 June 2022 to 31 December 2022 RMB million	Unused amount of Total Unutilised Proceeds up to 31 December 2022 RMB million	Expected timeline for the Use of Total Unutilised Proceeds
To further develop the Group's value-added services, which include the development of value-added products and services related to service scenarios such as communities, commercial offices and urban management, as well as assets, the upgrading of software and hardware and the development of smart community and commercial facilities operation services, and the development of value-added services related to commercial operations such as office buildings and industrial parks	20	49.0	2.5	46.5	30 September 2024
To upgrade the Group's systems of digitisation and smart management, which include the purchase, upgrade and research and development of software, hardware and related services for building smart terminals and Internet of Things platforms, the construction and development of information sharing platforms and databases, the recruitment and development of professional and technical staff and information management teams, the investment in companies engaged in businesses related to technological industries, and the commencement of research and development for innovative applications related to the Group's business	30	73.4	3.2	70.2	30 September 2024
Working capital and general corporate purpose	20	49.0	49.0	–	
Total	100.0	244.8	54.7	190.1	

As at 31 December 2022, the unused portion of the Total Unutilised Proceeds are placed at a licensed bank in the PRC. The Directors are not aware of, and do not anticipate any material delay or change in the use of proceeds from the Revised Use of Total Unutilised Proceeds, and will continue to assess the plans in relation to the planned allocation of the unused portion of the Total Unutilised Proceeds. The Directors may modify or amend the relevant plans as necessary in order to address the changing market conditions, and strive for the Group to achieve better business performance.

* *For identification purposes only*

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. SHEN Yuan-Ching (申元慶) ("Mr. Shen"), aged 59, was appointed as an independent non-executive director on 13 April 2022 and was appointed as the vice chairman of the Board and the authorised representative of the Company on 29 August 2022. He was re-designated as an executive Director, resigned as a member of the audit committee of the Company, was re-designated from vice chairman of the Board to chairman of the Board, and was appointed as chief executive officer of the Company on 19 September 2022. Mr. Shen is also a member of the remuneration committee and the chairman of the nomination committee of the Company.

From May 2020 to September 2022, Mr. Shen served as the chief executive officer of VNET Group Inc. (a company listed on NASDAQ, stock ticker: VNET) and the executive chairman of Neolink Tech Group Inc., a wholly owned subsidiary of VNET Group. From May 2018 to September 2022, Mr. Shen served as an independent non-executive Director of Xinyuan Real Estate Co., Ltd. (a company listed on the New York Stock Exchange, stock code: XIN). Mr. Shen also served as an independent Director of Kingdee International Software Group Co., Ltd. (a company listed on the Stock Exchange, stock code: 0268) from January 2018 to January 2020 and Insigma Technology Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600797) from January 2016 to July 2021. From September 2017 to January 2020, Mr. Shen was the president of JD Cloud, the cloud business unit under JD.com, Inc., China largest online retailer. Mr. Shen served as a non-executive Director of Inspur International Limited (a company listed on the Stock Exchange, stock code: 596) from September 2012 to March 2018. Mr. Shen formerly held various senior positions at Microsoft Corporation.

Mr. Shen obtained a master's degree in computer science from the University of California. Mr. Shen has 5 years of experience in China internet companies and 23 years in multinational companies.

Mr. FENG Bo (馮波) ("Mr. Feng"), aged 45, was appointed as an executive Director on 29 August 2022.

Mr. Feng has extensive experience in corporate governance, the real estate industry and technology industry. From July 2000 to December 2006, he served as assistant engineer of property management department of Wuhan Plaza Management Co., Ltd.. From December 2006 to August 2008, Mr. Feng successively served as the assistant to general manager and manager of the administrative personnel department of Henan Xinyuan Property Management Service Co., Ltd.. From August 2008 to October 2015, he successively served as the administrative manager of the human resources center, secretary to the chairman, manager of the office of secretaries and manager of the office of the board of directors of Xinyuan Real Estate Co., Ltd.. From October 2015 to November 2017, Mr. Feng served as vice president of human resources of Beijing I-Journey Science and Technology Development Co., Ltd.. From November 2017 to May 2022, he successively served as manager of the office of the board of directors, assistant to the chairman of Xinyuan Real Estate Co., Ltd.. and vice president of Xinyuan Science and Technology Service Group Co., Ltd.. From May 2022 to present, Mr. Feng served as vice president of the Company.

Mr. Feng obtained a bachelor's degree in mechanical engineering automation and a master's degree in business administration both from Huazhong University of Science and Technology.

Mr. WANG Yong (王勇) ("Mr. Wang"), aged 46, was appointed as an executive Director and the chief financial officer on 21 October 2022.

Mr. Wang has 19 years of experience in financial management, product R&D and management, investment and M&A, equity financing and listing of companies, and possesses expertise in delivering ecological and platform value to the capital market.

Mr. Wang holds a master's degree in business administration from the Kellogg School of Management at Northwestern University and a master's degree from the School of Information and Communication Engineering at Beijing University of Posts and Telecommunications.

From October 2021 to October 2022, Mr. Wang served as chief financial officer of Neolink Tech Group Inc., a wholly owned subsidiary of VNET Group Inc. (a company listed on NASDAQ, stock ticker: VNET), and was responsible for all financial activities, financing and spin-off related work. From May to October 2021, Mr. Wang served as chief financial officer of Gome Online* (國美在線), an online e-commerce platform operated by GOME Retail Holdings Limited (a company listed on the Stock Exchange, stock code: 0493), and was responsible for financial management, financing and listing related work. From 2019 to 2021, Mr. Wang served as chief financial officer of CDP Group, a human resource technology SaaS and services company, and was responsible for financial management, equity financing and U.S. stock listing related work. From September 2017 to February 2019, Mr. Wang served as vice president of strategy of Sunlands Technology Group (a company listed on the New York Stock Exchange, stock ticker: STG), an online post-secondary and professional education organisation, and was responsible for capital market and listing related work. From 2010 to 2017, Mr. Wang worked in the field of corporate finance and asset management at the Hong Kong offices of Morgan Stanley, Deutsche Bank and JPMorgan Chase. From 2003 to 2008, Mr. Wang served as R&D engineer and head of R&D of Intel China's software research and development business unit* (英特爾中國軟體研發事業群).

NON-EXECUTIVE DIRECTOR

Mr. TIAN Wenzhi (田文智) ("Mr. Tian"), aged 53, was appointed as a non-executive Director on 21 October 2022.

Mr. Tian has over 20 years of executive experience in large enterprises. Mr. Tian has worked in several multinational management consulting firms where he was engaged in corporate strategy and organisational talent consulting and has over 14 years of management consulting experience. Mr. Tian also has extensive experience in governance of listed companies having held the position of external director of several listed companies where he served as a member of the remuneration and performance committee and nomination committee.

Mr. Tian obtained a bachelor's degree in management from the Department of Accounting, Qingdao University in 1995, and obtained a master's degree in business administration in engineering management from the Tsinghua University School of Economics and Management, and a finance executive master's degree in business administration from PBCSF Tsinghua University in 1998 and 2020, respectively. Mr. Tian is a fellow member of the Association of Chartered Certified Accountants and has been certified as a Project Management Professional by the Project Management Institute.

Since June 2016, Mr. Tian has served as the former presidents of external holding companies, executive director (also as a member of the remuneration and performance committee and the nomination committee), external director (also as a member of the remuneration and performance committee) of Xinyuan Real Estate Co., Ltd., (a company listed on the NYSE, stock ticker: XIN) and Xinyuan (China) Real Estate, Ltd.. Mr. Tian is currently the specialist consultant of the board of Xinyuan Group. Mr. Tian served as a senior global partner of Korn Ferry (US) and the person in charge of the China corporate strategy and leadership consulting business from February 2014 to May 2016. From March 2008 to February 2014, Mr. Tian served as the vice-president of Aon Consulting in China and the general manager of the northern China region. From August 2006 to March 2008, Mr. Tian served as the senior director of organisational talent reform and consulting at Accenture (a company listed on the NYSE, stock ticker: ACN). From March 2003 to August 2006, Mr. Tian served as the director of business development and head consultant of Hewitt Consulting (now Aon Hewitt Consulting, a company listed on the NYSE, stock ticker: HEW) in northern China. From December 1997 to March 2003, Mr. Tian served as the project manager/product director of Bell Labs, Lucent Technologies, Inc..

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LI Yifan (李轶梵) ("Mr. Li"), aged 56, was appointed as an independent non-executive Director on 16 September 2019. He is the chairman of the Audit Committee and a member of the Remuneration Committee of the Company.

Mr. Li is an independent non-executive director of Frontage Holdings Corporation (stock code: 1521) and Everest Medicines Limited (stock code: 1952), which are listed on the Stock Exchange. Mr. Li is also an independent director of Qudian Inc. (stock code: QD) and Sunlands Technology Group (stock code: STG), which are listed on the New York Stock Exchange, and an independent director of 36Kr Holdings Inc. (stock code: KRKR), (a company listed on NASDAQ). Mr. Li has been appointed as an independent director of Xinyuan Real Estate Holdings (stock code: XIN) (a company listed on the New York Stock Exchange) since 23 February 2017. He has served as the chief financial officer of Human Horizons Group Inc. since April 2021. Mr. Li resigned as a director of Heilongjiang Interchina Water Treatment Co., Ltd. (stock code: 600187) and Shanghai International Port (Group) Co. Ltd. (stock code: 600018) on 13 May 2021 and 15 September 2021 respectively, which are listed on the Shanghai Stock Exchange. He resigned as an independent director of Zhejiang Tiantie Industry Co., Ltd. (stock code: 300587), (a company listed on the Shenzhen Stock Exchange) on 16 April 2021 and also resigned as an independent non-executive director of Zhongan Online P & C Insurance Co., Ltd. (stock code: 6060) (a company listed on the Stock Exchange) on 20 July 2021. From October 2014 to April 2021, Mr. Li had been a director and Vice President of Zhejiang Geely Holding Group Co., Ltd..

Mr. Li obtained a bachelor's degree of economics in world economy from Fudan University in the PRC in July 1989, a master's degree of science in management and administrative sciences from the University of Texas at Dallas in the United States in May 1994 and a master's degree of business administration from the University of Chicago in the United States in June 2000.

Mr. Li has been registered with The State of Texas State Board of Public Accountancy as a certified public accountant in April 1995, admitted as a member by the American Institute of Certified Public Accountants and registered as a chartered global management accountant with the American Institute of Certified Public Accountants in September 1995 and January 2015 respectively.

Mr. LAN Ye (藍燁) ("Mr. Lan"), aged 54, was appointed as an Independent Non-executive Director on 21 October 2022. He is a member of the Audit Committee and the Nomination Committee of the Company.

Mr. Lan has 29 years of management experience in large enterprises and holds an executive master's degree in business administration from Tsinghua University. Since June 2019, Mr. Lan has been serving as senior vice president and data intelligence business group president of Lenovo Group Limited ("**Lenovo Group**", a company listed on the Stock Exchange, stock code: 992), leading and managing the data intelligence business, which is a focus business based on industrial digital transformation in China and supports the intelligent strategic direction of the Lenovo Group, including an enterprise-level self-developed software platform which serves the IIoT and personalised services to meet the demands of industrial integrated application and development.

From November 2011 to June 2019, Mr Lan served as executive vice president of JD.com, Inc. ("**JD.com**", a company listed on the Stock Exchange, stock code: 9618; and listed on NASDAQ, stock ticker: JD), and also held positions in the JD.com group as chief marketing officer and chief public affairs officer, responsible for all purchase and sales operations as well as operation and management of the marketing system of the group. From 2009 to 2011, Mr. Lan served as president and chief executive of Prime Square Technologies Limited* (方正科技有限公司), and was responsible for all operations and management of the company. From 1993 to 2008, Mr Lan served as vice president of Lenovo Group, and was responsible for all sales operations in the China region.

Mr. LING Chenkai (凌晨凱) ("Mr. Ling"), aged 47, was appointed as an Independent Non-executive Director on 21 October 2022. He is the chairman of the Remuneration Committee and a member of the Nomination Committee of the Company.

Mr. Ling has over 20 years of extensive working experience. He obtained a bachelor's degree in systems engineering from the University of Shanghai for Science and Technology in June 1998 and obtained a master's degree in information management and systems from Tongji University in June 2000. Mr. Ling also obtained a master's degree in business management from the Tuck School of Business at Dartmouth College in June 2008 and was a Tuck School of Business scholarship recipient.

Since 2021, Mr. Ling has been serving as managing director of PAG Asia Capital (HK) Limited* (太盟亞洲資本). Previously, Mr. Ling held several positions at JD.com, serving as corporate vice president from 2016 to 2021; as head of strategy and investment of retail subsidiaries as well as special assistant to chief executive of retail subsidiaries/head of general management department (including public affairs) from 2019 to 2021; as general manager of retail solutions in 2019; as head of corporate strategy and investment from 2016 to 2019; and head of international business from 2018 to 2019.

Mr. Ling served as a director of Beijing Bitauto Internet Information Co., Ltd. (a company listed on NYSE, stock ticker: BITA) from 2020 to 2021. Mr. Ling served as a non-executive director of Yixin Group Limited (a company listed on the Stock Exchange, stock code: 2858) from 2017 to 2021. Mr. Ling held several positions at Bain & Company, Inc. from 2008 to 2016, with his last position as an associate principal of the firm. His fields of expertise includes strategy, operational improvement, digital transformation and private equity post-investment management. Mr. Ling was co-founder of Shanghai Linbo Information Technology Limited* (上海粼波信息技術有限公司) and served as general manager from 2002 to 2006, mainly responsible for designing the business model and formulating development strategy. Mr. Ling was an engineer with Microsoft Corporation from 2000 to 2002, responsible for providing technical support to Microsoft's North American desktop users as well as providing technical consulting to Microsoft Asian server users.

Ms. Zhao Xia (趙霞) ("Ms. Zhao"), aged 43, was appointed as an independent non-executive Director and a member of the audit committee of the Company on 8 April 2024.

Ms. Zhao holds (i) a bachelor's degree in law from the Northwest University of Political Science and Law; (ii) a master's degree in law (civil and commercial law) from the Wuhan University; (iii) a degree of master of common law from The University of Hong Kong; and (iv) a juris doctor degree from the Renmin University of China. Ms. Zhao was a postdoctoral researcher and assistant researcher at the China Institute of Applied Law of the Supreme Court of the People's Republic of China (the "PRC") from September 2016 to March 2020 and fourth-level senior judge of the Shenzhen Intermediate People's Court from July 2002 to June 2019. She has also been an associate professor and master's students' tutor at the Chinese University of Political Science and Law since March 2020.

SENIOR MANAGEMENT

Mr. WANG Yantao (王彥濤) ("Mr. YT Wang"), aged 44, the vice president of Xinyuan Science, is responsible for overseeing property management and business development of the Group. Mr. YT Wang joined the Group in February 2003 as a customer service officer. He was appointed as the business executive of Xinyuan Science in January 2012 and has been appointed as the vice president of Xinyuan Science since June 2016.

Mr. YT Wang obtained a diploma in property management from Henan Business School of High Education (河南商業高等專科學校) in the PRC in July 2003 and a master's degree in business administration from Zhengzhou University (鄭州大學) in the PRC in December 2015.

Ms. ZHANG Rong (張蓉) ("Ms. Zhang"), aged 53, the operations chief manager of Xinyuan Science, is responsible for overseeing business operations and performance appraisal. Ms. Zhang joined the Group in August 2006 as a quality control supervisor with Xinyuan Science. She was appointed as an administrative executive of Xinyuan Science in January 2012 and has been appointed as the operations chief manager of Xinyuan Science since April 2017.

From September 1991 to August 2002, Ms. Zhang acted as the office manager at Xinyang Port Transportation Machinery Factory (信陽港口運輸機械廠). From August 2002 to August 2006, she acted as the management representative and project manager at Zhengzhou XSJ Property Services Ltd. (鄭州新世紀物業服務有限公司).

Ms. Zhang obtained a college degree in library science from Zhengzhou University (鄭州大學) in the PRC in June 1991 and a bachelor's degree in law from Second Artillery Command College (第二炮兵指揮學院) in the PRC in June 2001. She has been registered as a member in the specialty of file with Xinyang Municipal People's Government (信陽市人民政府) since April 2001, a property manager with Department of Human Resources and Social Security of Zhengzhou (鄭州市人力資源和社會保障局) since October 2010. Further, she completed state-owned or mid-sized corporations management personnel business administration training with Henan Finance and Economics School (河南財經學院) in the PRC in June 1999. She has been registered as a First Level Corporate Human Resources Manager with the Ministry of Human Resources and Social Security, the PRC since December 2012.

COMPANY SECRETARY

Mr. TSO Ping Cheong Brian (曹炳昌) ("Mr. Tso"), aged 44, was appointed as the joint company secretary of the Company on 19 March 2019 and has been acting as a joint company secretary with Mr. Xu Yibin from 19 April 2019 to 20 May 2021. Following Mr. Xu Yibin's resignation, Mr. Tso is the company secretary of the Company.

Mr. Tso has over 17 years of experience in accounting and financial management. In January 2013, Mr. Tso founded Teton CPA Company, an accounting firm as a sole proprietor. Currently, Mr. Tso is the company secretary of Bright Future Technology Holdings Limited (stock code: 1351), a company listed on the Main Board of the Stock Exchange. He is also the company secretary of Fineland Living Services Group Limited (formerly known as Fineland Real Estate Services Group Limited) (stock code: 9978), a company listed on the Main Board of the Stock Exchange by way of transfer of listing approved on 20 May 2020. From May 2010 to August 2012, Mr. Tso was a senior vice president of a private company and was mainly responsible for handling merger and acquisition transactions in the natural resources industry in the Central and South America region. From December 2008 to May 2010, Mr. Tso served as the financial controller of Greenheart Group Limited (stock code: 94) (formerly known as Omnicorp Limited), a company listed in Hong Kong. From September 2003 to December 2008, Mr. Tso worked at Ernst & Young and the last position he held was manager.

He is a fellow member of the Association of Chartered Certified Accountants and a certified public accountant (practicing) of the Hong Kong Institute of Certified Public Accountants. He is also a fellow member of both The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators).

Mr. Tso holds a bachelor's degree in accountancy and a master's degree in corporate governance, both from the Hong Kong Polytechnic University in Hong Kong.

* *For identification purposes only*

CORPORATE GOVERNANCE REPORT

The Company is committed to achieving high standards of corporate governance. The directors of the Company (the "**Directors**") believe that sound and reasonable corporate governance practices are essential for the continuing growth of the Group and for safeguarding and maximizing shareholders' interests.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the Corporate Governance Code (the "**CG Code**") contained in Appendix C1 (previously Appendix 14) to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its own code of corporate governance. Throughout the year 2022, the Company has complied with the code provisions set out in the CG Code save for the following:

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Despite deviating from such code provision of the CG Code, the Board believes that Mr. Shen Yuan-Ching is familiar with the Company's business operation and vesting the roles of both the chairman of the Board and chief executive officer of the Company in the same person can facilitate the execution of the Group's business strategies, boost effectiveness of its operation and improve the efficiency of overall strategic planning for the Company. Under the Board's supervision, it ensures that the Board remains appropriately structured with the balance of power to provide sufficient checks for protecting the interests of the Company and its shareholders.

THE BOARD

Responsibilities

The Board of Directors of the Company (the "**Board**") is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees including the nomination committee (the "**Nomination Committee**"), the remuneration committee (the "**Remuneration Committee**") and the audit committee (the "**Audit Committee**") (together, the "**Board Committees**"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

The Company supports the division of responsibility between the Chairman and the Chief Executive Officer in order to ensure a balance of power and authority and preserve a balance judgement of views. The Chairman of the Board is responsible for leading the Board, giving weighty strategic advice of development and overseeing the Company in formulating regulatory plans in corporate governance of the Group while the Chief Executive Officer is responsible for leading the senior management of the Company, advising strategic directors, setting business goals, supervising the daily management as well as the business operations and development of the Group.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times.

Board Composition

As at the date of this annual report, the Board comprises eight Directors, including three executive Directors, one non-executive Director and four independent non-executive Directors as set out below:

Executive Directors:

Mr. SHEN Yuan-Ching *(Chairman) (appointed as independent non-executive director on 13 April 2022, appointed as vice chairman on 29 August 2022 and re-designated as executive director and Chairman of the Board on 19 September 2022)*
Mr. FENG Bo *(appointed on 29 August 2022)*
Mr. WANG Yong *(Chief Financial Officer) (appointed on 21 October 2022)*
Ms. WANG Yanbo *(Chief Executive Officer) (resigned on 29 August 2022)*
Mr. HUANG Bo *(Chief Financial Officer) (resigned on 15 February 2022)*

Non-executive Directors:

Mr. TIAN Wenzhi *(appointed on 21 October 2022)*
Mr. ZHANG Yong *(Chairman) (resigned on 29 August 2022)*
Ms. YANG Yuyan *(resigned on 29 August 2022)*

Independent Non-executive Directors:

Mr. LI Yifan
Mr. LAN Ye *(appointed on 21 October 2022)*
Mr. LING Chenkai *(appointed on 21 October 2022)*
Ms. ZHAO Xia *(appointed on 8 April 2024)*
Mr. LUO Ji *(resigned on 21 October 2022)*
Mr. FU Shaojun *(resigned on 13 April 2022)*

All Directors have distinguished themselves in their field of expertise, and have exhibit high standards of personal and professional ethics and integrity. The biographies of the Directors are set out under the section headed "Directors and Senior Management" of this annual report.

The Company complied with Rule 3.10A of the Listing Rules relating to the appointment of independent non-executive director representing at least one-third of the Board.

Each of the independent non-executive Directors has confirmed his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers each of them has satisfied his independence to the Group.

None of the Directors has any personal relationship (including financial, business, family or other material/relevant relationship) with any other Director.

As regards the CG Code provision requiring directors to disclose the number and nature of offices held in public companies or organizations and other significant commitments as well as their identity and the time involved to the issuer, the Directors have agreed to disclose their commitments to the Company in a timely manner.

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Each newly appointed Director is provided with necessary induction and information to ensure that he has a proper understanding of the Company's operations and businesses as well as his responsibilities under relevant status, laws, rules and regulations.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

The Company also arranges regular seminars to provide Directors with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

Pursuant to code provision A.6.5 of the CG Code, Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

Below is the record of participation in continuous professional development programme by the Directors during the year ended 31 December 2022 relevant to the directors' duties and responsibilities, regulatory updates and business, financial and operational matters of the Group.

	Attending seminars/ conferences/ forums	Reading materials
Executive Directors		
Mr. SHEN Yuan-Ching	✓	
Mr. FENG Bo	✓	
Mr. WANG Yong	✓	
Non-executive Director		
Mr. TIAN Wenzhi	✓	
Independent non-executive Directors		
Mr. LI Yifan	✓	
Mr. LAN Ye	✓	
Mr. LING Chenkai	✓	

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors entered into a service contract with the Company for a term of three years which may be terminated by either party giving not less than three months' prior notice in writing and is subject to termination provisions therein and retirement and re-election at the annual general meetings of the Company in accordance with the memorandum and articles of association of the Company (the "**Memorandum and Articles of Association**") or any other applicable laws from time to time whereby he/she shall vacate his/her office.

Each of the non-executive Directors and independent non-executive Directors has entered a letter of appointment with the Company for an initial term of three years, unless either party gives three months written notice to the other to terminate the letter of appointment before expiry of the existing term, and is subject to retirement by rotation in accordance with the Memorandum and Articles of Association.

None of the Directors has a service agreement which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

In accordance with the provisions of the Memorandum and Articles of Association, every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years; any Director appointed by the Board either to fill a casual vacancy or as an addition to the Board shall hold office until the next following general meeting of Company and shall then be eligible for re-election at that meeting.

The procedures and process of appointment, re-appointment and continuation (or not) in service of any Director are set out in the Memorandum and Articles of Association. The Nomination Committee is responsible for reviewing the composition of the Board, monitoring the appointment, re-appointment and continuation (or not) in service of any Director.

BOARD MEETINGS

The Company has adopted the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of not less than 14 days will be given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

For other Board and Board Committee meetings, reasonable notice will generally be given. The agenda and accompanying Board papers are dispatched to the Directors or committee members seven days (and in any event not less than three days) before the meetings to ensure that they have sufficient time to review the papers and be adequately prepared for the meetings. When Directors or committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting.

Minutes of the Board meetings and committee meetings will be recorded in sufficient detail the matters considered by the Board and the committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and committee meeting are/will be sent to the Directors for comments within a reasonable time after the date on which the meeting is held.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuer (the "**Model Code**") set out in Appendix C3 (previously Appendix 10) to the Listing Rules. Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code for the year ended 31 December 2022.

DELEGATION BY THE BOARD

The Board reserves for its decision on all major matters of the Company, including approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Director could have resource to seek independent professional advice in performing their duties at the Company's expense and are encouraged to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management of the Group. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

CORPORATE GOVERNANCE FUNCTION

The Board is also responsible for the Company's corporate governance functions to perform the following corporate governance duties:

(a) to develop and review the Company's policies and practices on corporate governance;

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

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

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

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

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established a formal and transparent procedure for formulating policies on remuneration of Directors and senior management of the Group. Details of the remuneration of each of the Directors for the year ended 31 December 2022 are set out in note 8 to the consolidated financial statements in this annual report.

The biographies of the Directors and senior management are disclosed in the section headed "Directors and Senior Management" in this annual report. Remuneration paid to the top senior management (excluding the Directors) for the year ended 31 December 2022 fell within the following bands as follows:

Remuneration band	No. of employees
Nil to HK$1,000,000	3
	3

DIRECTORS' LIABILITY INSURANCE

The Company has arranged appropriate insurance cover in respect of legal action against its Directors.

BOARD COMMITTEES

Nomination Committee

The Nomination Committee was established on 16 September 2019 and the revised written terms of reference of the Nomination Committee had been adopted by the Board and were posted on the websites of the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Nomination Committee is comprised of three members, namely Mr. SHEN Yuan-Ching, Mr. LAN Ye and Mr. LING Chenkai. Mr. SHEN Yuan-Ching is the chairman of the Nomination Committee.

The Nomination Committee will assess the candidate or incumbent on criteria such as integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The recommendations of the Nomination Committee will then put to the Board for decision.

The primary duties of the Nomination Committee include:

– to review the structure, size and composition of the Board;

– to develop and maintain a policy for the nomination of Board members;

– to develop and maintain a policy concerning diversity of Board members (the "**Board Diversity Policy**");

– to review the board diversity policy of the Company;

- to identify individuals suitably qualified to become members of the Board;

- to assess the independence of independent non-executive Directors; and

- to make recommendation to the Board on matters relating to (i) the role, responsibilities, capabilities, skills, knowledge, experience and diversity of perspectives required from members of the Board; (ii) the policy on the terms of employment of non-executive Directors; (iii) the composition of the Audit Committee, Remuneration Committee and other Board committees of the Company; (iv) proposed changes to the structure, size and composition of the Board; (v) candidates suitably qualified to become members of the Board; (vi) the selection of individuals nominated for directorship; (vii) the re-election of any Directors who are to retire by rotation; (viii) the continuation (or not) in service of any independent non-executive Directors serving more than nine years; and (ix) the appointment or re-appointment of Directors and succession planning for Directors.

During the year ended 31 December 2022, the Nomination Committee held six meetings during which the Nomination Committee has performed the following major works:

- acknowledged the resignation of the executive Directors, non-executive Directors and independent non-executive Directors;

- recommended to the Board on appointment of the executive Directors, non-executive Directors and independent non-executive Directors;

- reviewed the structure, size and composition (including the skills, knowledges and experience of each member) of the Board;

- recommended to the Board on re-election of retiring directors at the forthcoming annual general meeting;

- reviewed the Board Diversity Policy; and

- assessed the independence of the independent non-executive Directors.

Policy for the Nomination of Directors

The Company follows a formal, considered and transparent procedure for the appointment of new Directors for the Board to achieve a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's strategic focus and specific business needs. Recognising the vitality of diversity for the Board, the Company has adopted a board diversity policy.

The Nomination Committee reviews the structure, size and composition of the Board regularly and makes recommendation to the Board to complement the corporate strategy of the Company. The appointment of a new Director is a collective decision of the Board, taking into consideration the procedures for Shareholders to propose a person for election as a Director of the Company and the Board Diversity Policy. The Board believes that changes to the Board composition shall be managed without undue disruption, and shall continue to provide a balanced composition of the executive Directors, the non-executive Directors (including independent non-executive Directors) so that there is a strong independent element in the Board, which can effectively exercise independent judgement.

Board Diversity Policy

The Company has adopted a board diversity policy which sets out the approach to achieve diversity on the Board in order to enhance the quality of its performance. Pursuant to the Board Diversity Policy, the Company seeks to achieve board diversity through the consideration of a number of factors when selecting the candidates to the Board, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service.

The Nomination Committee is responsible for reviewing and monitoring the implementation of the Board Diversity Policy to ensure the effectiveness of the Board Diversity Policy.

As at the date of this Annual Report, the Board comprises eight Directors, one of whom is female. The Board considers the current Board composition has provided the Company with a good balance and diversity of skills and experience appropriate to the requirements of its business, and allowed opinion from different gender and background be heard and discussed and Board diversity (including gender diversity) has been achieved. The Board will continue review its structure to ensure it suits the requirement of its business and support the development of the Group. If situation evolves and the Board determines that an additional or replacement Director is required to achieve gender diversity or to suits the business requirements and support the development of the Group, the Company will deploy multiple channels for identifying suitable director candidates, including without limitation, referral from management, shareholders and advisors of the Company, or internal promotion, with regarding to the range of diversity perspectives set forth in the Board Diversity Policy.

Remuneration Committee

The Remuneration Committee was established on 16 September 2019 and the revised written terms of reference of the Remuneration Committee had been adopted by the Board and were posted on the websites of the Company and the Stock Exchange.

The Remuneration Committee is comprised of three members, namely Mr. LING Chenkai, Mr. SHEN Yuan-Ching and Mr. LI Yifan. Mr. LING Chenkai is the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee include:

– 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;

– to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

– either to determine, with delegated responsibility or 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;

– to make recommendations to the Board on the remuneration of non-executive Directors;

– to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions;

– to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment;

– to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct; and

– to ensure that no Director or any of his associates is involved in deciding his remuneration.

During the year ended 31 December 2022, the Remuneration Committee held six meetings during which the Remuneration Committee has performed the following major works:

– recommended to the Board on the renumeration package of the proposed executive Directors, non-executive Director and independent non-executive Directors;

– reviewed the Company's policy and structure for all Directors' and senior management remuneration (including salaries paid based on business performance);

– considered and approved the recommendation of the remuneration packages of executive Directors and senior management for the year ended 31 December 2022;

– considered and approved the recommendation of the remuneration packages of non-executive Directors for the year ended 31 December 2022; and

– considered and approved the recommendation of the remuneration packages of independent non-executive Directors for the year ended 31 December 2022.

Audit Committee

The Audit Committee was established on 16 September 2019 and the revised written terms of reference of the Audit Committee had been adopted by the Board and were posted on the websites of the Company and the Stock Exchange.

The Audit Committee is comprised of three independent non-executive Directors of the Company, namely Mr. LI Yifan, Mr. LAN Ye and Mr. LING Chenkai with Mr. LI Yifan possessing the appropriate accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules. Mr. LI Yifan is the chairman of the Audit Committee. None of the members of the Audit Committee is a former partner of the Company's external auditor.

The primary duties of the Audit Committee include:

– to make recommendations to the Board on the appointment, re-appointment and removal of the external auditor,

– to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

– to develop and implement policy on engaging an external auditor to supply non-audit services;

– to monitor the integrity of the Company's financial statements and annual report and accounts, interim report and to review significant financial reporting judgments contained in them;

– to review the Company's annual report and accounts and interim report prior to submission to the Board for approval;

– to discuss problems and reservations with the auditors arising from the interim and final audits, and any matters the auditors may wish to discuss (in the absence of management where necessary);

– to review the Company's financial controls, internal control and risk management systems;

– 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 these findings;

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

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

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

– to report to the Board on the matters set out above.

During the year ended 31 December 2022, the Audit Committee held two meetings and the Auditor Committee has performed the following major works:

– recommended to the Board on the appointment of auditor;

– considered and approved the audited annual results of the Company and its subsidiaries for the year ended 31 December 2021;

– considered and approved the accounting treatment adopted by the Group's annual report for the year ended 31 December 2021;

– considered and recommended acceptance of the audit committee report prepared by Ernst & Young for the year ended 31 December 2021;

– considered and evaluated the management system adopted by the Group for internal, financial and risk management and internal control procedures;

– consider and evaluated whether the external auditor is independent and objective and whether the audit procedures are effective, the re-appointment and remuneration of the external auditor (subject to shareholders' approval), and make a proposal to the Board;

– reviewed the compliance status of the deed of non-competition dated 16 September 2019 given by the controlling shareholders of the Company in favour of the Company (for itself and as trustee for each of its subsidiaries) (the "**Deed of Non-Competition**");

– reviewed the effectiveness of the corporate governance measures adopted to manage any potential or actual conflict of interests between the Group and the controlling shareholders of the Company;

– considered and recommended to the Board on the approval of the unaudited interim results of the Company and its subsidiaries for the six months ended 30 June 2022; and

– considered and approved the accounting treatment adopted by the Group's interim report for the six months ended 30 June 2022.

Each of the controlling shareholders of the Company has provided with the Company a confirmation on compliance pursuant to their undertakings under the Deed of Non-Competition. The Audit Committee has reviewed the confirmations and noted that during the year ended 31 December 2022, each of the controlling shareholders of the Company has complied with the Deed of Non-Competition. The Audit Committee was not aware of any significant issues that would have an adverse impact on the effectiveness of the corporate governance measures.

ATTENDANCE RECORDS OF BOARD MEETINGS, BOARD COMMITTEE MEETING AND GENERAL MEETINGS

The attendance records of each Director and each member of the Board Committees of the Company at the relevant meetings held during the year ended 31 December 2022 are as follows:

	Actual Attendance/Number of Meetings a Director is entitled to attend				
	Board	Nomination Committee	Remuneration Committee	Audit Committee	General Meeting
No. of meetings held during the year	16	6	6	2	1
Executive Directors					
Mr. SHEN Yuan-Ching	9	2	2	1	1
Mr. FENG Bo	7	2	2	0	0
Mr. WANG Yong	4	0	0	0	0
Ms. WANG Yanbo *(resigned on 29 August 2022)*	8	0	0	0	1
Mr. HUANG Bo *(resigned on 15 February 2022)*	1	0	0	0	0
Non-executive Directors					
Mr. TIAN Wenzhi	1	0	0	0	0
Mr. ZHANG Yong *(resigned on 29 August 2022)*	9	2	2	0	1
Ms. YANG Yuyan *(resigned on 29 August 2022)*	9	0	0	0	1
Independent Non-executive Directors					
Mr. LAN Ye	4	0	0	0	0
Mr. LING Chenkai	4	0	0	0	0
Mr. LI Yifan	15	6	6	2	1
Mr. LUO Ji *(resigned on 21 October 2022)*	12	6	6	2	1
Mr. FU Shaojun *(resigned on 13 April 2022)*	3	0	0	1	0

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements for the year ended 31 December 2022 and ensuring that the preparation of the accounts is in accordance with statutory requirements and applicable accounting standards.

The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the auditor of the Company regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on page 95 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Group has maintained an internal control system and internal audit functions and the Directors are responsible for monitoring the implementation of internal control measures and reviewing its effectiveness. With a view to manage the Group's business and operational risks, to ensure smooth operation and to avoid future recurrence of historical non-compliance incidents, the Group has engaged an independent internal control adviser to assist the Group in reviewing and providing recommendations on improving the Group's internal control system, including corporate governance, enterprise risk assessment, internal audit, compliance consultancy and relevant business processes including revenue, purchase, expenses and cost management, fixed assets management, human resources, financial management and information technology. The Audit Committee reviewed at least once a year the findings and recommendations on the risk management and internal control system of the independent internal control advisor and the senior management in their meetings and reported to the Board on such review.

Deloitte Consulting (Hong Kong) Limited ("**Deloitte Consulting**"), being independent internal controls reviewer, has reviewed and validated the Company's systems and controls, with reference to the Company's compliance with the Listing Rules. Deloitte Consulting completed its review into the relevant matters during the period from 1 January 2022 to 31 March 2023, including a follow-up review conducted in October 2023 and issued its internal control review report on 15 August 2023 (the "**IC report**"). In the context of, and in particular since the completion of the IC report, the Company has carried out enhancements and remedial measures, to address the findings and recommendations of the IC report.

Furthermore, the Company has emphasised to all its financial personnel that the Company's financial management system must be strictly complied with, which requires, amongst others, independent verification with respect to each line entry in the bank transaction records as part of the reconciliation process, and not merely cross-checking of the year-end balance. The Company has also emphasised to its financial personnel that the check and balance is vital in ensuring all cash receipts and payments are recorded in a timely manner.

The Company will have continuous oversight over its internal control systems, on an on-going basis. Notably, for the purposes of testing and assessing its enhanced systems, the Company voluntarily requested that Deloitte Consulting conduct an additional review to verify and assess the implementation status of the remedial actions in October 2023.

Having conducted this further review, Deloitte Consulting is of the view that the current internal control system of the Company is adequate and effective.

In order to further enhance its internal control environment, the Company will adopt the following preventive/ detective measures to prevent potential non-compliance with the Listing Rules in the future:

(a) Ensuring the enhanced internal control system is strictly adhered to, the Company will appoint an independent internal control consultant to perform annual internal control review;

(b) Regular review of the key internal control points and regular internal audit;

(c) Ensuring the line of reporting for internal audit is addressed to the Audit Committee, with full transparency over the implementation of the internal control system and enhanced measures;

(d) Regular reminders to directors, senior management and relevant (financial) personnel of the Company, to alert them and increase awareness on the importance of observing the internal control procedures, in accordance with the Listing Rules; and

(e) Regular training and refreshers for all directors, senior management and relevant (financial) personnel of the Company.

The risk management and internal control systems are designed to manage, rather than eliminate business risk; to help safeguard the Group's assets against fraud and other irregularities; and to give reasonable, but not absolute, assurance against material financial misstatement or loss. In addition, it should provide a basis for the maintenance of proper and fair accounting records and assist in the compliance with relevant rules and regulations.

During the year ended 31 December 2022, the Board, as supported by the Audit Committee as well as the management, reviewed the overall effectiveness of the Group's risk management and internal control systems, covering financial, operational and compliance controls and risk management functions, which included the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, and their training programs and budget.

The Company has also developed its disclosure policy to guide the Company's Directors, officers, senior management and relevant employees to handle confidential information, monitor information disclosure and respond to enquiries. Monitoring and control procedures have been implemented to prohibit the unauthorised access and use of inside information.

Whistleblowing procedures are in place to facilitate employees of the Company to raise, in confidence and anonymity, concerns about improprieties (such as criminal offences or financial impropriety) or other matters of the Company.

The Company has in place written measures and procedures on guiding Directors, officers and relevant employees regarding securities dealing restrictions and handling of confidential and inside information.

The Directors have confirmed that the Group had adopted all internal control measures and policies suggested by Deloitte Consulting and did not have any significant or material deficiencies in its internal control system as at the date of publication of this annual report. The Directors consider that the Group's risk management and internal control system to be effective and sufficient.

AUDITOR'S REMUNERATION

For the year ended 31 December 2022, the total remuneration paid or payable to the Company's auditors, Moore CPA Limited, for annual audit and other audit services totally amounted to RMB1,740,000.

An analysis of the remuneration paid or payable to Moore CPA Limited is set out below:

Description of services performed	Amount RMB'000
Audit and assurance services	1,370
Non-audit services	370
Total	1,740

The Board and the Audit Committee have agreed on the re-appointment of Moore CPA Limited as the external auditor of the Group for the year ending 31 December 2023 and the proposal will be submitted for approval at the annual general meeting to be held on Wednesday, 8 May 2024.

COMPANY SECRETARY

Mr. TSO Ping Cheong Brian ("**Mr. Tso**") was appointed as one of the joint company secretaries of the Company on 19 April 2019. Following the resignation of Mr. Xu Yibin as the other joint company secretary on 20 May 2021, Mr. Tso becomes the company secretary of the Company. Mr. Tso has duly complied with relevant training requirement under Rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Group recognizes the importance of transparent and timely disclosure of corporate information, which enables the shareholders and investors to make the best investment decision. The Company believes the effective communication with the shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies.

The Company maintains a website at www.xypm.hk as a communication platform with shareholders and investors, where information on the Company's announcements, financial information and other information are available for public access. The shareholders and investors may send written enquires or requests to the Company's principal place of business in Hong Kong at Unit B, 17/F, United Centre, 95 Queensway, Admiralty, Hong Kong for the attention of the company secretary of the Company.

Besides, shareholders' meetings provide an opportunity for communication between the Board and the shareholders, Board members and appropriate senior staff of the Group will be available at the meeting to answer any questions raised by the shareholders.

The Company has also established a shareholders' communication policy to ensure the shareholders are provided with ready, equal and timely access to balanced and understandable information about the Company. The policy is regularly reviewed to ensure its effectiveness and is available on written request to the company secretary of the Company.

SHAREHOLDERS' RIGHTS

Convening an Extraordinary General Meeting by Shareholders and Putting Forward Proposals

Under the Memorandum and Articles of Association, an extraordinary general meeting ("**EGM**") may be convened by the Board upon requisition by any two or more shareholders holding not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings of the Company. EGM may also be convened by the Board upon requisition by any one member which is a recognized clearing house (or its nominees) holding not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings of the Company. The shareholder(s) shall make a written requisition to the Board or the company secretary at the Company's principal place of business in Hong Kong, specifying the shareholding information of the shareholder(s), his/her/its contact details and the proposal regarding any specifying transaction/business and its supporting documents.

If within 21 days of deposit of such written requisition, the Board fails to proceed to convene such EGM, the requisitionist(s) themselves or any of them 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 them by the Company.

Making enquiries to the Board

The shareholders shall direct their questions about their shareholdings to the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

DIVIDEND POLICY

The Company adopted a dividend policy on 27 March 2020. Pursuant to the Company's dividend policy, the dividend payout ratio shall be determined by the Board from time to time. The remaining net profit will be used for the Group's operations and development. In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, among other things, the following factors:

(a) the Company's current and future operations, actual and expected financial performance;

(b) any corporate development plans;

(c) the Group's liquidity position, working capital and capital expenditure requirements and future expected capital needs;

(d) the level of the Group's debt to equity ratio, return on equity and the relevant financial covenants;

(e) any restrictions on payments of dividends that may be imposed by the Group's lenders or other third parties;

(f) retained earnings and distributable reserves of the Company and each of the members of the Group;

(g) general economic conditions, the business cycle of the Group's business and other internal and external factors that may have an impact on the business or financial performance and position of the Company; and

(h) any other factor that the Board deems appropriate and relevant.

The recommendation of the payment of dividend is subject to the determination of the Board, and any declaration of final dividend for a financial year will be subject to the approval of the shareholders of the Company. The declaration and payment of dividends is also subject to any restrictions under the Companies Law of the Cayman Islands, any applicable laws, rules and regulations, including the Listing Rules, and the Company's Articles of Association.

CONSTITUTIONAL DOCUMENTS

The latest version of the Articles of Association, which was adopted by passing of a special resolution by the shareholders of the Company at the annual general meeting held on 27 May 2022, is available on the websites of the Company (www.xypm.hk) and the Stock Exchange (www.hkexnews.hk).

REPORT OF THE DIRECTORS

The board (the "**Board**") of directors (the "**Directors**") of Xinyuan Property Management Service (Cayman) Ltd. (the "**Company**") is pleased to present their report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2022.

CORPORATE INFORMATION AND GLOBAL OFFERING

The Company was incorporated in the Cayman Islands on 13 December 2018 as an exempted company with limited liability. The Company carried out the global offering (the "**Global Offering**"), comprising 125,000,000 shares in the Company (the "**Shares**") at HK$2.08 per Share and the Shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 11 October 2019 (the "**Listing Date**"). For details of the relevant use of proceeds, please see the section headed "Use of Proceeds from Listing" in this annual report.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Through its subsidiaries, the Company provides property management services, value-added services, pre-delivery and consulting services and property engineering services. Details of the principal activities of the Company's subsidiaries are set out in note 1 to the financial statements of this annual report.

BUSINESS REVIEW AND PERFORMANCE

The business review of the Group including the information below are set out in the Chairman's Statement and the Management Discussion and Analysis on pages 10 to 33 of this annual report:

(a) A fair review of the Group's business;

(b) A description of the principal risk management strategies of the Group; and

(c) An analysis using financial key performance indicators.

RESULTS

The results of the Group for the year ended 31 December 2022 are set out in the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of financial position on pages 96 and 98 of this annual report.

FINAL DIVIDEND

The Board did not propose any dividend for the year ended 31 December 2022 (2021: HK13.8 cents per share).

RESERVES

Movements during the year in the reserves of the Group and the Company are set out in the consolidated statement of change in equity and note 28 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Law, amounted to approximately RMB449.0 million, provided that the Company will be able to pay its debts as they fall due in the ordinary course of business immediately following the distribution or proposed distribution.

FINANCIAL SUMMARY

A summary of the results, assets, liabilities of the Group for the past five financial years is set out on page 226 of this annual report.

MAJOR RISKS AND UNCERTAINTIES

The industry in which we operate and our performance are affected by the overall economic environment and industry regulatory requirements. We may also be affected by daily operational risks such as contract renewal and market development, as well as external circumstances such as natural disasters, public health events, government policies and regulations.

IMPORTANT RELATIONSHIP WITH CUSTOMERS, SUPPLIERS AND EMPLOYEES

The Group understands the importance of maintaining a good relationship with its employees, customers and suppliers to meet its immediate and long-term business goals. During the Reporting Period, there was no material and significant dispute between the Group and its employees, customers and suppliers.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment and giving back to the community and achieving sustainable group. The Group endeavours to comply with the relevant laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, waste reduction and energy saving.

In accordance with Rule 13.91 and the Environmental, Social and Governance Reporting Guide contained in Appendix C2 (previously Appendix 27) of the Listing Rules, the Company's environmental, social and governance report will be available on the Company's website at the same time as the publication of this annual report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended 31 December 2022, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2022, total revenue from the Group's largest customer, Xinyuan Real Estate Group, and the five largest customers accounted for approximately 11.8% and 15.4% of the Group's total sales for the year respectively. Xinyuan Real Estate Group is a connected person of the Group. Save for Xinyuan Real Estate Group, none of the Directors or their close associates or any Shareholder (which to the knowledge of the Directors owns more than 5% interest in the Company) had any interest in any of the five largest customers for the year ended 31 December 2022.

For the year ended 31 December 2022, total purchases from the Group's largest supplier and the five largest suppliers accounted for approximately 13.5% and 27.9% of the Group's total purchases respectively. Save for Xinyuan Real Estate Group, none of the Directors or their close associates or any Shareholder (which to the knowledge of the Directors owns more than 5% interest in the Company) had any interest in any of the five largest suppliers for the year ended 31 December 2022.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2022 are set out in note 27 to the financial statements in this annual report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange during the year ended 31 December 2022.

BORROWINGS

As at 31 December 2022, the Group had no borrowings.

DIRECTORS

The Directors during the year ended 31 December 2022 and up to the date of this annual report were:

Executive Directors:

Mr. SHEN Yuan-Ching *(appointed as independent non-executive director on 13 April 2022 and as vice chairman of the Board on 29 August 2022 and re-designated as executive director and chairman of the Board on 19 September 2022)*
Mr. FENG Bo *(appointed on 29 August 2022)*
Mr. WANG Yong *(Chief Financial Officer) (appointed on 21 October 2022)*
Ms. WANG Yanbo *(Chief Executive Officer) (resigned on 29 August 2022)*
Mr. HUANG Bo *(Chief Financial Officer) (resigned on 15 February 2022)*

Non-executive Directors:

Mr. TIAN Wenzhi *(appointed on 21 October 2022)*
Mr. ZHANG Yong *(Chairman) (resigned on 29 August 2022)*
Ms. YANG Yuyan *(resigned on 29 August 2022)*

Independent Non-executive Directors:

Mr. LAN Ye *(appointed on 21 October 2022)*
Mr. LING Chenkai *(appointed on 21 October 2022)*
Mr. LI Yifan
Ms. ZHAO Xia *(appointed on 8 April 2024)*
Mr. LUO Ji *(resigned on 21 October 2022)*
Mr. FU Shaojun *(resigned on 13 April 2022)*

In accordance with the provisions of the Company's memorandum and articles of association (the "**Memorandum and Articles of Association**"), every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years and any Director appointed by the Board either to fill a casual vacancy or as an addition to the Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting.

In accordance with articles 16.19 of the Memorandum and Articles of Association, Mr. LI Yifan will retire and being eligible, will offer himself for re-election at the AGM.

In accordance with article 16.2 of the Memorandum and Articles of Association, Mr. FENG Bo, Mr. WANG Yong, Mr. TIAN Wenzhi, Mr. LAN Ye, Mr. LING Chenkai and Ms. ZHAO Xia will hold office only until the AGM and being eligible, will offer themselves for re-election at the AGM.

Details of the Directors to be re-elected at the AGM are set out in the circular to the Shareholders.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTOR

The Company confirms that it has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and still considers that all independent non-executive Directors have satisfied their independence to the Group.

DIRECTORS' SERVICE CONTRACTS

Each of executive Directors has entered into a service contract with the Company for a term of three years which may be terminated by either party giving not less than three months' prior notice in writing and is subject to termination provisions therein and retirement and re-election at the annual general meetings of the Company in accordance with the Memorandum and Articles of Association or any other applicable laws from time to time whereby he/she shall vacate his/her office.

Each of non-executive Directors and independent non-executive Directors has entered a letter of appointment with the Company for an initial term of three years, unless either party gives three months prior written notice to the other to terminate the letter of appointment before expiry of the existing term, and is subject to retirement by rotation in accordance with the Memorandum and Articles of Association.

None of the Directors has a service agreement which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' MATERIAL INTEREST IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE GROUP'S BUSINESS

Save as disclosed under the section headed "Connected Transactions" and note 32 to the financial statements contained herein, there was no transaction, arrangement and contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any Director of the Company or an entity connected with any Director has a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2022.

CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDER

Save as disclosed under the section headed "Connected Transactions" and note 32 to the financial statements contained herein, there was no contract of significance entered into between the Company, or any of its subsidiaries, and a controlling shareholder of the Company, or any of its subsidiaries, during the year.

EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

The emoluments of the Directors and senior management of the Group are decided by the Board with reference to the recommendation given by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

Details of the emoluments of the Directors and senior management are set out in notes 8 and 9 to the financial statements in this annual report.

No emoluments were paid by the Group to any Director or chief executive as an inducement to join or upon joining the Group or as compensations for loss of office for the year and none of the Directors has waived any emoluments for the year.

PERMITTED INDEMNITY PROVISION

Pursuant to the Memorandum and Articles of Association, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group during the year, which remains in force.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management are set out in the section headed "Directors and Senior Management" on pages 34 to 41 of this annual report.

EQUITY-LINKED AGREEMENTS

Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme (the "**Post-IPO Share Option Scheme**") was adopted by a resolution in writing passed by the Shareholders on 16 September 2019 for the purpose of enabling the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. A summary of the principal terms of the Post-IPO Share Option Scheme is set out below:

Participants

The Directors may, at their absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for Shares:

(a) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of the Company, any of subsidiaries of the Company or any entity ("**Invested Entity**") in which any member of the Group holds an equity interest;

(b) any non-executive directors (including independent non-executive directors) of the Company, any of subsidiaries of the Company or any Invested Entity;

(c) any supplier of goods or services to any member of the Group or any Invested Entity;

(d) any customer of any member of the Group or any Invested Entity;

(e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;

(f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

(g) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and

(h) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group;

and, for the purposes of the Post-IPO Share Option Scheme, the offer for the grant of option may be made to any company wholly owned by one or more persons belonging to any of the above classes of participants.

Maximum Number of Shares Available for Issue under the Post-IPO Share Option Scheme

The maximum number of Shares which may be issued upon the exercise of all options to be granted under the Post-IPO Share Option Scheme and any other share option schemes of the Group is 50,000,000, being no more than 10% of the Shares in issue as at the Listing Date (the "**General Scheme Limit**").

The General Scheme Limit may be refreshed at any time by obtaining prior approval of the Shareholders in a general meeting of the Company. However, the refreshed General Scheme Limit cannot exceed 10% of the Shares in issue as at the date of such approval, and for the purpose of calculating the latest refreshed limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Post-IPO Share Option Scheme and any other share option schemes of the Group) previously granted under the Post-IPO Share Option Scheme and any other share option schemes of the Group will not be counted.

The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other share option schemes adopted by the Group must not in aggregate exceed 30% of the share capital of the Company in issue from time to time.

As at the date of this annual report, no options had been granted, agreed to be granted, exercised, cancelled or lapsed pursuant to the Post-IPO Share Option Scheme and therefore the total number of Shares which may be issued upon the exercise of all options to be granted under the Post-IPO Share Option Scheme was 50,000,000 Shares, representing 8.81% of the issued share capital of the Company.

Limit of Each Participant

Unless approved by Shareholders in a general meeting of the Company, the total number of Shares issued and which may fall to be issued upon the exercise of the options granted under the Post-IPO Share Option Scheme and any other share option schemes of the Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being.

Time of Acceptance and Exercise of Option

Any option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the Post-IPO Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence from the date of the offer for the grant of options is made, but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof.

Unless otherwise determined by the Directors and stated in the offer for the grant of options to a grantee, there is no minimum period required under the Post-IPO Share Option Scheme for the holding of an option before it can be exercised.

Performance targets

Unless the Directors otherwise determined and stated in the offer for the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Post-IPO Share Option Scheme can be exercised.

Subscription Price for the Shares and Consideration for the Option

The subscription price for the Shares under the Post-IPO Share Option Scheme shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the date of the offer for the grant, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a Share.

A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

Life of the Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Post-IPO Share Option Scheme is adopted.

The terms of the Post-IPO Share Option Scheme are disclosed in the Company's prospectus dated 25 September 2019. No share options were granted, exercised, expired or lapsed under the Post-IPO Share Option Scheme during the year. The Company did not have any outstanding share options, warrants and convertible instruments into shares as at 31 December 2022 and up to the date of this annual report.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2022, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or (b) to be and were entered in the register required to be kept by the Company pursuant to section 352 of the SFO, or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 (previously Appendix 10) to the Listing Rules (the "**Model Code**"), were as follows:

(a) The Company

Name of Directors and Chief Executives	Nature of Interest[1]	Number of Shares or underlying Shares	Approximate Percentage of Interest in the Company[4]
Ms. WANG Yanbo[6]	Beneficial owner	11,250,000	1.98%
Mr. HUANG Bo[5]	Beneficial owner	5,625,000	0.99%
Mr. ZHANG Yong[7]	Interest of a controlled corporation[2]	15,000,000	2.64%
Ms. YANG Yuyan[8]	Interest of a controlled corporation[3]	15,000,000	2.64%

Notes:

1. All interests stated are long position.

2. Victory Destiny Holdings Limited is wholly-owned by Mr. ZHANG Yong. By virtue of the SFO, Mr. Zhang is therefore deemed to be interested in 15,000,000 Shares held by Victory Destiny Holdings Limited.

3. Grace Hope Holdings Limited is wholly-owned by Ms. YANG Yuyan. By virtue of the SFO, Ms. Yang is therefore deemed to be interested in 15,000,000 Shares held by Grace Hope Holdings Limited.

4. The percentage of shareholding is calculated on the basis of the number of issued Shares as at 31 December 2022 of 567,500,000.

5. On 15 February 2022, Mr. Huang Bo resigned as executive Director and chief financial officer of the Company.

6. On 29 August 2022, Ms. Wang Yanbo resigned as executive Director and chief executive officer of the Company.

7. On 29 August 2022, Mr. Zhang Yong resigned as non-executive Director and the chairman of the Board of the Company.

8. On 29 August 2022, Ms. Yang Yuyan resigned as non-executive Director of the Company.

(b) The Associated Corporation – Xinyuan Real Estate Co., Ltd.

Name of Directors and Chief Executives	Nature of Interest[1]	Number of Shares or underlying Shares	Approximate Percentage of Interest in the Associated Corporation[4]
Mr. ZHANG Yong[6]	Beneficial owner	28,400,000	30.20%[5]
	Interest of a controlled corporation[2]	4,143,615	
Ms. YANG Yuyan[7]	Founder of a discretionary trust[3]	28,400,000	26.36%

Notes:

1. All interests stated are long position.

2. Universal World Development Co. Ltd. is wholly-owned by Mr. Zhang Yong. By virtue of the SFO, Mr. Zhang, a non-executive Director of the Company, is therefore deemed to be interested in 4,143,615 shares in Xinyuan Real Estate Co., Ltd. (which consists of 1,606,615 shares and 2,537,000 share options which entitle the holder thereof the right to acquire shares in Xinyuan Real Estate Co., Ltd. with 60 days) held by Universal World Development Co., Ltd.

3. Pursuant to the trust deed dated 24 November 2015 (the "**Trust Deed**") entered into by Ms. Yang Yuyan (as settlor) and HSBC International Trustee Limited (as trustee), The Spectacular Stage Trust (the "**Trust**") was established as a discretionary trust and the beneficiaries under the Trust include family member(s) of Ms. Yang Yuyan. Pursuant to the terms of the Trust Deed, the Trustee is required to obtain the prior written consent of Ms. Yang Yuyan, as protector, before making any direct or indirect dispositions of any shares in Xinyuan Real Estate Co., Ltd. (the "**Common Shares**") that constitute the assets of the Trust and to vote Common Shares held by the Trust and cause any entity owned by the Trust directly or indirectly that holds the Common Shares to vote such shares in accordance with instructions from Ms. Yang Yuyan. Accordingly, pursuant to Section 13(d) of the Securities Exchange Act of 1934 of the United States, as amended, Ms. Yang Yuyan may be deemed to beneficially own all of the Common Shares held by directly or indirectly by the Trust.

4. The percentage is calculated based on the total number of shares in issue in Xinyuan Real Estate Co., Ltd. as at 31 December 2022 being 107,757,721.

5. The percentage would be 29.51% if it is calculated by the number of shares or underlying shares in Xinyuan Real Estate Co., Ltd. (i.e. 32,543,610) divided by the total number of equities of Xinyuan Real Estate Co., Ltd. as at 31 December 2022 (i.e. 110,294,721, being the sum of (i) 107,757,721 issued shares in Xinyuan Real Estate Co., Ltd. as at 31 December 2022; and (ii) 2,537,000 share options which entitle the holder thereof the right to acquire shares in Xinyuan Real Estate Co., Ltd. within 60 days).

6. On 29 August 2022, Mr. Zhang Yong resigned as non-executive Director and the chairman of the Board of the Company.

7. On 29 August 2022, Ms. Yang Yuyan resigned as non-executive Director of the Company.

Save as disclosed above, none of the Directors and chief executives of the Company has any interests or short positions 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 (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, no rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company were granted to any Director or their respective spouse or children under 18 years of age, or were such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate during the year ended 31 December 2022.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES

As at 31 December 2022, to the best of the Directors' knowledge, the following persons (other than the Directors and chief executives of the Company) had or deemed or taken to have an interests and/or short position in the Shares or the underlying Shares which fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept pursuant to Section 336 of the SFO:

Name	Capacity/Nature of Interest[1]	Number of Shares	Approximate percentage of shareholding[5]
Xinyuan Real Estate, Ltd.[2]	Beneficial owner	300,000,000	52.86%
Xinyuan Real Estate Co., Ltd.[2, 3]	Interest of a controlled corporation	300,000,000	52.86%
Galaxy Team Holdings Limited[4]	Beneficial owner	37,500,000	6.61%
Xingtai Capital Management Limited	Investment manager	77,000,000	13.57%
Xingtai China Master Fund	Beneficial owner	34,000,000	5.99%

Notes:

1. All interests stated are long position.

2. Xinyuan Real Estate, Ltd. is wholly owned by Xinyuan Real Estate Co., Ltd.. By virtue of the SFO, Xinyuan Real Estate Co., Ltd. is therefore deemed to be interested in 300,000,000 Shares which are interested by Xinyuan Real Estate, Ltd..

3. Xinyuan Real Estate Co., Ltd., the shares in which are listed on the New York Stock Exchange (stock code: XIN), is owned as to 30.20% by Mr. Zhang Yong, 26.36% by Spectacular Stage Limited and 43.44% by public shareholders.

4. Galaxy Team Holdings Limited is owned as to 30%, 15%, 15%, 10%, 10%, 5%, 5%, 5% and 5% by Ms. Wang Yanbo, Mr. Huang Bo, Mr. Wang Yantao, Ms. Du Xiangyan, Ms. Zhang Rong, Mr. Huang Jinfu, Mr. An Guangfu, Mr. Lyu Shaohui and Mr. Zhang Xiaofei, respectively.

5. The percentage of shareholding is calculated on the basis of the number of issued Shares as at 31 December 2022 of 567,500,000.

Save as disclosed above, as at 31 December 2022, according to the register kept by the Company under Section 336 of the SFO and so far as was known to the Directors, there was no other person (other than the Directors and chief executives of the Company) who had an interest and/or short position in the Shares or the underlying Shares which fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO.

DIRECTOR'S AND CONTROLLING SHAREHOLDER'S INTEREST IN COMPETING BUSINESS

As disclosed in the prospectus dated 25 September 2019, each of Xinyuan Real Estate Holdings and Xinyuan Real Estate, Ltd., the controlling shareholders of the Company, (collectively, the "**Covenantors**" and each a "**Covenantor**") has given non-competition undertakings (the "**Non-Competition Undertakings**") in favor of the Company (for itself and as trustee for each of its subsidiaries) on 16 September 2019, pursuant to which each of the Covenantors has, among other matters, irrevocably undertaken to us on a joint and several basis that at any time during the Relevant Period (as defined below), each of the Covenantors shall, and shall procure that their respective close associates and/or companies controlled by them (other than the Group) shall:

(i) not, directly or indirectly, be interested or involved or engaged in or acquire or hold any right or interest (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) in any business which is or is about to be engaged in any business which competes or is likely to compete directly or indirectly with the business currently and from time to time engaged by the Group (including but not limited to the provision of (i) property management services, (ii) value-added services, (iii) pre-delivery and consulting services, (iv) property marketing services, (v) event planning services and (vi) intelligence engineering services, as described in this prospectus) in the PRC and/or any other country or jurisdiction to which the Group provides such services and/or in which any member of the Group carries on business mentioned above from time to time (the "**Restricted Activity**");

(ii) not solicit any existing employee of the Group for employment by it or its associates (excluding the Group);

(iii) not, without the consent from the Company, make use of any information pertaining to the business of the Group which may have come to its knowledge in its capacity as the controlling shareholder for any purpose of engaging, investing or participating in any Restricted Activity;

(iv) if there is any project or new business opportunity that relates to the Restricted Activity, refer such project or new business opportunity to the Group for consideration;

(v) not invest or participate in any Restricted Activity; and

(vi) procure its associates (excluding the Group) not to invest or participate in any project or business opportunity of the Restricted Activity.

The above undertakings (i) to (vi) are subject to the exception that any of the close associates of the Covenantors and/or companies controlled by the Covenantors (excluding the Group) are entitled to invest, participate and be engaged in any Restricted Activity or any project or business opportunity, regardless of value, which has been offered or made available to the Group, provided always that information about the principal terms thereof has been disclosed to the Company and the Directors, and the Company shall have, after review and approval by a board committee which consists of the Directors (including the independent non-executive Directors) who do not have any directorship in Xinyuan Real Estate Co., Ltd. and do not have an interest in such project or business opportunity, confirmed its rejection to be involved or engaged, or to participate, in the relevant Restricted Activity and provided also that the principal terms on which that relevant close associate of the Covenantor(s) or company controlled by the Covenantor(s) invests, participates or engages in the Restricted Activity are substantially the same as or not more favorable than those disclosed to the Company. Subject to the above, if the relevant close associate of the Covenantor(s) or company controlled by the Covenantor(s) decides to be involved, engaged, or participate in the relevant Restricted Activity, whether directly or indirectly, the terms of such involvement, engagement or participation must be disclosed to the Company and the Directors as soon as practicable.

For the above purpose, the "Relevant Period" means the period commencing from the Listing Date and shall expire on the earlier of the dates below:

(a) the date on which the Covenantors and their close associates (individually or taken as a whole) ceases to own 30% of the then issued share capital of the Company (whether directly or indirectly) or cease to be considered as the controlling shareholders of the Company for the purpose of the Listing Rules and do not have power to control the majority of the Board; and

(b) the date on which the Shares cease to be listed on the Stock Exchange.

The controlling shareholders of the Company confirmed that they have complied with the Deed of Non-Competition for the year ended 31 December 2022. No new business opportunity was informed by the controlling shareholders as at 31 December 2022.

The independent non-executive Directors of the Company (except Mr. Li Yifan) who do not have any directorship in Xinyuan Real Estate Co., Ltd. have conducted a review for the year ended 31 December 2022 and also reviewed the relevant undertakings and are satisfied that the Deed of Non-Competition has been fully complied.

Save as disclosed above, none of the Directors held any interests in any business that compete directly against the Company or any of its jointly controlled entities and subsidiaries during the year ended 31 December 2022.

CONNECTED TRANSACTIONS

Details of the relevant connected transactions or continuing connected transactions of the Company during the year ended 31 December 2022 are as follows:

(A) Continuing Connected Transactions Fully Exempt from the Reporting, Annual Review, Announcement and Independent Shareholders' Approval Requirements

1. Trademark Licensing Agreement

   On 16 September 2019, a trademark licensing agreement (the "**Trademark Licensing Agreement**") was entered into between the Company on one hand and Henan Xinyuan Property Services Co., Ltd. ("**Henan Xinyuan**") and Beijing Aijieli Technology Development Co., Ltd. ("**Beijing Aijieli**") (collectively the "**Licensors**") on other hand, pursuant to which the Licensors agreed to irrevocably and unconditionally grant the Company a non-transferable license to use certain trademarks registered in the names of the Licensors in the PRC for a perpetual term commencing from the date of the Trademark Licensing Agreement on a royalty-free basis. The Trademark Licensing Agreement is not unilaterally terminable by the Licensors.

   The Company has been using the abovementioned licensed trademarks in the business of the Group over the years in relation to the services rendered by the Group and for the related marketing and promotion activities on a royalty-free basis. The Directors believe that the entering into of the Trademark Licensing Agreement with a term of more than three years can ensure the stability of the Group's operations, and is beneficial to the Company and the Shareholders as a whole.

   Henan Xinyuan and Beijing Aijieli, as the registered proprietors of the licensed trademarks, are an indirect wholly-owned subsidiary of Xinyuan Real Estate Co., Ltd., the controlling shareholder of the Company, and an indirect non wholly-owned subsidiary of Xinyuan Real Estate Co., Ltd. respectively, and therefore each of them is a connected person of the Company under the Listing Rules. Accordingly, the transactions under the Trademark Licensing Agreement will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

   As the right to use the licensed trademarks is granted to the Company on a royalty-free basis, the transactions under the Trademark Licensing Agreement will be within the de minimis threshold provided under Rule 14A.76 of the Listing Rules and will be exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(B) Continuing Connected Transactions Subject to the Reporting, Annual Review, Announcement and Independent Shareholders' Approval Requirements

1. Property Management Services Framework Agreement

On 16 September 2019, the Company (for itself and on behalf of its subsidiaries and associates entered into a property management services framework agreement (the "**Property Management Services Framework Agreement**") with Xinyuan Real Estate Co., Ltd. (for itself and on behalf of its subsidiaries and associates), pursuant to which the Group and/or its associates agreed to provide to Xinyuan Real Estate Co., Ltd and its subsidiaries (collectively "**Xinyuan Real Estate Group**") and/or its associates property management services in respect of the unsold property units after the agreed delivery date set out on the property purchase contract for projects developed by Xinyuan Real Estate Group excluding the Group (the "**Remaining Xinyuan Real Estate Group**") and managed by the Group (the "**XRE Property Management Services**"), for a term commencing from the Listing Date until 31 December 2021.

The Property Management Services Framework Agreement expired on 31 December 2021. On 9 November 2021, the Company (for itself and on behalf of its subsidiaries and associates) and Xinyuan Real Estate Holdings (for itself and on behalf of its subsidiaries and associates) entered into a property management services framework agreement for a term of three years commencing from 1 January 2022 (the "**2022 Property Management Services Framework Agreement**"). The Group and/or its associates shall provide to the Remaining Xinyuan Real Estate Group and/or its associates property management services in respect of the unsold property units after the agreed delivery date set out on the property purchase contract for projects developed by the Remaining Xinyuan Real Estate Group and managed by the Group. In respect of sold property units after delivery, if the Remaining Xinyuan Real Estate Group and/or its associates gift property management fees to the property owners under the property sales arrangement, then the property management services corresponding to the property management fees that are borne and paid by the Remaining Xinyuan Real Estate Group and/or its associates to the Group and/or its associates on behalf of the property owners shall be deemed to be part of the property management services under the 2022 Property Management Services Framework Agreement.

The fees for the property management services charged under the 2022 Property Management Services Framework Agreement shall be determined based on the regulations promulgated by the PRC government and after arm's length negotiations taking into account the location of the project, the anticipated operational costs (including labour costs, material costs and administrative costs) with reference to the fees for similar services and similar type of projects in the market.

Pursuant to the 2022 Property Management Services Framework Agreement, the proposed annual caps for the provision of property management services for each of the three years ending 31 December 2024 (the "**2022 Property Management Services Annual Caps**") are expected not to exceed RMB48,677,000, RMB63,872,000 and RMB85,222,000, respectively.

Xinyuan Real Estate Co., Ltd. has been one of the controlling shareholders of the Company and therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions under the 2022 Property Management Services Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (other than the profits ratio) in respect of the 2022 Property Management Services Annual Cap are, on an annual basis, more than 5% and such proposed aggregate annual caps are more than HK$10 million, the transactions under the 2022 Property Management Services Framework Agreement constitute continuing connected transactions for the Company which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

For the year ended 31 December 2022, the total amounts paid to the Group by the Remaining Xinyuan Real Estate Group and/or its associates under the 2022 Property Management Services Framework Agreement was RMB21,377,000 which did not exceed the cap of RMB48,677,000.

2. Pre-delivery and Consulting Services Framework Agreement

On 16 September 2019, the Company (for itself and on behalf of its subsidiaries and associates) entered into a pre-delivery and consulting services framework agreement (the "**Pre-delivery and Consulting Services Framework Agreement**") with Xinyuan Real Estate Co., Ltd. (for itself and on behalf of its subsidiaries and associates), pursuant to which the Group agreed to provide to the Remaining Xinyuan Real Estate Group and/or its associates pre-delivery and consulting services, including but not limited to sales assistance services, early involvement services, referral and management services for unsold properties and repair and intelligent engineering services (collectively the "**XRE Pre-delivery and Consulting Services**"), for a term commencing from the Listing Date until 31 December 2021.

The Pre-delivery and Consulting Services Framework Agreement expired on 31 December 2021. On 9 November 2021, the Company (for itself and on behalf of its subsidiaries and associates) and Xinyuan Real Estate Holdings (for itself and on behalf of its subsidiaries and associates) entered into a pre-delivery and consulting services framework agreement for a term of three years commencing from 1 January 2022 (the "**2022 Pre-delivery and Consulting Services Framework Agreement**"). The Group and/or its associates shall provide to the Remaining Xinyuan Real Estate Group and/or its associates pre-delivery and consulting services, including but not limited to (i) sales assistance services, which mainly involve providing property sales venue management services and property sales venue "warm-up" services to property developers at the pre-delivery stage of the relevant property or when the property is put onto the market for sale; (ii) early stage involvement services, which involve advising property developers at the early and construction stages of a property on project planning, design management and construction management to enhance a property; and (iii) referral and management services for unsold properties.

Pursuant to the 2022 Pre-delivery and Consulting Services Framework Agreement, the proposed annual caps for the provision of pre-delivery and consulting services for each of the three years ending 31 December 2024 (the "**2022 Pre-delivery and Consulting Services Annual Caps**") are expected not to exceed RMB166,623,000, RMB190,182,000 and RMB218,711,000, respectively.

Xinyuan Real Estate Co., Ltd. has been one of the controlling shareholders of the Company and therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions under the 2022 Pre-delivery and Consulting Services Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the 2022 Pre-delivery and Consulting Services Framework Agreement exceeded 25%, the transactions contemplated thereunder are subject to annual reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

For the year ended 31 December 2022, the total amounts paid to the Group by the Remaining Xinyuan Real Estate Group and/or its associates under the 2022 Pre-delivery and Consulting Services Framework Agreement was RMB29,959,000 which did not exceed the cap of RMB166,623,000.

3. Value-added Services Framework Agreement

On 16 September 2019, the Company (for itself and on behalf of its subsidiaries and associates) entered into a value-added services framework agreement (the "**Value-added Services Framework Agreement**") with Xinyuan Real Estate Holdings (for itself and on behalf of its subsidiaries and associates), pursuant to which the Group and/or its associates agreed to provide to the Remaining Xinyuan Real Estate Group and/or its associates value-added services, including but not limited to the provision of on-site cleaning, operations and other related services at the pre-delivery stage and the delivery events for the property development projects, utility fee collection service, "400 CS Center" service and other value-added services, for a term commencing from the Listing Date until 31 December 2021.

The Value-added Services Framework Agreement expired on 31 December 2021. On 9 November 2021, the Company (for itself and on behalf of its subsidiaries and associates) and Xinyuan Real Estate Holdings (for itself and on behalf of its subsidiaries and associates) entered into a value-added services framework agreement for a term of three years commencing from 1 January 2022 (the "**2022 Value-added Services Framework Agreement**"). The Group and/or its associates shall provide to the Remaining Xinyuan Real Estate Group and/or its associates value-added services, including but not limited to the provision of on-site cleaning, operations and other related services at the pre-delivery stage and the delivery events for the property development projects, utility fee collection service, "400 CS Center" service and other value-added services.

The fees for the value-added services charged under the 2022 Value-added Services Framework Agreement shall be determined after arm's length negotiations taking into account the location of the project, the anticipated operational costs (including labour costs, material costs and administrative costs) with reference to the fees for similar services and similar type of projects in the market.

Pursuant to the 2022 Value-added Services Framework Agreement, the proposed annual caps for the provision of value-added services for each of the three years ending 31 December 2024 (the "**2022 Value-added Services Annual Caps**") are expected not to exceed RMB44,900,000, RMB56,082,000 and RMB66,446,000, respectively.

Xinyuan Real Estate Holdings has been one of the controlling shareholders of the Company and therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions under each of the Value-added Services Framework Agreement and the 2022 Value-added Services Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (other than the profits ratio) in respect of the 2022 Value-added Services Annual Caps are, on an annual basis, more than 5% each of their respective proposed aggregate annual caps are more than HK$10 million, the transactions under the 2022 Value-added Services Framework Agreement constitute continuing connected transactions for the Company which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

For the year ended 31 December 2022, the total amounts paid to the Group by the Remaining Xinyuan Real Estate Group and/or its associates under the 2022 Value-added Services Framework Agreement was RMB6,097,000 which did not exceed the cap of RMB44,900,000.

4. The 2022 Property Engineering Services Framework Agreement

On 9 November 2021, the Company (for itself and on behalf of its subsidiaries and associates) (as service providers) entered into a property engineering services framework agreement (the "**2022 Property Engineering Services Framework Agreement**") with Xinyuan Real Estate Holdings (for itself and on behalf of its subsidiaries and associates) (as receiving parties), pursuant to which the Group and/or its associates shall provide to the Remaining Xinyuan Real Estate Group and/or its associates property engineering services, including but not limited to (i) repairs engineering services, which involve providing repairs services and project quality enhancement maintenance services for development projects during the warranty period; (ii) intelligent engineering services, which involve providing construction services for intelligent systems; (iii) landscaping engineering services; (iv) firefighting engineering services; (v) decoration and renovation engineering service; (vi) elevators engineering services and other miscellaneous engineering services (collectively the "**XRE Property Engineering Services**"), for a term commencing from 1 January 2022 until 31 December 2024.

The fees to be charged for the XRE Property Engineering Services shall be determined after arm's length negotiations taking into account the scope of services under each of such contracts, the anticipated operational costs (including labour costs and material costs and obtaining quotations from equipment manufacturers to determine the construction budget) with reference to the fees for similar services and similar type of projects in the market.

The maximum annual fee payable by the Remaining Xinyuan Real Estate Group and/or its associates in relation to the XRE Property Engineering Services to be provided by the Group under the 2022 Property Engineering Services Framework Agreement (the "**PES Annual Caps**") for each of the three years ending 31 December 2024 is expected not to exceed RMB178,242,000, RMB204,979,000 and RMB235,725,000 respectively.

Xinyuan Real Estate Holdings has been one of the controlling shareholders of the Company and therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions under the 2022 Property Engineering Services Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the 2022 Property Engineering Services Framework Agreement exceeds 25%, the transactions under the 2022 Property Engineering Services Framework Agreement constitute continuing connected transactions for the Company which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

For the year ended 31 December 2022, the total amounts paid to the Group by the Remaining Xinyuan Real Estate Group and/or its associates under the 2022 Property Engineering Services Framework Agreement was RMB21,792,000 which did not exceed the cap of RMB178,242,000.

In respect of the 2022 Property Management Services Framework Agreement, the 2022 Pre-delivery and Consulting Services Framework Agreement, the 2022 Value-added Services Framework Agreement and the 2022 Property Engineering Services Framework Agreement, pursuant to Rule 14A.105 of the Listing Rules, the Company has applied for, and the Stock Exchange has granted, waivers exempting us from strict compliance with the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, subject to, among others, the condition that the aggregate amounts of the continuing connected transactions for each financial year shall not exceed the relevant amounts set forth in the respective annual caps (as stated above).

In respect of the Trademark Licensing Agreement, the Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirement to set a term not exceeding three years under Rule 14A.52 of the Listing Rules.

Pursuant to 14A.55 of the Listing Rules, the above continuing connected transactions have been reviewed by the independent non-executive Directors of the Company, who confirmed that these continuing connected transactions were entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) in accordance with the relevant agreements governing them on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

In accordance with Rule 14A.56 of the Listing Rules, the Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagement 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hog Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

The auditor has issued a letter containing the findings and conclusions in respect of the aforesaid continuing connected transactions disclosed as below:

(1) nothing has come to his attention that causes him to believe that the disclosed continuing connected transactions have not been approved by the Board.

(2) for transactions involving the provision of goods or services by the Group, nothing has come to his attention that causes him to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group.

(3) nothing has come to his attention that causes him to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.

(4) nothing has come to his attention that have exceeded the relevant cap amounts disclosed in the Prospectus and the relevant announcements of the Company, where applicable, for the financial year ended 31 December 2022.

(C) Connected Transaction

1. On 23 December 2021, the Company (for its own and on behalf of its subsidiaries and associates) and Xinyuan Real Estate Holdings (for its own and on behalf of its subsidiaries and associates, excluding the Group) entered into a supplemental agreement (the "**Supplemental Agreement**") to the car parking space exclusive sales cooperation agreement (the "**Car Parking Space Exclusive Sales Cooperation Agreement**") dated 17 September 2020 which are entered into between the same contracting parties. Pursuant to the Supplemental Agreement, subject to the fulfilment of the certain conditions precedent, the Company and Xinyuan Real Estate Holdings agreed that the ending date of the period of cooperation as stipulated under the Car Parking Space Exclusive Sales Cooperation Agreement shall be extended from 31 December 2021 to 31 December 2023.

As at the date of the Supplemental Agreement, Xinyuan Real Estate Holdings was indirectly interested in 52.86% of the issued shares in the Company, and was the controlling shareholder of the Company. Therefore, Xinyuan Real Estate Holdings and its associates were connected persons of the Company under Chapter 14A of the Listing Rules, and the transactions contemplated under the Car Parking Space Exclusive Sales Cooperation Agreement (as supplemented and amended by the Supplemental Agreement) constituted a connected transaction of the Company.

As the highest applicable percentage ratio in respect of the transactions contemplated under the Car Parking Space Exclusive Sales Cooperation Agreement (as to be supplemented and amended by the Supplemental Agreement) was more than 5%, the transactions contemplated under the Car Parking Space Exclusive Sales Cooperation Agreement (as to be supplemented and amended by the Supplemental Agreement) are therefore subject to the requirements for reporting, announcement and approval by the independent shareholders under Chapter 14A of the Listing Rules.

On 7 June 2022, an ordinary resolution was duly passed by the independent shareholders of the Company to approve, confirm and ratify the Supplemental Agreement and the transactions contemplated thereunder and the implementation thereof. Please refer to the Company's announcements dated 23 December 2021, 24 February 2022, 12 April 2022, 16 May 2022 and 7 June 2022 for details.

2. On 12 January 2022, the Board announced that from December 2020 to February 2021, the Group made successive prepayments to Henan Xinyuan Guangsheng Real Estate Co., Ltd. ("**Xinyuan Guangsheng**"), Zhengzhou Xinnan Real Estate Co., Ltd. ("**Zhengzhou Xinnan**"), Mingyuan Landscape Engineering Co., Ltd. ("**Mingyuan Landscape**") and Changsha Xinyuan Wanzhuo Real Estate Co., Ltd. ("**Xinyuan Wanzhuo**") in respect of a series of car parking space exclusive sales cooperation agreements (together, the "**Car Parking Space Exclusive Sales Cooperation Sub-agreements**"). Pursuant to the Car Parking Space Exclusive Sales Cooperation Sub-agreements, the Group may separately enter into service agreements with the relevant buyers for the sales of the designated car parking spaces and directly charge service fees to such buyers.

   As stated in the announcement of the Company dated 27 October 2021, the Group previously understood that the aforesaid Car Parking Space Exclusive Sales Cooperation Sub-agreements fell under the car parking space exclusive sales cooperation agreement dated 17 September 2020 between the Company and Xinyuan Real Estate Holdings (the "**Framework Agreement**"), which was approved by the independent shareholders of the Company on 9 November 2020. Upon assessment by external advisors, however, the Company recognises that the aforesaid Car Parking Space Exclusive Sales Cooperation Sub-agreements did not fall under the Framework Agreement, as the relevant car parking spaces were not the designated car parking spaces listed in the Framework Agreement. Having understood the above, the Company gradually commenced the return of the prepayments for the car parking spaces and the termination of the respective transactions. The relevant procedures have been fully completed.

3. On 29 March 2022, the Board announced that, during the period from 28 June 2020 to 24 February 2021, the Company and its subsidiaries had several transactions with Xinyuan Real Estate Holdings and its subsidiaries, which constituted connected transactions under the Listing Rules. Such transactions failed to comply with Rules 14.34(2), 14.38A, 14.40, 14A.34, 14A.35 and 14A.36 of the Listing Rules, and have breached the requirements of the relevant provisions of Chapter 14 and Chapter 14A of the Listing Rules. These rules notably require publication of an announcement as soon as the terms of a discloseable transaction or connected transaction have been finalised; sending a circular to shareholders and the Stock Exchange to explain the details of a major transaction or connected transaction of the Company which should be subject to the approval of shareholders, conducting such transaction only upon the approval of shareholders and entering into written agreement for any connected transaction.

   As at the date of such announcement, the relevant amounts have been fully repaid, and have not had any material adverse impact on the interests of the shareholders of the Company. For details of the aforesaid transactions, please refer to the announcement of the Company dated 29 March 2022.

   As further disclosed in the section headed "Risk Management and Internal Control" of this annual report, the Company has appointed Deloitte Consulting (Hong Kong) Limited as the independent internal control consultant of the Company, and adopted relevant remedial measures with its assistance to improve the internal control procedures of the Company. The Company shall continue to enhance its internal control management and strictly control the audit regarding compliance and risk control matters of its businesses, thereby avoiding the re-occurrence of similar incidents. Going forward, the Company will continue to comply with the requirements under the Listing Rules, carry out relevant corporate governance procedures and make appropriate disclosure in a timely manner to ensure compliance with the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the year ended 31 December 2022 are set out in note 32 to the financial statements contained herein.

Save as disclosed under the section headed "Connected Transaction", none of the related party transactions constitutes a connected transaction or continuing connected transaction subject to independent shareholders' approval, annual review and all disclosure requirements in Chapter 14A of the Listing Rules.

UPDATE ON DIRECTORS' INFORMATION

The change in Directors' information as required to be disclosed pursuant to Rule 13.51B of the Listing Rules is set out below:

Mr. SHEN Yuan-Ching was appointed as independent non-executive Director of the Company on 13 April 2022 and vice chairman of the Board on 29 August 2022 and then re-designated as executive Director and chairman of the Board on 19 September 2022.

Mr. FENG Bo was appointed as executive Director of the Company with effect from 29 August 2022.

Mr. WANG Yong was appointed as executive Director and chief financial officer of the Company with effect from 21 October 2022.

Mr. TIAN Wenzhi was appointed as non-executive Director of the Company with effect from 21 October 2022.

Mr. LING Chenkai and Mr. LAN Ye were appointed as independent non-executive Director of the Company, both with effect from 21 October 2022.

Ms. ZHAO Xia was appointed as independent non-executive Director of the Company with effect from 8 April 2024.

Ms. WANG Yanbo resigned as executive Director and chief executive officer of the Company on 29 August 2022.

Mr. ZHANG Yong resigned as non-executive Director of the Company and chairman of the Board on 29 August 2022.

Ms. YANG Yuyan resigned as non-executive Director of the Company on 29 August 2022.

Mr. LUO Ji and Mr. FU Shaojun resigned as independent non-executive Director of the Company on 21 October 2022 and 13 April 2022 respectively.

Mr. HUANG Bo resigned as executive Director and chief financial officer of the Company on 15 February 2022.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

Save as disclosed in this annual report, the Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

RETIREMENT BENEFIT SCHEME

The employees of the Company's subsidiaries established in the PRC are members of a state-managed retirement scheme operated by the PRC government. No forfeited contribution under this scheme is available to reduce the contribution payable in future years.

MANAGEMENT CONTRACTS

There is no contracts relating to the management and/or administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors at the date of this report, there was a sufficient prescribed public float of the issued shares of the Company under the Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company or the Companies Laws, which would oblige the Company to offer new shares on a pro-rata basis to the existing Shareholders.

EMPLOYEE AND REMUNERATION POLICIES

As of 31 December 2022, the Group had approximately 1,543 employees (31 December 2021: approximately 1,741 employees).

The Group adopts a remuneration policy similar to its peers in the industry. The remuneration payable to our employees is determined with reference to their duties and the prevailing local market rates. Employees are paid discretionary performance bonuses upon review as reward for their contribution. In compliance with the applicable statutory requirements in the PRC and existing requirements of the local government, the Group has participated in different social welfare plans for its employees.

The Remuneration Committee of the Company was set up for reviewing the Company's emolument policy and structure for all remuneration of the Directors, Supervisors and senior management of the Company, having regard to the Company's operating results, individual performance of the Directors, Supervisors and senior management and comparable market practices.

The total remuneration cost incurred by the Group for the year ended 31 December 2022 was RMB145.7 million.

In addition, the Group adopted a post-IPO share option scheme on 16 September 2019 which enables the Directors to grant share options to the Group's employees in order to retain elite personnel and to provide reward and incentive for their contribution to the Group. No share option thereof was granted during the year.

For the year ended 31 December 2022, the Group did not experience any material labor disputes or strikes that may have a material and adverse effect on our business, financial condition or results of operations, or any difficulty in recruiting employees.

TAX RELIEF AND EXEMPTION

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

CHARITABLE DONATIONS

During the year ended 31 December 2022, the Group made charitable and other donations in a total amount of RMB36.0 thousand.

CORPORATE GOVERNANCE

The Company is committed to maintaining the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 42 to 61 of this annual report.

AUDIT COMMITTEE

The audit committee has communicated with the management and external auditor and reviewed the accounting principles and policies adopted by the Group and the Company's audited consolidated financial statements for the year ended 31 December 2022.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code.

Specific enquiries have been made to all Directors and all Directors have confirmed that they have complied with the Model Code for the year ended 31 December 2022.

EVENTS AFTER THE REPORTING PERIOD

Tripartite Agreement and Car Parking Space Exclusive Sales Cooperation Agreement

On 22 July 2022, Zhengzhou Shengdao entered into the a previous agreement, pursuant to which Sichuan Justbon agreed to assist Zhengzhou Shengdao to sell a total of 862 car parking spaces for a period commencing from 22 July 2022 until the sales of all car parking spaces are completed.

On 22 September 2023, Zhengzhou Shengdao, Sichuan Justbon and Xinyuan Science (an indirect wholly-owned subsidiary of the Company) entered into the Tripartite Agreement, pursuant to which (i) Zhengzhou Shengdao and Sichuan Justbon agreed to terminate the Previous Agreement; (ii) Zhengzhou Shengdao agreed to pay the Termination Fee to Sichuan Justbon; and (iii) Xinyuan Science agreed to cooperate with Zhengzhou Shengdao to sell the remaining 798 unsold car parking spaces and pay the Termination Fee to Sichuan Justbon on behalf of Zhengzhou Shengdao.

On 22 September 2023, Xinyuan Science and Zhengzhou Shengdao entered into the Car Parking Space Exclusive Sales Cooperation Agreement, pursuant to which Zhengzhou Shengdao agreed to designate Xinyuan Science as the exclusive sales partner of a total of 798 Designated Car Parking Spaces for the Cooperation Period and grant the right to Xinyuan Science for the implementation of the Exclusive Sales Cooperation. Pursuant to the Car Parking Space Exclusive Sales Cooperation Agreement, Xinyuan Science shall pay Zhengzhou Shengdao a refundable Earnest Money of RMB11,226,518 in instalments as the deposit.

Compensation Agreements in Respect of Arbitration

Xinyuan (China) has confirmed the use of these bank balances related to Incident Transaction I for Xinyuan (China)'s or its business parties' banking facilities at their written response to the Advisor. Based on that, the Company has filed a notice of arbitration ("**Arbitration**") with the Hong Kong International Arbitration Centre against Xinyuan (China) in respect of the Pledges, in which the Company seeks recovery of any loss and/or damage suffered by the Company with respect to the Pledges, including the total deposit principal, interest losses on the principal and cost and expenses incurred in the investigation and all related matters with aggregate amount of approximately RMB430,411,000. Upon the final and legally binding arbitral awarded in the Aribitration on 13 October 2023, Xinyuan (China) and the Group entered into several compensation agreements in accordance with the Arbitration conclusion.

AUDITOR

The financial statements of the Group for the year ended 31 December 2020 were audited by Ernst & Young, while those for the years ended 31 December 2021 and 2022 were audited by Moore CPA Limited who shall retire in the forthcoming annual general meeting and, being eligible, offer themselves for re-appointment.

A resolution to re-appoint Moore CPA Limited as auditor of the Company and to authorise the directors of the Company to fix its remuneration will be proposed at the forthcoming annual general meeting

On behalf of the Board

SHEN Yuan-Ching
Chairman

Hong Kong, 12 March 2024

INDEPENDENT AUDITOR'S REPORT

MOORE

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大華馬施雲
會計師事務所有限公司

To the Members of Xinyuan Property Management Service (Cayman) Ltd.
(Incorporated in Cayman Islands with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Xinyuan Property Management Service (Cayman) Ltd. (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 96 to 225, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the BASIS FOR DISCLAIMER OF OPINION section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

As disclosed in Note 2.1 to the consolidated financial statements, in November 2022, the current executive directors discovered that two wholly-owned subsidiaries of the Company, entered into four agreements with certain banks in the People's Republic of China (the "**PRC**") to pledge their bank balances, of which approximately RMB267,330,000 were pledged during the year ended 31 December 2021 and RMB135,050,000 were pledged during the year ended 31 December 2022 (collectively the "**Pledges**"), to guarantee certain borrowings of Xinyuan (China) Real Estate Co., Ltd. ("**Xinyuan (China)**"), one of the subsidiaries of the ultimate holding company of the Company, Xinyuan Real Estate Co., Ltd. ("**Xinyuan Real Estate**"), and certain companies which are not part of the Group (collectively, the "**Borrowers I**") without the knowledge of the board of directors of the Company (the "**Incident Transaction I**"). As such, the Group did not record and disclose the relevant bank balances as pledged in the published consolidated statement of financial position as at 31 December 2021. In addition, the Group did not recognise any financial impact in respect of the financial guarantees issued from their initial inception.

The Borrowers I were unable to repay the bank borrowings upon their maturity during and subsequent to the year ended 31 December 2022 resulting in the relevant bank balances of the Group have been enforced by the relevant banks. The Group incurred a loss on the principal amount of the bank balances under Incident Transaction I, amounting to approximately RMB263,801,000 during the year ended 31 December 2022 and RMB135,046,000 subsequent to the reporting date.

In response to this, the board of directors of the Company as of the date of this report (the "**Newly-Constituted Board**") established an independent investigation committee (the "**IIC**") in November 2022 which engaged an independent investigation advisor ("**Advisor**") to conduct an independent forensic investigation ("**Investigation**") to assist the IIC in addressing the Incident Transaction I.

As detailed in Note 2.1, under the section titled "Investigation" in these consolidated financial statements, the Group had entered into another twenty-eight deposits categorised as time deposits, call deposits, structured deposits and investment in financial products (collectively referred to as "**Time Deposits**") during the period from 1 October 2019 to 31 December 2022 ("**Period Concerned**"). Out of these, twenty deposits were pledged to certain banks in favour of third parties outside the Group (the "**Borrowers II**") (the "**Incident Transaction II**"). Such Time Deposits under Incident Transaction II were historic in nature (having taken place in the period from late September 2019 to August 2022) and have matured, and were not subject to any appropriation and enforcement by the relevant banks.

In other words, the Time Deposits under Incident Transaction II were safely returned to the Group before 31 December 2022. The Group did not recognise any financial impact in respect of financial guarantees issued for Incident Transaction II from their initial inception and upon maturity of these financial guarantees during the Period Concerned.

The Newly-Constituted Board has advised that, as at the date of approval of these consolidated financial statements, certain personnel involved in the application and approval process of the Time Deposits under the Incident Transactions I and II (collectively, "**Involved Parties**") had left the Group, they were unable to contact the Involved Parties who retained the essential records and supporting explanations relating to the Incident Transactions I and II after the Involved Parties' departure. These records include but not limited to certain documentations, such as pledged agreements, the Group's credit risk assessments on Borrowers I and II (collectively referred as the "**Specific Records**"). Despite their best efforts to obtain and preserve the Specific Records, the Newly-Constituted Board were unable to locate these Specific Records relating to the Incident Transaction I and II and they have very limited knowledge about the details of Incident Transactions I and II. The Newly-Constituted Board were unable to access these Specific Records and ascertain whether they were initially missing or if they had been modified as a result of the Involved Parties' departure.

Except for the pledged agreements relating to Incident Transaction I that were made available to us in November 2022 and the subsequent audit confirmation arranged to banks and Xinyuan (China) which were returned to us during our audit for the year ended 31 December 2022, there was also no other internal or external information was available to us during the course of audit for the year ended 31 December 2021, indicating that certain bank balances were being pledged as at 31 December 2021.

From our open-source background research and public research performed on the Borrowers I and II and compared the former and current key personnel of the Group, we were identified that certain former key personnel of the Group were also the existing or former directors and senior management of certain Borrowers I and II of Incident Transactions I and II.

However, as at the date of approval of these consolidated financial statements, the Involved Parties of the Group and certain personnel of Xinyuan (China) had resigned from their positions which we were unable to conduct interviews with them and obtain any information about the Incident Transactions I and II from them and the existing personnel of the Group including New-Constituted Board have very limited knowledge about the details of the Incident Transaction I and II, we were unable to obtain the Specific Records and sufficient explanation about the substance and other details of the Incident Transactions I and II.

As a result of the above matters, we were unable to obtain sufficient appropriate audit evidence to ascertain the followings:

(i) the financial impact on the opening balances from Incident Transactions I and II. International Financial Reporting Standard ("**IFRS**") 9 "Financial Instruments" requires the initial recognition of financial guarantees issued by the Group at fair value and measurement of the loss allowance thereon based on assessment of changes in credit risk of Borrowers I and II at each reporting date. No sufficient appropriate audit evidence relating to the credit risk of Borrowers I and II such as the original Group management's credit risk assessments on Borrowers I and II, with the corresponding supporting documents and management's explanatory materials, were available to us to ascertain the initial recognition of financial guarantee contracts and the measurement of the loss allowance during the year ended 31 December 2021. As a result, the opening balances in respect of bank balances and financial guarantee contracts were not restated;

(ii) the financial impact on the consolidated profit or loss for the year ended 31 December 2022 and the corresponding comparative figures in respect of financial guarantees issued under Incident Transaction I and II. IFRS 9 requires the initial recognition of financial guarantees issued by the Group at fair value on initial recognition and measurement of the loss allowance thereon based on assessment of changes in credit risk of Borrowers I and II at each report date. The financial guarantees would be derecognised upon maturity. No sufficient appropriate audit evidence relating to the credit risk of Borrowers I and II such as the original Group management's credit risk assessments on Borrowers I and II, with the corresponding supporting documents and management's explanatory materials, were available to us to ascertain the initial recognition of financial guarantee contracts, the measurement of the loss allowance and derecognition during the year ended 31 December 2022 and the corresponding comparative period; and

(iii) whether the loss allowance on the Incident Transaction I recognised in the consolidated profit or loss for the year ended 31 December 2022 is appropriate. The Group recorded a loss on Pledges of approximately RMB398,847,000 during the year ended 31 December 2022. No sufficient appropriate audit evidence was made available to us to ascertain to what extent the loss allowance that may be related to the corresponding comparative period.

Because of the above limitations, we were unable to make reasonable judgement on whether any of the loss allowance recognised by the Group for the year ended 31 December 2022 should have been recorded in the consolidated statement of profit or loss and other comprehensive income of the corresponding comparative periods, and we were also unable to determine whether any other adjustments might have been found necessary in respect of the Incident Transaction I and II and the elements making up the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 December 2022 and the related disclosures.

In addition, due to the absence of sufficient appropriate supporting documents and more detailed explanations in relation to the accounting records in connection to the opening balances and comparative information made available to the Newly-Constituted Board from the former directors of the Group in respect of the Incident Transaction I and II, we were unable to obtain sufficient appropriate audit evidence over the account balances as at 31 December 2021 and notes to consolidated financial statements of the Group for the year then ended. Any adjustments that might have been found necessary to the Group's consolidated statement of financial position as at 31 December 2021 and 1 January 2022 would have a consequential effect on the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 December 2022 and the related disclosures.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standard Board ("**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

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.

Moore CPA Limited
Certified Public Accountants

Hung, Wan Fong Joanne
Practising Certificate Number: P05419

12 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
REVENUE	5	**686,498**	770,176
Cost of sales		**(457,178)**	(504,019)
Gross profit		**229,320**	266,157
Other income and gains	6	**27,828**	26,139
Administrative expenses		**(69,891)**	(73,005)
Provision for impairment on financial assets and contract assets (other than related parties)	7	**(39,685)**	(1,966)
Provision for impairment on financial assets and contract assets (related parties)	7	**(232,241)**	(30,446)
Loss related to Pledges	7	**(200,565)**	–
Interest on lease liabilities	14(b)	**(112)**	(137)
Change in fair value of financial assets at fair value through profit or loss ("**FVTPL**")	21	**(9,912)**	–
Other expenses		**(2,248)**	(5,683)
Impairment of investment in a joint venture	16	**–**	(1,370)
Share of profit/(loss) of:			
A joint venture	16	**–**	(4,367)
Associates	17	**287**	166
(Loss)/profit before income tax	7	**(297,219)**	175,488
Income tax expense	10	**(36,912)**	(51,418)
(Loss)/profit and total comprehensive (loss)/income for the year		**(334,131)**	124,070
(Loss)/profit and total comprehensive (loss)/income for the year attributable to:			
Equity holders of the Company		**(334,265)**	122,570
Non-controlling interests		**134**	1,500
		(334,131)	124,070
		RMB	RMB
(Loss)/earnings per share attributable to the equity holders of the Company			
– Basic	12	**(58.90) cents**	22.21 cents
– Diluted	12	**(58.90) cents**	21.65 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**8,742**	9,608
Goodwill	30	**3,090**	3,090
Right-of-use assets	14(a)	**3,893**	1,859
Other intangible assets	15	**3,327**	2,197
Investment in a joint venture	16	**–**	–
Investments in associates	17	**402**	1,523
Prepayment to a related party	20	**89,073**	89,073
Payments to related parties	20	**–**	191,469
Loan to a related party	20	**–**	40,131
Deferred tax assets	26	**21,954**	12,033
Total non-current assets		**130,481**	350,983
CURRENT ASSETS			
Payments to related parties	20	**117,445**	–
Loan to a related party	20	**24,465**	–
Trade and bill receivables	18	**198,637**	258,152
Contract assets	19	**45,551**	62,105
Deposits, prepayments and other receivables	20	**225,895**	61,582
Financial assets at FVTPL	21	**30,992**	40,904
Time deposits	22	**–**	397,330
Cash and cash equivalents	22	**258,237**	321,719
Total current assets		**901,222**	1,141,792
CURRENT LIABILITIES			
Trade payables	23	**112,485**	102,900
Other payables and accruals	24	**212,805**	249,890
Contract liabilities	25	**109,359**	138,815
Lease liabilities	14(b)	**1,868**	1,393
Tax payable		**72,211**	74,087
Total current liabilities		**508,728**	567,085

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NET CURRENT ASSETS		**392,494**	574,707
TOTAL ASSETS LESS CURRENT LIABILITIES		**522,975**	925,690
NON-CURRENT LIABILITIES			
Lease liabilities	14(b)	**2,115**	692
Deferred tax liabilities	26	**7,547**	10,106
Total non-current liabilities		**9,662**	10,798
Net assets		**513,313**	914,892
EQUITY			
Share capital	27	**5**	5
Reserves	28	**510,501**	911,533
Total equity attributable to equity holders of the Company		**510,506**	911,538
Non-controlling interests		**2,807**	3,354
Total equity		**513,313**	914,892

The consolidated financial statements on pages 96 to 225 were approved and authorized for issue by the Board of Directors on 12 March 2024 and are signed on its behalf by:

SHEN Yuan-Ching
Director

WANG Yong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to equity holders of the Company							
	Share capital RMB'000	Share premium* RMB'000 *(Note 28)*	Other reserve* RMB'000 *(Note 28)*	PRC reserve funds* RMB'000 *(Note 28)*	Retained earnings* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2021	5	563,285	(132,303)	25,197	339,849	796,033	1,854	797,887
Profit and total comprehensive income for the year	–	–	–	–	122,570	122,570	1,500	124,070
Placing of new shares *(Note 27)*	–**	31,118	–	–	–	31,118	–	31,118
Equity-settled share-based payments *(Note 29)*	–**	–	9,378	–	–	9,378	–	9,378
Dividends *(Note 11)*	–	–	–	–	(47,561)	(47,561)	–	(47,561)
At 31 December 2021 and 1 January 2022	**5**	**594,403**	**(122,925)**	**25,197**	**414,858**	**911,538**	**3,354**	**914,892**
Loss and total comprehensive loss for the year	**–**	**–**	**–**	**–**	**(334,265)**	**(334,265)**	**134**	**(334,131)**
Disposal of a subsidiary *(Note 31)*	**–**	**–**	**–**	**–**	**–**	**–**	**(681)**	**(681)**
Vesting of awarded shares *(Note 29)*	**–**	**34,400**	**(34,400)**	**–**	**–**	**–**	**–**	**–**
Dividends *(Note 11)*	**–**	**–**	**–**	**–**	**(66,767)**	**(66,767)**	**–**	**(66,767)**
At 31 December 2022	**5**	**628,803**	**(157,325)**	**25,197**	**13,826**	**510,506**	**2,807**	**513,313**

* These reserve accounts comprise the consolidated reserves of RMB510,501,000 (2021: RMB911,533,000) in the consolidated statement of financial position.

** Amount less than RMB1,000.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before income tax		**(297,219)**	175,488
Adjustments for:			
Interest income	*6*	**(13,363)**	(19,759)
Share of loss of a joint venture	*16*	**–**	4,367
Share of profit of associates	*17*	**(287)**	(166)
Loss on disposal of items of property, plant and equipment	*7*	**32**	211
Loss on disposal of an associate	*17*	**244**	–
Loss on disposal of a subsidiary	*31*	**58**	–
Depreciation and amortization	*7*	**4,127**	3,728
Provision for impairment on financial assets and contract assets (other than related parties)	*7*	**39,685**	1,966
Provision for impairment on financial assets and contract assets (related parties)	*7*	**232,241**	30,446
Loss related to Pledges	*7*	**200,565**	–
Written-off of trade receivables		**–**	400
Impairment of investment in a joint venture	*16*	**–**	1,370
Interest on lease liabilities	*14(b)*	**112**	137
Change in fair value of financial assets at FVTPL	*21*	**9,912**	549
Foreign exchange differences, net	*7*	**(7,790)**	4,826
Equity-settled share-based payments	*29*	**–**	9,378
Operating cash flows before movements in working capital		**168,317**	212,941
Increase in trade and bill receivables		**(83,031)**	(25,816)
Increase in contract assets		**(18,569)**	(41,211)
Decrease/(increase) in deposits, prepayments and other receivables		**296,982**	(242,359)
(Decrease)/increase in contract liabilities		**(29,433)**	14,681
Increase in trade payables		**9,585**	58,865
(Decrease)/increase in other payables and accruals		**(36,517)**	36,265
Cash generated from operations		**307,334**	13,366
Income tax paid		**(51,257)**	(42,943)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES		**256,077**	(29,577)

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**9,523**	16,304
Purchase of financial assets at FVTPL	*21*	**–**	(41,453)
Purchases of property, plant and equipment	*13*	**(1,538)**	(3,096)
Purchases of intangible assets	*15*	**(1,400)**	(1,448)
Investments in bank time deposits		**(267,185)**	(1,013,130)
Redemption of bank time deposits investments		**265,660**	1,153,600
Pledges enforced by bank		**(263,801)**	–
Loan advanced to related party		**–**	(48,000)
Fund transfers to related parties		**–**	(225,825)
Fund transfers from related parties		**–**	225,825
Proceeds from disposal of an associate	*17*	**1,164**	–
Net cash outflows from disposal of a subsidiary	*31*	**(1,266)**	–
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES		**(258,843)**	62,777
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of lease liabilities	*14(b)*	**(1,743)**	(1,552)
Dividend paid by the Company	*11*	**(66,767)**	(47,561)
Placing of new shares under general mandate	*27*	**–**	31,118
NET CASH USED IN FINANCING ACTIVITIES		**(68,510)**	(17,995)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(71,276)**	15,205
Cash and cash equivalents at beginning of year		**321,719**	311,340
Effect of exchange rate changes		**7,790**	(4,826)
CASH AND CASH EQUIVALENTS AT END OF YEAR	*22*	**258,233**	321,719

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. CORPORATE AND GROUP INFORMATION

The Company was incorporated on 13 December 2018 in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The trading in shares of the Company has been suspended since 16 November 2022. The registered office of the Company is located at the offices of P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The principal place of business is located at Unit B, 17/F, United Centre, 95 Queensway, Admiralty, Hong Kong.

The Company is an investment holding company. During the year, the Company's subsidiaries were involved in the following principal activities:

- Property management services
- Value-added services
- Pre-delivery and consulting services

The ultimate holding company of the Company is Xinyuan Real Estate Co., Ltd. (the "**Ultimate Holding Company**"), a company established in the Cayman Islands and its shares are listed on the New York Stock Exchange.

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), which includes all applicable individual IFRSs, International Accounting Standards ("**IASs**") and interpretations issued and approved by the International Accounting Standard Board ("**IASB**"), the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**").

The consolidated financial statements have been prepared under the historical cost convention except for certain financial instruments which are measured at fair values at the end of the reporting period, as explained in the accounting policies set out below.

The consolidated financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated, which is the same as the functional currencies of the Company and its subsidiaries. All values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

2.1 BASIS OF PREPARATION (CONTINUED)

The preparation of the consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 3.

Suspension of trading of shares of the Company

Since 16 November 2022, the trading of the Company's shares on the Stock Exchange was suspended. According to the announcement dated 15 November 2022, the directors of the Company discovered certain bank balances of the Group were pledged (the "**Pledges**") to secure loan facilities of Xinyuan (China) Real Estate Co., Ltd.* (鑫苑 (中國) 置業有限公司) ("**Xinyuan (China)**"), a subsidiary of the Ultimate Holding Company, and certain companies which are not part of the Group (the "**Incident Transaction I**"). The Incident Transaction I involved four bank balances which were pledged as at 31 December 2021 and 2022 of approximately RMB267,330,000 and RMB135,050,000 respectively.

On 18 November 2022, the Company announced the formation of an independent investigation committee (the "**IIC**") comprising of two executive directors, namely Mr. Shen Yuan-Ching and Mr. Wang Yong, and all independent non-executive directors of the Company. The purpose of forming the IIC is to, among other things:

(i) carry out an independent investigation into the matters arising from the Incident Transaction I and to ascertain the affairs relating to such transactions;

(ii) consider the appointment and engagement of independent investigator(s) and/or independent professional adviser(s) for the purposes of the independent investigation;

(iii) provide advice and recommendations to the Group on any actions to be taken by the Group in accordance with the results and findings of the investigation; and

(iv) cooperate proactively with the Stock Exchange.

Listing Status of the Company

By way of letter dated 24 November 2022, the Stock Exchange imposed the following resumption guidance (the "**Resumption Guidance**") for the Company:

(a) conduct an independent forensic investigation (the "**Investigation**") into the Incident Transaction I, assess the impact on the Company's business operation and financial position, announce the findings and take appropriate remedial actions;

2.1 BASIS OF PREPARATION (CONTINUED)

Listing Status of the Company (Continued)

(b) demonstrate that there is no reasonable regulatory concern about management integrity and/or the integrity of any persons with substantial influence over the Company's management and operations, which may pose a risk to investors and damage market confidence;

(c) conduct an independent internal control review ("**Internal Control Review**") and demonstrate that the Company has in place adequate internal controls and procedures to meet obligations under the Listing Rules; and

(d) inform the market of all material information for the Company's shareholders and investors to appraise the Company's position.

The Stock Exchange has stated that the Company must meet all Resumption Guidance, remedy the issue(s) causing its trading suspension and fully comply with the Listing Rules to the Stock Exchange's satisfaction before trading in its securities is allowed to resume.

The Stock Exchange imposed additional resumption guidance (the "**Additional Resumption Guidance**") for the Company. For details, please refer to the announcements made by the Company dated 24 November 2022, 24 April 2023, 21 June 2023 and 15 November 2023.

The Stock Exchange required the Company to remedy the issues causing its trading suspension and fully comply with the Listing Rules to the Stock Exchange's satisfaction before trading in its securities is allowed to resume and, for this purpose, the Company has the primary responsibility to devise its action plan for resumption. The Stock Exchange also indicated that it may modify or supplement the Resumption Guidance if the Company's situation changes. Under Rule 6.01A(1) of the Listing Rules, the Stock Exchange may cancel the listing of any securities that have been suspended from trading for a continuous period of 18 months. In the case of the Company, the 18-month period will expire on 15 May 2024. If the Company fails to remedy the issue causing its trading suspension, fulfill the Resumption Guidance and fully comply with the Listing Rules to the Stock Exchange's satisfaction and resume trading in its shares by 15 May 2024, the Listing Division of the Stock Exchange will recommend the Listing Committee of the Stock Exchange to proceed with the cancellation of the Company's listing. Under Rules 6.01 and 6.10 of the Listing Rules, the Stock Exchange also has the right to impose a shorter specific remedial period, where appropriate.

2.1 BASIS OF PREPARATION (CONTINUED)

Investigation

An independent investigation advisor ("**Advisor**") was appointed on 10 January 2023 by the IIC as an independent forensic investigation advisors to conduct the Investigation and an independent internal control reviewer on the Internal Control Review to meet its resumption requirements as disclosed in "Listing Status of the Company".

Advisor issued a report in relation to its findings on the Investigation on 15 August 2023. Key findings on the Investigation and Internal Control Review have been announced by the Company on 15 August 2023 and 15 November 2023 respectively.

Scope of the Investigation

The primary scope of the Investigation included identifying, preserving and reviewing evidence which was centred around the Incident Transaction I.

Key findings of the Investigation

The Incident Transaction I were made without the knowledge of current executive directors of the Company. Based on the written confirmation by Xinyuan (China), the Pledges were entered into by the Group with Zhengzhou Yusheng Garden Design Company Limited (a subsidiary of the Ultimate Holding Company of the Company), and its two business partners (collectively, the "**Borrowers I**"). As the bank loans were not repaid upon their respective maturity dates during and subsequent to the year ended 31 December 2022 so that the Group's bank deposits have been enforced by the relevant banks under the unauthorised financial guarantee arrangements. Details of the Pledges are as follows:

Banks	**Borrowers**	**Bank deposits pledged as at 31 December 2021** RMB'000	**Bank deposits being pledged during the year ended 31 December 2022** RMB'000	**Bank deposits being enforced during the year ended 31 December 2022** RMB'000	**Bank deposits being enforced after 31 December 2022** RMB'000
Zhengzhou Bank Weier Road Branch ("**ZZ Bank WE**")	Jiangniu *(Note 1)*	172,800	–	(169,271)	–
Huaxia Bank Nongye Road Branch ("**HX Bank NY**")	Senrui *(Note 2)*	94,530	–	(94,530)	–
Zhengzhou Bank Weilai Road Branch ("**ZZ Bank WL**")	Jiangniu *(Note 1)*	–	73,170	–	(73,170)
ZZ Bank WL	Yusheng Garden *(Note 3)*	–	61,880	–	(61,876)
		267,330	135,050	(263,801)	(135,046)

2.1 BASIS OF PREPARATION (CONTINUED)

Investigation (Continued)

Key findings of the Investigation (Continued)

Notes:

1. Zhengzhou Jiangniu Trading Company Limited (鄭州犟牛貿易有限公司) ("**Jiangniu**"), a PRC private company and the business partner of Xinyuan (China).

2. Jiyuan Senrui Industry Co., Ltd (濟源市森瑞實業有限公司) ("**Senrui**"), a PRC private company and the business partner of Xinyuan (China).

3. Zhengzhou Yusheng Garden Design Company Limited (鄭州豫晟園林設計有限公司), a subsidiary of the Ultimate Holding Company, and a fellow subsidiary of the Company.

Except for the deposits relating to Incident Transaction I, twenty-eight deposits were historic in nature (having taken place in the period from late September 2019 to August 2022) and have matured before 31 December 2022. Out of these, twenty deposits were pledged ("**Additional Pledges**") and were not subject to any appropriation and enforcement by the relevant banks. In other words, total twenty-eight of the thirty-two deposits identified were safely returned to the Group before 31 December 2022.

The execution of the Additional Pledges ("**Incident Transaction II**") involved certain former employees and directors of the Group and former employees of Xinyuan (China) and third parties outside the Group (collectively, the "**Involved Parties**"). The arrangements were made without the knowledge of current executive directors.

2.1 BASIS OF PREPARATION (CONTINUED)

Investigation (Continued)

Key findings of the Investigation (Continued)

Based on the Investigation, Advisor has highlighted certain weaknesses in the implementation of the Company's internal control policies or procedures and demonstrate that certain areas with respect to the authorisation, management and oversight of financial transactions as well as monitoring of the company seal and legal representative chop, should be improved. These issues pertain to the:

(a) Management of connected transactions;

(b) Treasury management of funds;

(c) Management of financial investments;

(d) Management of credit and loan processes;

(e) Provision of collateral, security and guarantee;

(f) Administration of the company seal and legal representative chop; and

(g) General record-keeping and document management.

IIC's view on Investigation report

The IIC has reviewed and accepted the key findings of the Investigation, which covered the Group's subsidiaries for the period from 1 October 2019 to 31 December 2022. Having considered that,

(i) the Involved Parties of the Group and Xinyuan (China) had resigned from their positions;

(ii) the existing personnel of the Group have very limited knowledge about the details of the Pledges and Additional Pledges; and

(iii) save for the Additional Pledges revealed in the Investigation report, the Group has not been notified of any other similar transactions involving other parties not previously known to the Group.

The IIC considered that the scope of the Investigation is adequate. The board of directors shared the same views of the IIC towards the findings and scope of the Investigation report.

2.1 BASIS OF PREPARATION (CONTINUED)

Investigation (Continued)

IIC's view on Investigation report (Continued)

During the course of the preparation of the consolidated financial statements of the Company for the year ended 31 December 2022, the board of directors considered the relevant information and supporting evidence available and used their best effort to estimate the relevant financial impact of the matters identified in the Investigation. The consequential effect, as disclosed in "Financial impact of the Incident Transaction I and Incident Transaction II" following the Investigation, after taking into account those disclosed in "Recovering loss from the Incident Transaction I" below, was reflected in the consolidated statement of financial position as at 31 December 2022 and the consolidation profit or loss and cash flow for the year then ended.

Internal Control Review

Advisor has reviewed and validated the Company's systems and controls related to connected transactions (related to connected party fund lending, secured credit and debt financing), centralized management of funds (internal transfer), bill management, secured credits management, wealth product management, financing management, archives management, and seal management and has completed its review into the relevant matters during the period from 1 January 2022 up to 31 March 2023 (the "**Internal Control Review**"). Certain recommendations on enhanced internal controls were provided after the Internal Control Review. A follow-up review in October 2023 was carried out by Advisor to verify the implementation status of the remedial actions taken by the Company during the period from 1 April 2023 to 15 October 2023. Save for further points as set out below, Advisor is of the view that the Company has fully adopted and implemented the recommended remediation measures which are adequate and effective in addressing the deficiencies identified in the Internal Control Review.

(a) Further clarification of the mechanism for collating and updating information on connected persons of the Group;

(b) Improving version control of the Company's policies, to keep track of relevant updates made to the policies and the effective dates;

(c) Strengthening relevant training on use and management of seal and imposing more stringent requirements to regulate use of the seal; and

(d) Establishing a record for archive destruction.

2.1 BASIS OF PREPARATION (CONTINUED)

Recovering loss from the Incident Transaction I

As announced by the Company on 18 April 2023, the Company and its board of directors have been working with its legal advisors to take all necessary and appropriate steps to enforce its rights and recover the outstanding amounts owed with respect to the Pledges, in order to remediate the situation and to safeguard the interests of the Company's shareholders.

On 17 April 2023, a subsidiary of the Company and the Company (collectively, the "**Claimants**") have filed a Notice of Arbitration (the "**Notice of Arbitration**") with the Hong Kong International Arbitration Centre ("**HKIAC**") against Xinyuan (China), as respondent, in respect of the dispute arising from the Pledges. In the arbitration, the Company seeks recovery of any loss and/or damage suffered by the Company with respect to the Pledges.

The final and legally binding arbitral award in the arbitration, dated 13 October 2023, has been issued by the HKIAC. Specifically, the arbitral award provided that, Xinyuan (China):

– is liable to immediately pay the Group the loss suffered, including the total deposit principal of RMB402,380,000, interest losses of approximately RMB24,438,000 on the principal of the time deposits, and costs and expenses the Group incurred in reviewing and investigating the matter (amongst others) totalling approximately HK$3,593,000;

– shall transfer to the Group certain non-cash assets, and immediately pay the Group in cash the difference between the abovementioned funds and the value of the non-cash assets provided as declared by the Tribunal; and

– shall bear the costs of the arbitration.

Financial impact of the Incident Transaction I and Incident Transaction II

The Time Deposits under Incident Transaction I of approximately RMB267,330,000 as at 31 December 2021 were included in the published consolidated statement of financial position as at 31 December 2021, as "Time deposits". No adjustment or additional disclosures were made to the opening balance of the year ended 31 December 2022.

The enforcement of the Time Deposits under Incident Transaction I by the banks in November 2022 and subsequent to the year ended 31 December 2022 resulting in the "Loss on Pledges" of approximately RMB398,847,000 was recorded under "Loss related to Pledges" (Note 7) in the profit or loss for the year ended 31 December 2022.

2.1 BASIS OF PREPARATION (CONTINUED)

Financial impact of the Incident Transaction I and Incident Transaction II (Continued)

Meanwhile, Xinyuan (China) has confirmed the use of banking facilities related to Incident Transaction I for its own operation and committed to compensate the Group with their assets, including but not limited to cash, at their written response to the Company on 30 November 2022. The directors of the Company, taking into consideration of this written response, recognised the "recovery from the loss on the Pledges" under "Loss related to Pledges" (Note 7) in the profit or loss and "Other receivables – receivables related to Pledges" (Note 20(f)) accordingly.

At 31 December 2022, the provision for impairment on such balance amounting to approximately RMB200,565,000 was made under "Loss related to Pledges" (Note 7).

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. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns. When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (Continued)

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (Continued)

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. Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the equity shareholders of the Company.

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.

In the Company's statement of financial position, investments in subsidiaries is stated at cost less impairment losses (see Note 2.4(d)), unless the investment is classified as held for sale.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The principal accounting policies and methods of computation used by the Group in the preparation of the consolidated financial statements for the year ended 31 December 2022 are consistent with those adopted in the consolidated financial statements for the year ended 31 December 2021, except for the adoption of the amendments to IFRSs as explained in below.

Adoption of amendments to IFRSs

In the current year, the Group has adopted for the first time the following amendments to IFRSs issued by IASB, which are mandatorily effective for the Group's consolidated financial statements for the accounting period beginning on 1 January 2022:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, plant and equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018–2020 Cycle

The adoption of the above amendments to IFRS has had no material impact on the Group's financial performance and position for the current and prior periods and/or the disclosures set out in the consolidated financial statements.

2.3 NEW OR AMENDMENTS TO IFRSs NOT YET EFFECTIVE

The following are new or amendments to IFRSs that have been issued, but are not yet effective and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IAS 12	International Tax Reform – Pillar Two Model Rules	1 January 2023
IFRS 17 (including the October 2020 and February 2022 Amendments to IFRS 17)	Insurance Contracts and the related Amendments	1 January 2023
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 21	Lack of Exchangeability	1 January 2025
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

* The amendments were original intended to be effective for annual periods beginning on or after 1 January 2020. The effective date has now been deferred. Early adoption of the amendments continues to be permitted.

The Group has already commenced an assessment of the related impact to the Group of the above new or amendments that are relevant to the Group upon initial adoption. According to the preliminary assessment made by directors of the Company, management does not anticipate any significant impact on the Group's financial position and results of operations.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Investments in associates and joint ventures

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

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

Investments in associates and joint venture are accounted for using equity method. Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of post-acquisition profits or losses and movements in other comprehensive income included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Investments in associates and joint venture are accounted for using the equity method from the date on which the investees become associate and joint venture. On acquisition of the investment in associates and joint ventures, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment.

Unrealised gains and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's investments in the associates and joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred.

Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the equity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Investments in associates and joint ventures (Continued)

The Group assesses whether there is an objective evidence that the investments in associates and joint ventures may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with the policy described in Note 2.4(d).

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

(b) Business combinations and goodwill

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed. If the test is not met, or if the acquirer elects not to apply the test, the Group shall then perform the assessment to determine if the inputs and substantive process that together significantly contribute to the ability to create output are present to determine whether the set of activities and assets is a business.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Business combinations and goodwill (Continued)

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Business combinations and goodwill (Continued)

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

(c) Fair value measurement

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Fair value measurement (Continued)

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing 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.

(d) Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only in the profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of the impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. The reversal of the impairment loss is credited to the profit or loss in the year in which it arises.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) 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)

(e) Related parties (Continued)

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and included that person's children and spouse or domestic partner;

(i) children of that person's spouse or domestic partner; and

(ii) dependents of that person or that person's spouse or domestic partner.

(f) Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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 useful lives for this purpose are as follows:

Structures	3 to 10 years
Transportation equipment	5 to 10 years
Office equipment	3 to 5 years
Machinery equipment	3 to 10 years
Leasehold improvements	3 years

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Property, plant and equipment and depreciation (Continued)

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

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

(g) 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 intangible assets with a finite useful life are reviewed at least at each financial year end.

The principal estimated useful lives for this purpose are as follows:

Computer software	10 years

Intangible assets are test for impairment as described in Note 2.4(d) to the consolidated financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Leases

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.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

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

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Leases (Continued)

Group as a lessee (Continued)

(a) Right-of-use assets (Continued)

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 other than adjustments to lease liabilities resulting from Covid-19-related rent concessions in which the Group applied the practical expedient.

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. 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.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

(b) Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 Financial Instruments (“**IFRS 9**”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Leases (Continued)

Group as a lessee (Continued)

(c) *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, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Leases (Continued)

Group as a lessee (Continued)

(d) 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.

(e) Lease modifications

Except for Covid-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Leases (Continued)

Group as a lessee (Continued)

(f) Covid-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the COVID-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and

- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way as if the changes are not lease modifications. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

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 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 assets to the lessee are accounted for as finance leases.

The Group did not have any finance lease which it acts as a lessor.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Investments and other financial assets

Financial assets

Financial assets are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Classification and subsequent measurement of financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("**FVTOCI**") and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flows 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 FVTPL, transaction costs. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognised immediately in profit or loss. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 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, 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 FVTPL, 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 FVTOCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Investments and other financial assets (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in OCI if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

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.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Group's financial assets at amortised cost include loan to a related party, trade receivables, deposits and payments and other receivables.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Investments and other financial assets (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVOCI or designated as FVOCI are measured at FVPL.

Financial assets at FVPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "Other income" line item.

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 statements 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)

(i) Investments and other financial assets (Continued)

Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost. Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12-m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets. For all other financial assets, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

The Group considers the probability of default upon initial recognition of, a financial asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in external credit rating of the debtors;

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtors' ability to meet their obligations;

- actual or expected significant changes in the operating results of the debtors;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Investments and other financial assets (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

- significant increases in credit risk on other financial instruments of the same debtor; and

- significant changes in the expected performance and behaviour of the debtors, including changes in the payment status of debtors and changes in the operating results of the debtors.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Note 35(a) details how the Group determines whether there has been a significant increase in credit risk. The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Investments and other financial assets (Continued)

Impairment of financial assets (Continued)

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Investments and other financial assets (Continued)

Impairment of financial assets (Continued)

Measurement and recognition of ECL (Continued)

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the basis:

- Past-due status; and
- Nature, size and industry of debtors.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

For trade receivables and contract assets, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets. The ECL on trade receivables and contract assets are assessed individually for debtors with significant balances and collectively for other debtors based on the Group's internal credit rating, historical credit loss experience and expected settlement dates, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

At every reporting date, the estimated default rates are reassessed and changes in the forward-looking estimates are considered.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-m ECL at the current reporting date.

ECL is measured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Financial liabilities

Classification and subsequent measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, 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 payables, other payables and accruals and lease liabilities.

After initial recognition, the financial liabilities are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost.

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 ("**EIR**"). The EIR amortisation is included as finance costs in profit or loss.

Derecognition of financial liabilities

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

When an existing financial liability is renegotiated in such a way that the liability is extinguished fully or partially by issuing equity instruments, it is accounted for as an extinguishment of the original financial liability and a recognition of equity instrument at the fair value upon issue with the difference between the carrying amount of the financial liability (or part of the financial liability) extinguished and the consideration paid (being the fair value of the equity instruments issued), recognised to 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Cash and cash equivalents and term deposits

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Bank deposits with initial terms of over three months are included in "term deposits" in the consolidated statement of financial position, are excluded from cash and cash equivalents.

(l) 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 profit or loss.

(m) Income tax

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Income tax (Continued)

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the 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 carry forward 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, associates, and joint venture, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Income tax (Continued)

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 asset and current tax liabilities and the deferred tax assets and deferred tax liabilities relating 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.

(n) Government grants

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

(o) Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- The Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Revenue from contracts with customers (Continued)

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer that is not yet conditional. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment in accordance with IFRS 9, details of which are included in the accounting policies for impairment of financial assets. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

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).

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

Contract costs

Other than the costs which are capitalised as 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:

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Revenue from contracts with customers (Continued)

Contract costs (Continued)

Contracts with multiple performance obligations (including allocation of transaction price)

If contracts involve the sale of multiple services, the transaction prices will be allocated to each performance obligation based on their relative stand-alone selling prices.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer, which is estimated based on expected cost plus a margin or an adjusted market assessment approach, depending on the availability of observable information.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Revenue from contracts with customers (Continued)

Contract costs (Continued)

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

The Group provides property management services, value-added services and pre-delivery and consulting services. Revenue from contracts with customers is recognised when services are rendered to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services.

Depending on the terms of the contracts and the laws that apply to the contract, services may be recognised over time or at a point in time.

Property management services

Property management services mainly includes security, cleaning, greening, repair and maintenance and file management services to owners or tenants of properties.

The Group recognises certain property management service under lump sum basis and under commission basis.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Revenue from contracts with customers (Continued)

Property management services (Continued)

For revenue from the property management services is recognised in the accounting period in which the services are rendered as the customers simultaneously receives and consumes the benefits provided by the Group's performance when the Group performs. The Group bills a fixed amount for services provided on a monthly basis and recognises as revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed. Accordingly, revenue is recognised on a straight-line basis over the specified period unless there is evidence that some other methods better represents the stage of completion, and the cost of services is recognised as incurred in connection with performing such services.

For property management services income from properties managed under a lump sum basis, where the Group acts as principal and is primarily responsible for providing the general property management services to the property owners by on-site staff which the labour costs are borne by the Group. Other expenses associated with general management services are borne by the Group. If the amount of general property management fees received is not sufficient to cover all the expenses incurred, the Group is not entitled to request the property owners to pay the Group the shortfall. The Group recognises the fee received or receivable from property owners as its revenue and all related property management costs as its cost of services.

For property management services income from properties managed under a commission basis, the general property management services are delivered by on-site staff which the labour costs are borne by the property owners, the Group acts as an agent and is primarily responsible for arranging and monitoring the services as provided by labours and other suppliers to the property owners. Expenses associated with general management services are covered by the balance of the gross general property management fees paid by the property owners after deducting the commissions payable to the Group. The Group is not responsible for any shortfall if the amount of general property management fees received is not sufficient to cover all the associated expenses incurred. All shortfall or surplus are assumed or entitled by the property owners. The Group recognises the commission, which is calculated by a certain percentage of the total property management fee received or receivable from the property owners.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Revenue from contracts with customers (Continued)

Value-added services

The value-added services mainly include the community area resources management services, property improvement services and utility expense collection services. Payment of these transaction is due immediately when the value-added services are rendered to the property owners.

The Group provides community area resources management services, which is leasing common spaces and public facilities owned by property owners to third parties and the provision of common area resources maintenance and management services, revenue is recognised over time when the relevant services are rendered, as the customer simultaneously receives and consumes the benefits provided by the Group.

For property improvement services, revenue is recognised over time, using an input method to measure progress towards the completion of the service, because the Group's performance enhances an asset that the customer controls as the asset is enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the property improvement services. The revenue is recognised on a gross basis as the Group acts as a principal in these transactions and is responsible for fulfilling the obligation to provide the specified goods when the goods are delivered to customers.

For utility expenses collection services, the Group acts as an agent to collect the utility expenses from the property occupants and return to relevant government bodies. Handling income which is calculated by a pre-determined cost-plus-margin approach on the utility expenses paid, is recognised at net basis at the point in time when the utility expenses are collected and returned to relevant government bodies.

Other value-added services including housekeeping, facilities and equipment maintenance for house and retail services. Revenue from housekeeping and maintenance services are recognised when the related services are rendered. Revenue from handling services provided for online platform, which is calculated by a pre-determined cost-plus-margin approach on the retail price paid, is recognised at the point in time when the control of the goods is transferred to the customers.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Revenue from contracts with customers (Continued)

Pre-delivery and consultancy services

Pre-delivery services include providing sales assistance services, for instance (i) property sales venue management services and (ii) property sales venue "warm-up" services at the pre-delivery stage and (iii) construction services to property developers. Consulting services mainly include (i) consulting service on project planning, design management and construction management to property developers at early and construction stages and (ii) referral and management services provided to property developers. The Group agrees the price for each service with the customers upfront and issues monthly or quarterly bills to the customers which varies based on the actual level of service completed.

Revenue from property sales venue management and property sales venue "warm-up" services is recognised over time, in the amount to which the Group has a right to invoice, because the customer simultaneously receives and consumes the benefits provided by the Group.

Revenue from construction services is recognised over time using the output method to estimate the progress of each performance obligation satisfied over time by reference to the value of construction works completed to date (as certified by external surveyors or evaluated by internal project managers) as a proportion of the total contract value of the relevant construction contracts.

For referral and management services provided to property developers, the Group acts as an agent in the sales agency service as the Group is not the primary obligor to provide the properties to property owners and the Group has no inventories risk of properties. Commission income which is calculated by a percentage of the sales price, is recognised at net basis at the point in time when the property is delivered to property owners.

Revenue from other sources

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)

(p) Share-based payments

The Company operates a restricted share scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("**equity-settled transactions**").

The cost of equity-settled transactions with employees is measured by reference to the fair value of the Company's equity at the date at which they are granted. The fair value is determined by an external valuer using the discounted cash flow method to determine the underlying equity fair value of the Company. Key assumptions, such as the discount rate, cash flow projections and the discount for lack of marketability, are determined by the Group with best estimates.

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

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of share-based payments scheme is reflected as additional share dilution in the computation of earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Other employee benefits

People's Republic of China ("PRC") contribution plan

Pursuant to the relevant PRC laws and regulations, each of the PRC subsidiaries of the Group is required to participate in a retirement benefit scheme organised by the local municipal government whereby the Group is required to contribute a certain percentage of the salaries of its employees to the retirement benefit scheme. The only obligation of the Group with respect to the retirement benefit scheme is to pay the ongoing required contributions. Contributions made to the defined contribution retirement benefit scheme are charged to profit or loss as incurred.

(r) 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.

(s) Dividends

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Foreign currencies

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the consolidated 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.

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

Provision of ECLs on balances with the related parties

Provision of ECLs on the balances with related parties are estimated based on assumptions about the risk of default and credit risk of counterparties, which involves high degree of estimation and uncertainty. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional provision to profit or loss.

The balances with related parties will use lifetime ECL when the credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account quantitative and qualitative reasonable and supportable forward looking information including available counterparties' historical data and existing and forecast market conditions.

ECLs on balances with related parties which are not assessed to be credit impaired are estimated based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment assessment, based on the Group's past history, existing market conditions as well as forward looking information at the end of each reporting period. In assessing forward-looking information, the Group considers factors including macroeconomic factors, industry risks and changes in debtors' conditions. Judgement is applied in identifying the most appropriate ECL model as well as for determining the assumptions used in the model, including those related to key drivers of credit risk.

The amount included in the other receivables related to Pledges is the maximum amounts the Group be required to be enforced in connection with Incident Transaction I. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that the loss amount will be repayable according to the written response from Xinyuan (China) and recovery plan. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses. So the Group measured the expected credit loss on receivables related to Pledges about RMB200,565,000.

The information about the ECL and the Group's balances with the related parties included in trade receivables, contract assets and other receivables are disclosed in Note 35(a), Note 18, Note 19 and Note 20, respectively.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

Provision of expected credit losses on trade receivables, contract assets and other receivables

The Group performs impairment assessment under ECL model on trade receivables, contract assets and other receivables individually or based on provision matrix.

Except for customers with significant balances or credit-impaired, which are assessed for impairment individually, the Group used provision matrix to calculate the ECL for its trade receivables, contract assets and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

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, 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 customer's actual default in the future. Where the actual outcome or expectation in future is different from original estimate, such differences will impact the carrying amount of trade receivables and contract assets and credit loss allowance in the period in which the estimate has been changed. The information about the ECLs on the Group's trade receivables, contract assets and other receivables are disclosed in Note 18, Note19, Note 20 and Note 35(a) to the financial statements, respectively.

Fair value of financial instruments

Where the fair value of financial assets recorded in the statements of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other 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 calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Periodic review could result in a change in depreciable lives and therefore depreciation charge in the future periods.

Deferred tax assets

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

4. OPERATING SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the chief executives of the Company.

During the year, the Group is principally engaged in the provision of property management services, value-added services and pre-delivery and consulting services to customers in the PRC. Management reviews the operating results of the business as one operating segment to make decisions about resources to be allocated. Therefore, the chief operating decision maker of the Company regards that there is only one segment which is used to make strategic decisions.

The major operating entities of the Group are domiciled in the PRC. Accordingly, all of the Group's revenue was derived in the PRC during the year.

As at 31 December 2022, all of the non-current assets were located in the PRC (2021: Same).

5. REVENUE

Revenue mainly represents consideration to which the Group expects to be entitled for the property management services, value-added services and pre-delivery and consulting services rendered to customers. An analysis of the Group's revenue by category is as follows:

(1) Disaggregation of revenue

	2022 **RMB'000**	2021 RMB'000
Revenue from contract with customers within the scope of IFRS 15, types of goods or services		
Property management services	**496,450**	446,031
Value-added services	**107,545**	148,392
Pre-delivery and consulting services	**82,503**	175,753
	686,498	770,176

5. REVENUE (CONTINUED)

(1) Disaggregation of revenue (Continued)

Revenue from contract with customers within the scope of IFRS 15 by timing of revenue recognition:

	Property management services		Value-added services		Pre-delivery and consulting services		Total	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Point in time	**–**	–	**27,761**	36,731	**8,987**	28,229	**36,748**	64,960
Over time	**496,450**	446,031	**79,784**	111,661	**73,516**	147,524	**649,750**	705,216
	496,450	446,031	**107,545**	148,392	**82,503**	175,753	**686,498**	770,176

For the year ended 31 December 2022, revenue from entities controlled by the Ultimate Holding Company amounting to approximately RMB21,377,000, RMB6,097,000 and RMB53,290,000 (2021: RMB25,507,000, RMB36,953,000 and RMB110,369,000), representing 3.11%, 0.89% and 7.76% (2021: 3.31%, 4.80% and 14.3%) to the Group's total revenue from property management services, value-added services and pre-delivery and consulting services, respectively. Other than the entities controlled by the Ultimate Holding Company, the Group had a large number of customers and none of whom contributed 10% or more to the Group's revenue for the year (2021: none).

(2) Contract liabilities

The following table shows the revenue recognised in the current year relating to carried-forward contract liabilities:

	2022	2021
	RMB'000	RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**288,218**	106,001

5. REVENUE (CONTINUED)

(3) Performance obligations

For property management services and pre-delivery and consulting services, the Group recognises revenue in the amount that equals to the right to invoice which corresponds directly with the value to the customer of the Group's performance to date.

The majority of the property management service contracts do not have a fixed term. The terms of the contracts for pre-delivery and consulting services (except for construction services) are generally set to expire when the counterparties notify the Group that the services are no longer required.

The Group has elected the practical expedient in paragraph 121 of IFRS 15 for the value-added services and construction services contracts that regarding the performance obligation that has an original expected duration of one year or less, the Group does not make disclosure in accordance with paragraph 120 of IFRS 15, that is the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period and an explanation of when the Group expects to recognise as revenue.

6. OTHER INCOME AND GAINS

	2022 **RMB'000**	2021 RMB'000
Interest income	**13,363**	19,759
Government grants *(Note (a))*	**4,706**	4,434
Foreign exchange differences, net	**7,790**	–
Others *(Note (b))*	**1,969**	1,946
	27,828	26,139

Notes:

(a) Government grants mainly represented the subsidies received from the local government in support of the business operation. There was no condition to be fulfilled by the Group in relation to the subsidies.

(b) According to the Announcement of "The Continuation of the combined tax and fee support policy – Additional VAT deduction for production and daily service industries" issued by State Taxation Administration on 9 October 2019, from 1 October 2019 to 31 December 2021, taxpayers in the daily service industry are allowed to deduct an additional 15% of the deductible input tax for the current period in the tax filing. And on 3 March 2022, the State Taxation Administration issued an extension on this policy to 31 December 2022.

7. (LOSS)/PROFIT BEFORE INCOME TAX

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

	Notes	2022 RMB'000	2021 RMB'000
Cost of services provided		**457,178**	504,019
Employee benefit expenses *(Note (c))* (excluding directors' and chief executive's remuneration included in *(Note 8)*):			
Wages and salaries		**129,275**	124,336
Equity-settled share-based payments	*29*	**–**	5,132
Pension scheme contributions *(Note (d))*		**14,258**	13,951
		143,533	143,419
Impairment of financial assets and contract assets			
– Third parties			
Provision for impairment of trade receivables	*18*	**28,657**	1,986
Provision for impairment of contract assets	*19*	**8,025**	130
Reversal of impairment of other receivables	*20(e)*	**3,003**	(150)
		39,685	1,966
– Related parties			
Provision for impairment of trade receivables	*18*	**113,824**	4,107
Provision for impairment of contract assets	*19*	**27,098**	2,657
Provision for impairment of financial assets included in payments	*20(b)*	**68,937**	15,813
Provision for impairment of other receivables	*20(e)*	**2,876**	–
Provision for impairment of loan to a related party	*20(g)*	**19,506**	7,869
		232,241	30,446
Loss related to Pledges			
– Loss on Pledges		**398,847**	–
– Recovery from loss on Pledges		**(398,847)**	–
– Provision for impairment of other receivables – receivables related to Pledges		**200,565**	–
	20(f)	**200,565**	–

7. (LOSS)/PROFIT BEFORE INCOME TAX (CONTINUED)

	Notes	2022 RMB'000	2021 RMB'000
Impairment loss on deposits, included in cost of sales	*20(d)*	**3,083**	–
Depreciation and amortisation:			
Depreciation of property, plant and equipment *(Note (e))*	*13*	**2,362**	2,165
Depreciation of right-of-use assets	*14(a)*	**1,495**	1,330
Amortisation of intangible assets	*15*	**270**	233
		4,127	3,728
Impairment of investment in a joint venture	*16*	**–**	1,370
Auditor's remuneration *(Note (a))*		**2,004**	1,311
Expenses relating to short-term leases	*14(c)*	**555**	535
Foreign exchange (gains)/losses, net *(Note (b))*		**(7,790)**	4,826
Fair value loss of financial assets at FVTPL	*21*	**9,912**	549
Loss on disposal of a subsidiary, included in other expenses	*31*	**58**	–
Written off of property, plant and equipment		**32**	211

Cost of sales dealt with in the consolidated financial statements represented cost of services provided by the Group.

Notes:

a. The amount included agreed-upon procedures services provided relating to interim results for the six months ended 30 June 2022 with approximately RMB282,000 (2021: RMB328,000).

b. Foreign exchange gain/loss was included in "other income and gains/other expenses".

c. Total employee benefit expenses of approximately RMB102,619,000 and RMB40,914,000 (2021: RMB114,546,000 and RMB28,873,000) are charged to cost of sales and administrative expenses, respectively for the year ended 31 December 2022.

d. Pursuant to an announcement issued by the Ministry of Human Resources and Social Security of the PRC, in the light of COVID-19 pandemic, certain Group entities were exempted from making employer contribution to pension, unemployment, and work-related injury insurance schemes between February and December 2021.

e. Total depreciation of property, plant and equipment of approximately RMB1,571,000 and RMB791,000 (2021: RMB1,667,000 and RMB498,000) are charged to cost of sales and administrative expenses, respectively for the year ended 31 December 2022.

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	2021
	RMB'000	RMB'000
Fees	**239**	101
Salaries, allowances and benefits in kind	**1,409**	2,170
Discretionary bonuses	**326**	1,686
Equity-settled share-based payments *(Note 29)*	**–**	4,246
Pension scheme contributions *(Note 7(d))*	**159**	52
	2,133	8,255

During the year ended 31 December 2022, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2021: Nil). Neither the chief executive nor any of the directors has waived or agreed to waive any emoluments during the year ended 31 December 2022 (2021: Nil).

Salaries, allowances and benefits in kind paid to or for the executive directors are generally emoluments in respect of those persons' other services in connection with the management of the affairs of the Company and its subsidiaries.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

Executive directors and non-executive directors

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Equity-settled share-based payments RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2022						
Executive directors						
Ms. Wang Yanbo *(Note i)*	–	664	326	–	18	1,008
Mr. Huang Bo *(Note ii)*	–	68	–	–	18	86
Mr. Feng Bo *(Note iii)*	–	207	–	–	61	268
Mr. Shen Yuan-Ching *(Note iv)*	–	377	–	–	37	414
Mr. Wang Yong *(Note v)*	–	93	–	–	25	118
	–	1,409	326	–	159	1,894
Non-executive directors						
Mr. Zhang Yong *(Note vi)*	–	–	–	–	–	–
Ms. Yang Yuyan *(Note vi)*	–	–	–	–	–	–
Mr. Tian Wenzhi *(Note vii)*	23	–	–	–	–	23
Mr. Li Yifan	103	–	–	–	–	103
Mr. Fu Shaojun *(Note viii)*	30	–	–	–	–	30
Mr. Shen Yuan-Ching *(Note iv)*	45	–	–	–	–	45
Mr. Lan Ye *(Note ix)*	19	–	–	–	–	19
Mr. Ling Chenkai *(Note ix)*	19	–	–	–	–	19
Mr. Luo Ji *(Note x)*	–	–	–	–	–	–
	239	–	–	–	–	239
2021						
Executive directors						
Ms. Wang Yanbo *(Note i)*	–	1,454	1,093	2,831	26	5,404
Mr. Huang Bo *(Note ii)*	–	716	593	1,415	26	2,750
	–	2,170	1,686	4,246	52	8,154
Non-executive directors						
Mr. Luo Ji *(Note x)*	–	–	–	–	–	–
Mr. Wang Peng *(Note xi)*	–	–	–	–	–	–
Mr. Zhang Yong *(Note vi)*	–	–	–	–	–	–
Ms. Yang Yuyan *(Note vi)*	–	–	–	–	–	–
Mr. Fu Shaojun *(Note viii)*	41	–	–	–	–	41
Mr. Li Yifan	101	–	–	–	–	101
	142	–	–	–	–	142

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

Executive directors and non-executive directors (Continued)

Notes:

(i) On 29 August 2022, Ms. Wang Yanbo resigned as executive director and Chief Executive Officer of the Company.

(ii) On 15 February 2022, Mr. Huang Bo resigned as executive director and Chief Financial Officer of the Company.

(iii) On 29 August 2022, Mr. Feng Bo was appointed as executive director of the Company.

(iv) On 13 April 2022, Mr. Shen Yuan-Ching was appointed as independent non-executive director of the Company. On 29 August 2022, Mr. Shen Yuan-Ching was appointed as vice chairman of the Board and re-designated as executive director and chairman of the Board on 19 September 2022.

(v) On 21 October 2022, Mr. Wang Yong was appointed as executive director and the Chief Financial Officer of the Company.

(vi) On 29 August 2022, Mr. Zhang Yong and Ms. Yang Yuyan resigned as non-executive directors of the Company

(vii) On 21 October 2022, Mr. Tian Wenzhi was appointed as independent non-executive director of the Company.

(viii) Mr. Fu Shaojun was appointed as independent non-executive director of the Company on 27 July 2021 and resigned on 13 April 2022.

(ix) Mr. Lan Ye and Mr. Ling Chenkai were appointed as independent non-executive directors of the Company on 21 October 2022.

(x) Mr. Luo Ji resigned as independent non-executive director of the Company on 21 October 2022.

(xi) Mr. Wang Peng resigned as independent non-executive director of the Company on 13 April 2021.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (including one director also being chief executive) (2021: two directors including one director also being chief executive), details of whose remuneration are set out in note 8(b) above. Details of the remuneration for the year of the remaining three (2021: three) 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	**1,930**	1,864
Discretionary bonuses	**–**	1,511
Equity-settled share-based payments	**–**	3,302
Pension scheme contributions	**78**	79
	2,008	6,756

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

	2022 Number of individuals	2021 Number of individuals
Nil to HK$1,000,000	**3**	–
HK$1,000,001 to HK$1,500,000	**–**	–
HK$1,500,001 to HK$2,000,000	**–**	–
HK$2,000,001 to HK$2,500,000	**–**	2
HK$2,500,001 to HK$3,000,000	**–**	–
HK$3,000,001 to HK$3,500,000	**–**	1
	3	3

During the year ended 31 December 2022, the five highest paid employees did not receive any emolument from the Group as an inducement to join or upon joining the Group, nor leave the Group or as compensation for loss of office (2021: Nil).

10. INCOME TAX EXPENSE

	2022 RMB'000	2021 RMB'000
Current income tax – PRC:		
Corporate income tax	**45,057**	53,177
Withholding tax *(Note (e))*	**4,335**	4,371
	49,392	57,548
Deferred income tax – PRC:		
Deferred tax asset recognised *(Note 26)*	**(9,921)**	(8,115)
Deferred tax liabilities released *(Note 26)*	**(2,559)**	1,985
	(12,480)	(6,130)
Total tax charge for the year	**36,912**	51,418

(a) Cayman Islands income tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

(b) British Virgin Islands ("**BVI**") income tax

Pursuant to the rules and regulations of the BVI, the Group is not subject to any income tax in the BVI.

(c) Hong Kong profits tax

No provision for Hong Kong profits tax was made as the Group did not have any assessable income subject to Hong Kong profits tax during the year (2021: Same).

10. INCOME TAX (CONTINUED)

(d) PRC Corporate Income Tax

Under the relevant PRC income tax law, the PRC entities of the Group are subject to corporate income tax at a rate of 25% during the year on their respective taxable income (2021: Same).

(e) Withholding tax

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in 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 between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The above PRC withholding tax has been provided based on the net profits of the year planned to be distributed by the Company's Mainland China subsidiaries and the applicable tax rate of 10%.

A reconciliation of the income tax expense applicable to (loss)/profit before income tax at the statutory rates for the jurisdictions in which the companies comprising the Group are domiciled to the tax expense at the effective tax rate is as follows:

	2022 **RMB'000**	2021 RMB'000
(Loss)/profit before income tax	**(297,219)**	175,488
Tax at the statutory tax rates of PRC at 25%	**(74,305)**	43,872
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	**2,109**	3,958
Share of loss/(profit) of:		
A joint venture	**–**	1,092
Associates	**(72)**	(41)
Withholding income tax	**4,335**	4,371
Net adjustment for non-deductible/(non-taxable) items	**104,845**	(1,834)
Tax charge at the Group's effective tax rate	**36,912**	51,418

11. DIVIDENDS

No dividend for the year ended 31 December 2022 has been proposed by the Directors of the Company.

A dividend in respect of the year ended 31 December 2021 of HK13.8 cents per ordinary share, amounting to approximately HK$78,315,000 (equivalent to RMB63,660,000 based on the exchange rate as at dividend proposal date) has been approved by the Board after the reporting date and it had also been approved at the annual general meeting of the Company held in May 2022. The relevant dividend amount of RMB66,767,000 is charged to the consolidated statement of changes in equity based on the payment date exchange rate during the year.

A dividend in respect of the year ended 31 December 2020 amounted to approximately HK$56,069,000 (equivalent to RMB48,085,000 based on the exchange rate as at dividend proposal date) had been approved by the Board after the reporting date and it had also been approved at the annual general meeting of the Company held in October 2021. The relevant dividend amount of RMB47,561,000 was charged to the consolidated statement of changes in equity based on the payment date exchange rate during the year ended 31 December 2021.

12. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

For the year ended 31 December 2022, the basic loss per share is calculated by dividing the loss for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares of 567,500,000 in issue during the year. There were no differences between the basic and diluted loss per share as there were no potential dilutive ordinary shares outstanding during the year.

For the year ended 31 December 2021, the calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company, adjusted for the dividends in respect of unvested shares under the restricted share award scheme (Note 29), and the weighted average number of ordinary shares of 536,172,000 in issue during the year.

The calculation of the diluted earnings per share amount was based on the profit for the year attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been vested under a restricted share award scheme on the deemed conversion of all dilutive potential ordinary shares into ordinary shares.

12. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY (CONTINUED)

The calculations of basic and diluted (loss)/earnings per share are based on:

	2022 **RMB'000**	2021 RMB'000
(Loss)/earnings		
(Loss)/profit attributable to the equity holders of the Company, used in the diluted (loss)/earnings per share calculation	**(334,265)**	122,570
Adjustment of the proposed dividends for unvested shares under the restricted share award scheme	**–**	(3,470)
Adjusted (loss)/profit attributable to equity holders of the Company, used in the basic (loss)/earnings per share calculation	**(334,265)**	119,100
	Thousand Shares	Thousand shares
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic (loss)/earnings per share calculation	**567,500**	536,172[1]
Effect of dilution – weighted average number of ordinary shares:		
Restricted share award scheme	**–**	30,000
Weighted average number of ordinary shares for diluted (loss)/earnings per share	**567,500**	566,172

Note:

1. The weighted average of 536,172,000 ordinary shares represented the 567,500,000 ordinary shares in issue for the year ended 31 December 2021, excluded the 30,000,000 unvested restricted shares, and included the weighted average of 18,000,000 ordinary shares issued by the Company on 8 February 2021.

13. PROPERTY, PLANT AND EQUIPMENT

Year ended 31 December 2022	Structures RMB'000	Transportation equipment RMB'000	Office equipment RMB'000	Machinery equipment RMB'000	Leasehold improvements RMB'000	Total RMB'000
At 1 January 2022:						
Cost	3,236	2,752	8,555	5,622	890	21,055
Accumulated depreciation	(813)	(2,191)	(5,460)	(2,565)	(418)	(11,447)
Net carrying amount	2,423	561	3,095	3,057	472	9,608
At 1 January 2022, net of accumulated depreciation	2,423	561	3,095	3,057	472	9,608
Additions	–	78	694	597	169	1,538
Written off	–	(4)	(11)	(17)	–	(32)
Disposal of a subsidiary *(Note 31)*	–	–	(10)	–	–	(10)
Depreciation provided *(Note 7)*	(85)	(125)	(899)	(928)	(325)	(2,362)
At 31 December 2022, net of accumulated depreciation	2,338	510	2,869	2,709	316	8,742
At 31 December 2022:						
Cost	3,236	2,750	8,830	5,885	1,059	21,760
Accumulated depreciation	(898)	(2,240)	(5,961)	(3,176)	(743)	(13,018)
Net carrying amount	2,338	510	2,869	2,709	316	8,742

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Year ended 31 December 2021	Structures RMB'000	Transportation equipment RMB'000	Office equipment RMB'000	Machinery equipment RMB'000	Leasehold improvements RMB'000	Total RMB'000
At 1 January 2021:						
Cost	3,236	2,583	7,171	4,314	866	18,170
Accumulated depreciation	(729)	(1,994)	(4,564)	(1,878)	(117)	(9,282)
Net carrying amount	2,507	589	2,607	2,436	749	8,888
At 1 January 2021, net of accumulated depreciation	2,507	589	2,607	2,436	749	8,888
Additions	–	171	1,590	1,311	24	3,096
Written off	–	(2)	(206)	(3)	–	(211)
Depreciation provided *(Note 7)*	(84)	(197)	(896)	(687)	(301)	(2,165)
At 31 December 2021, net of accumulated depreciation	2,423	561	3,095	3,057	472	9,608
At 31 December 2021:						
Cost	3,236	2,752	8,555	5,622	890	21,055
Accumulated depreciation	(813)	(2,191)	(5,460)	(2,565)	(418)	(11,447)
Net carrying amount	2,423	561	3,095	3,057	472	9,608

14. LEASES

The Group has lease contracts for its offices in the PRC and Hong Kong used in operations. The lease terms vary between 3 and 5 years (2021: 3 and 5 years) and the lease payments are paid monthly or yearly. Apartments and cleaning machines have lease terms of 12 months or less or with low value, which are not recognised as right-of-use assets and lease liabilities. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. No extension or termination options, nor variable lease payments were contained in the above lease contracts.

(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:

	Offices RMB'000
As at 1 January 2021	3,189
Depreciation charged *(Note 7)*	(1,330)
As at 31 December 2021 and 1 January 2022	1,859
Additions	3,529
Depreciation charged *(Note 7)*	(1,495)
As at 31 December 2022	3,893

14. LEASES (CONTINUED)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	Offices RMB'000
Carrying amount at 1 January 2021	3,500
Accretion of interest during the year	137
Payments	(1,552)
Carrying amount at 31 December 2021	2,085
Analysed into:	
Current portion	1,393
Non-current portion	692
	2,085
Carrying amount at 1 January 2022	**2,085**
Additions	**3,529**
Accretion of interest during the year	**112**
Payments	**(1,743)**
Carrying amount at 31 December 2022	**3,983**
Analysed into:	
Current portion	**1,868**
Non-current portion	**2,115**
	3,983

14. LEASES (CONTINUED)

(b) Lease liabilities (Continued)

The maturity analysis of lease liabilities is as follows:

	2022 RMB'000	2021 RMB'000
Within one year	**2,014**	1,464
Over one year but within two years	**1,266**	705
Over two years but within five years	**949**	–
Total lease payments	**4,229**	2,169
Less: Finance charges	**(246)**	(84)
	3,983	2,085

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

	2022 RMB'000	2021 RMB'000
Interest on lease liabilities	**112**	137
Depreciation charge of right-of-use assets *(Note 14(a))*	**1,495**	1,330
Expense relating to short-term leases *(Note 7)*	**555**	535
Total amount recognised in profit or loss	**2,162**	2,002

15. OTHER INTANGIBLE ASSETS

	Software RMB'000
Cost at 1 January 2022, net of accumulated amortisation	**2,197**
Additions	**1,400**
Amortisation provided *(Note 7)*	**(270)**
At 31 December 2022	**3,327**
At 31 December 2022:	
Cost	**4,437**
Accumulated amortisation	**(1,110)**
Net carrying amount	**3,327**
Cost at 1 January 2021, net of accumulated amortisation	982
Additions	1,448
Amortisation provided *(Note 7)*	(233)
At 31 December 2021	2,197
At 31 December 2021:	
Cost	3,037
Accumulated amortisation	(840)
Net carrying amount	2,197

16. INVESTMENT IN A JOINT VENTURE

	2022 **RMB'000**	2021 RMB'000
Share of net assets	**10,406**	10,406
Impairment of investment in a joint venture	**(10,406)**	(10,406)
	–	–

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

Name	**Paid-up capital**	**Place of registration and operation**	**Principal activity**	**Percentage of ownership interest attributable to the Group**
Henan Qingning Apartment Management Co. Ltd. 河南青檸公寓管理有限公司 ("**Qingning Apartment**")	RMB10,000,000	PRC	Property leasing	51%

According to the Articles of Association of Qingning Apartment, all significant and relevant matters of the entity require approval by two-thirds of shareholders' votes such that the Group is unable to control the relevant activities of Qingning Apartment, and Qingning Apartment is therefore accounted for as a joint venture of the Group.

16. INVESTMENT IN A JOINT VENTURE (CONTINUED)

The investment agreement required the joint venture partner compensation of up to RMB24,460,000 depending on whether Qingning Apartment's audited revenue meets specified target. The Group is entitled to request the joint venture partner to settle the compensation either in cash or by his entire equity interests in Qingning Apartment. Subsequently, based on the market condition, the Group and joint venture partner reached the consensus that such term of profit guarantee was waived and the joint venture partner no longer was required to make any compensation.

As at 31 December 2022, there were no significant contingent liabilities relating to the Group's interest in the joint venture (2021: Nil).

Management reassessed the ECL of amounts due from Qingning Apartment at the reporting date and no provision for impairment on amounts due from Qingning Apartment was recognised as the amounts due from Qingning Apartment are insignificant (2021: RMB28,000).

In view of indication of impairment arising from operating losses of Qingning Apartment, the directors of the Company determined the recoverable amount of investment in Qingning Apartment for impairment test purposes. The recoverable amount of the investment in Qingning Apartment has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by the management (2021: Same). The investment in Qingning Apartment had been fully written off as at 31 December 2021 and no reversal of impairment is considered for the year ended 31 December 2022.

The Group has not incurred any legal or constructive obligations, nor made payments on behalf of the joint venture. Accordingly, the Group did not recognise its share of the joint venture's losses (2021: recognised share of losses of approximately RMB4,367,000) once the carrying amount of its net investment in Qingning Apartment was reduced to zero.

As at 31 December 2022, the amounts of the Group's unrecognised share of losses of this joint venture for the current was approximately RMB5,800,000 (2021: Nil).

On 16 August 2023, the Group and Beijing Ruizhuo Xichuang Technology Development Co., Ltd (an associate of Xinyuan Real Estate, which holds 33.33%) entered into an equity transfer agreement (the "**Equity Transfer**"), pursuant to which the Group agreed to transfer its entire equity interests in Qingning Apartment, representing 51% equity interests in Qingning Apartment at Nil consideration, as the Qingning Apartment is in net liability status at the transferred date.

Such transaction was completed on 17 August 2023, immediately upon the completion of the Equity Transfer, the Group ceased to hold any interest in Qingning Apartment and Qingning Apartment ceased to be a joint venture of the Group.

16. INVESTMENT IN A JOINT VENTURE (CONTINUED)

The following table illustrates the summarised financial information in respect of Qingning Apartment adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

As at 31 December	**2022 RMB'000**	2021 RMB'000
Cash and cash equivalents	**499**	288
Other current assets *(Note (a))*	**71,155**	73,178
Current assets	**71,654**	73,466
Non-current assets excluding goodwill	**670**	6,728
Goodwill	**38,510**	38,510
Non-current assets	**39,180**	45,238
Current liabilities	**(36,646)**	(28,144)
Non-current liabilities *(Note (b))*	**(65,156)**	(70,155)
Net assets	**9,032**	20,405
Net liabilities, excluding goodwill	**(29,478)**	(18,105)
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	**51%**	51%
Group's share of net liabilities of the joint venture, excluding goodwill	**(15,034)**	(9,234)
Add: unrecognised share of loss of the joint venture	**5,800**	–
Goodwill on acquisition	**19,640**	19,640
Share of net assets	**10,406**	10,406
Impairment of investment in the joint venture	**(10,406)**	(10,406)
Carrying amount of the investment	**–**	–

16. INVESTMENT IN A JOINT VENTURE (CONTINUED)

Notes:

(a) Other current asset of Qingning Apartment as at 31 December 2022 included loan receivables from entities controlled by the Ultimate Holding Company aggregating to RMB70,000,000 (2021: RMB70,000,000), which are due on 31 December 2022 (2021: 31 December 2022), and bear interest rate of 6% per annum (2021: 6% per annum).

The management assessed the ECL of such loan receivables and an impairment loss of RMB2,290,000 (2021: RMB4,767,000) was recognised, reduced the carrying amount of the loan receivables to RMB62,943,000.

(b) On the other hand, non-current liabilities of Qingning Apartment as at 31 December 2022 included a bank loan of RMB65,000,000 (2021: RMB70,000,000), which are due on 13 April 2025 (2021: 13 April 2025), and bear interest rate at loan prime rate plus 0.25% per annum (2021: Same). The bank loan is guaranteed by the Ultimate Holding Company and repayable by various instalments commencing from June 2022 (2021: Same).

Year ended 31 December	**2022** **RMB'000**	2021 RMB'000
Revenue	**1,261**	3,855
Cost of sales	**(5,860)**	(3,769)
Selling expenses	**(72)**	(138)
Administrative expenses	**(198)**	(275)
Finance expenses, net	**(3,296)**	(3,478)
Other operating expense	**(3,208)**	(4,757)
Loss and total comprehensive loss for the year	**(11,373)**	(8,562)
Share of loss of a joint venture	**(5,800)**	(4,367)
Unrecognised share of loss of a joint venture	**(5,800)**	–

The movements in provision for impairment of investment in the joint venture are as follows:

	2022 **RMB'000**	2021 RMB'000
At the beginning of year	**10,406**	9,036
Charge for the year	**–**	1,370
At the end of the year	**10,406**	10,406

17. INVESTMENTS IN ASSOCIATES

The Group's interest in associates is accounted for using equity method, amounts recognised as below:

	2022 **RMB'000**	2021 RMB'000
At 1 January	**1,523**	1,357
Share of profit	**287**	166
Disposal of investment in an associate *(Note (a))*	**(1,408)**	–
	402	1,523

Particulars of the Group's main associates are as follows:

Name	**Paid-up capital**	**Place of registration and operation**	**Principal activities**	**Percentage of ownership interest attributable to the Group**
Handan Gangcheng Property Services Co. Ltd. 邯鄲市鋼城物業服務有限公司 ("**Gangcheng**") *(Note a)*	RMB3,333,300	PRC	Property management and related services	Nil (2021: 40%)
Henan Yicheng Xinyuan Property Services Co. Ltd. ("**Yicheng**") 河南頤城鑫苑物業服務有限公司 *(Note b)*	RMB5,000,000	PRC	Property management and related services	49% (2021: 49%)

17. INVESTMENTS IN ASSOCIATES (CONTINUED)

Notes:

(a) On 30 April 2020, the Group acquired a 40% equity interest of Gangcheng at a consideration of approximately RMB1,385,000. The Group has one seat in the board of directors of Gangcheng, as well as the 40% equity voting rights, therefore the Group has the ability to exercise significant influence over Gangcheng. Thus, Gangcheng was accounted for as an associate using the equity method.

On 10 August 2022, the Group and an independent third party entered into an equity transfer agreement (the "**Equity Transfer**"), pursuant to which the Group agreed to transfer its entire equity interests in Gangcheng, representing 40% equity interests in Gangcheng. The consideration of the Equity Transfer was RMB1,164,000.

Such transaction was completed on 28 September 2022, immediately upon the completion of the Equity Transfer, the Group ceased to hold any interest in Gangcheng and Gangcheng ceased to be an associate of the Group. The Group recognised a loss of approximately RMB244,000 in respect of the disposal of its entire equity interests in Gangcheng, which was recorded under "Other expense" in the profit or loss during the year ended 31 December 2022.

(b) On 17 April 2020, the Group acquired a 49% equity interest of Yicheng at a consideration of approximately RMB2,450,000. The Group has two seats in the board of directors of Yicheng, as well as the 49% equity voting rights, therefore the Group has the ability to exercise significant influence over Yicheng. Thus, Yicheng was accounted for as an associate using the equity method.

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

	2022 **RMB'000**	2021 RMB'000
Share of the associates' profit for the year	**287**	166
Share of the associates' total comprehensive income	**287**	166
Carrying amount of the Group's investments in the associates	**402**	1,523

18. TRADE AND BILL RECEIVABLES

	2022 RMB'000	2021 RMB'000
Trade receivables *(Note (a))*		
– Related parties	**234,523**	127,855
– Third parties	**123,230**	134,312
	357,753	262,167
Less: allowance for impairment of trade receivables *(Note 35(a)(i))*	**(162,245)**	(19,764)
	195,508	242,403
Bill receivable *(Note (b))*	**3,129**	15,749
	198,637	258,152

Notes:

(a) For trade receivables from property management services, the Group charges property management fees on a monthly or quarterly basis and the payment is generally due upon the issuance of demand notes. No credit period is granted (2021: Nil).

Receivables from value-added services and pre-delivery services are due for payments in accordance with the terms of the relevant services agreements with property developers, which is normally within 30 to 90 days (2021: 30 to 90 days) from the issue of demand note.

The amounts due from related parties are repayable on credit terms similar to those offered to other major customers of the Group.

(b) The balance represented certain bank acceptance bills totaling RMB3,129,000 (2021: RMB15,749,000). The directors of the Company considered that expected credit loss for these bills is immaterial in view of no history of default and good repayment history of these customers.

18. TRADE AND BILL RECEIVABLES (CONTINUED)

Further details on the Group's credit policy for trade and bills receivables are set out in Note 35(a).

An ageing analysis of the trade and bills receivables as at the end of the year, based on the date of recognition of revenue and net of impairment, is as follows:

	2022 **RMB'000**	2021 RMB'000
Within 1 year	**91,721**	214,638
1 to 2 years	**87,848**	30,887
2 to 3 years	**14,811**	9,208
3 to 4 years	**4,257**	3,419
Total	**198,637**	258,152

The movements in provision for impairment of trade and bill receivables are as follows:

	2022		2021	
	Third parties **RMB'000**	**Related parties** **RMB'000**	Third parties RMB'000	Related parties RMB'000
At the beginning of year	**15,657**	**4,107**	13,671	–
Charge for the year *(Note 7)*	**28,657**	**113,824**	1,986	4,107
At the end of the year	**44,314**	**117,931**	15,657	4,107

19. CONTRACT ASSETS

	2022 RMB'000	2021 RMB'000
Construction services		
– Related parties	**59,171**	39,023
– Third parties	**24,998**	26,577
	84,169	65,600
Less: allowance for impairment of contract assets *(Note 35(a)(i))*	**(38,618)**	(3,495)
	45,551	62,105

Contract assets primarily relates to the Group's right to consideration for work completed but not yet billed at reporting date arising from construction services contracts. Contract assets are transferred to receivables when the rights become unconditional.

	2022 RMB'000	2021 RMB'000
At 1 January	**62,105**	23,681
Increase in contract assets as a result of recognising revenue during the year	**34,302**	69,547
Decrease in contract assets as a result of right to consideration become unconditional during the year	**(50,856)**	(31,123)
At 31 December	**45,551**	62,105

19. CONTRACT ASSETS (CONTINUED)

The movements in provision for impairment of contract assets are as follows:

	2022		2021	
	Third parties RMB'000	**Related parties RMB'000**	Third parties RMB'000	Related parties RMB'000
At the beginning of year	**838**	**2,657**	708	–
Charge for the year *(Note 7)*	**8,025**	**27,098**	130	2,657
At the end of the year	**8,863**	**29,755**	838	2,657

Further details on the Group's credit policy for contract assets are set out in Note 35(a).

At the end of reporting period, substantially all the carrying amount of contract assets were expected to be realised within one year (2021: Same).

20. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES/LOAN TO A RELATED PARTY/PAYMENTS TO RELATED PARTIES/PREPAYMENTS TO A RELATED PARTY

	2022 **RMB'000**	2021 RMB'000
Non-current		
Prepayment		
– Related parties *(Note (a))*	**89,073**	89,073
Payments		
– Related parties *(Note (b))*	**–**	205,461
Less: allowance for impairment of payments *(Note 35(a)(ii))*	**–**	(13,992)
	–	191,469
Loan to a related party *(Note (g))*	**–**	48,000
Less: allowance for impairment of loan receivables *(Note 35(a)(ii))*	**–**	(7,869)
	–	40,131
Current		
Payments		
– Related parties *(Note (b))*	**200,374**	–
Less: allowance for impairment of payments *(Note 35(a)(ii))*	**(82,929)**	–
	117,445	–
Loan to a related party *(Note (g))*	**51,840**	–
Less: allowance for impairment of loan receivables *(Note 35(a)(ii))*	**(27,375)**	–
	24,465	–

20. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES/LOAN TO A RELATED PARTY/PAYMENTS TO RELATED PARTIES/PREPAYMENTS TO A RELATED PARTY (CONTINUED)

	2022 **RMB'000**	2021 RMB'000
Prepayments		
– Related parties	**868**	893
– Third parties *(Note (c))*	**11,654**	11,106
	12,522	11,999
Deposit *(Note (d))*	**15,970**	18,628
Less: allowance for impairment of deposit	**(3,083)**	–
	12,887	18,628
Other receivables		
– Related parties *(Note (e))*	**5,504**	26,743
– Related parties – receivables related to Pledges *(Note (f))*	**398,847**	–
– Third parties *(Note (e))*	**5,591**	7,224
	409,942	33,967
Less: allowance for impairment of *(Note 35(a)(ii)*:		
– other receivables on related parties	**(4,697)**	–
– other receivables on third party	**(4,194)**	(1,191)
– receivables related to Pledges	**(200,565)**	–
	200,486	30,955
	225,895	61,582

20. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES/LOAN TO A RELATED PARTY/PAYMENTS TO RELATED PARTIES/PREPAYMENTS TO A RELATED PARTY (CONTINUED)

Notes:

(a) Balance represented the payment of entire consideration in advance in accordance with the sale and purchase contract entered into with a subsidiary of the Ultimate Holding Company in 2018, for the purchase of 342 units of Xinyuan Mingcheng, the property development project is located in Henan Province.

During the year ended 31 December 2022, the construction of the properties was almost completed but the relevant certificate of handed over was provided to the Group subsequent to the year so that the balance is classified as prepayment as at 31 December 2022.

The directors of the Company considered that there was no impairment as at 31 December 2022 as the recoverable amount of the prepayment (i.e. fair value of properties less costs of disposal) was assessed to be higher than its carrying amount (2021: Same).

(b) Balance represented payments to certain subsidiaries of the Ultimate Holding Company for exclusive sales right of car parking spaces. In September 2020, the Group and Ultimate Holding Company entered into the Car Parking Space Exclusive Sales Cooperation Agreement (the "**Agreement**") pursuant to which, certain subsidiaries of Ultimate Holding Company agreed to designate the Group as the exclusive sales partner of a total 4,066 car parking spaces and the Group agreed to pay the refundable payments in cash of approximately RMB206,783,000, representing the total car parking spaces reserve price as the deposits for being such exclusive sales partner. The Agreement became effective upon the fulfillment of conditions and the approval by shareholders other than the controlling shareholder at an extraordinary general meeting in 2020.

The payments would be refunded to the Group by installments in accordance with the agreed sales milestones of car parking spaces.

Instalments	Sales milestone	Amounts to be refunded
First instalment	40% of total car parking spaces	40% of payments for exclusive sales right
Second instalment	70% of total car parking spaces	30% of payments for exclusive sales right
Third instalment	90% of total car parking spaces	30% of payments for exclusive sales right

On 23 December 2021, the Group and certain subsidiaries of the Ultimate Holding Company entered into the supplemental agreement (the "**Supplemental Agreement**"), pursuant to which, both parties agreed to extend the cooperation period to 31 December 2023. Such Supplemental Agreement became effective upon approval by shareholders other than the controlling shareholder at an extraordinary general meeting in 2022.

On 16 May 2022, the Group and certain subsidiaries of the Ultimate Holding Company entered into the second supplemental agreement (the "**Supplemental Agreement II**"), pursuant to which, both parties agreed that, all the amount generated from the sales of designated car parking spaces will be received by the Group on behalf of subsidiaries of the Ultimate Holding Company and such amount will be directly applied as refund of the payments made until the payments are fully refunded. The Ultimate Holding Company will refund the above specified amount (after netting off the payment received on behalf by the Group so far) when the Group achieved the milestone and settle the remaining outstanding payments at the expiration of the Supplemental Agreement. Such Supplemental Agreement II became effective upon approval by shareholders other than the controlling shareholder at an extraordinary general meeting in 2022.

20. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES/LOAN TO A RELATED PARTY/PAYMENTS TO RELATED PARTIES/PREPAYMENTS TO A RELATED PARTY (CONTINUED)

Notes: (Continued)

(b) (Continued)

During the year ended 31 December 2022, the Group has conducted certain sales activities under the aforementioned agreements. However, up to 31 December 2022, the Group did not achieve the first sales milestones, and the sales of designated car parking spaces was amounted to approximately RMB12,991,000 (2021: RMB9,668,000). An amount of RMB5,087,000 (2021: N/A) has been offset against the payments pursuant to the Supplemental Agreement II. During the year ended 31 December 2022, the Group generated the corresponding pre-delivery and consulting service fee income of approximately RMB3,402,000 (2021: RMB8,303,000), which were included in pre-delivery and consulting service fee income. Pursuant to the Agreement, if the Ultimate Holding Company fails to duly refund the payments, interest shall be payable to the Group at the 1-year loan prime rate announced by the People's Bank of China for the same period (from the date on which the Group actually pays the relevant payments up to the date on which the deposit is actually refunded by the Ultimate Holding Company).

The directors of the Company assessed the expected credit loss of the payments and approximately RMB82,929,000 was provided for the year ended December 2022 (2021: RMB13,992,000).

(c) Balance mainly represented the prepaid utility expenses and prepaid construction service fee to certain subcontractors of approximately RMB5,993,000 and RMB5,661,000 (2021: RMB3,336,000 and RMB7,770,000) respectively.

(d) Balance mainly represented deposits paid for utilities, construction projects and bidding of property management service projects of approximately RMB3,672,000, RMB893,000 and RMB8,322,000 (2021: RMB5,529,000, RMB217,000 and RMB12,882,000) respectively.

The directors of the Company assessed the impairment of the deposits paid (Note 35(a)) and approximately RMB1,262,000 (Note 7) was provided for the year ended 31 December 2022 (2021: RMB1,821,000).

(e) Other receivables were non-trade in nature, unsecured, interest-free and repayable on demand.

All the current portion of other receivables are expected to be recovered or recognised as expense within one year.

The directors of the Company assessed the expected credit loss of the other receivables from related party and approximately RMB2,876,000 (Note 7) was provided for the year ended 31 December 2022 (2021: RMBNil).

The directors of the Company assessed the expected credit loss of the other receivables from third party approximately RMB3,003,000 (Note 7) was provided for the year ended 31 December 2022 (2021: reversal of RMB(150,000)).

(f) Balance mainly represented the pledged bank deposits (Note 2.1 – Recovering loss from the Incident Transaction I) for the bank borrowings obtained by the Borrowers and deducted by the bankers in relation to the failure of repayment by the Borrowers to the bankers. During the year ended 31 December 2022, Xinyuan (China) has confirmed that these balances were due from them and it will be responsible for settling the balances in cash.

The directors of the Company assessed the expected credit loss of the receivables related to Pledges of approximately RMB200,565,000 (Note 7) was provided for the year ended 31 December 2022.

20. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES/LOAN TO A RELATED PARTY/PAYMENTS TO RELATED PARTIES/PREPAYMENTS TO A RELATED PARTY (CONTINUED)

Notes: (Continued)

(g) The loan receivable is guaranteed by the Ultimate Holding Company, bearing interest at 8% per annum, repayable on 16 August 2023. The directors of the Company assessed the expected credit loss and approximately RMB19,506,000 (Note 7) was provided for the year ended 31 December 2022 (2021: RMB7,869,000).

Upon the maturity date on 16 August 2023, the subsidiary of Ultimate Holding Company, namely Henan Xinyuan Real Estate was unable to repay the loan. On 31 October 2023, Henan Xinyuan Real Estate entered into an offsetting debt agreement with the Group, pursuant to which the 611 parking spaces of C2 and R3 of Qingdao Lingshanwan Longxi located in Qingdao, the PRC and all the rights and interests of these parking spaces owned by Qingdao HuiJu Zhihui City Industry Development Co., Ltd. ("**Qingdao HuiJu**"), a subsidiary of Henan Xinyuan Real Estate, were transferred to the Group as to offset the loan receivables. At the date of transfer, the total fair value of the parking spaces was amounted to approximately RMB45,402,000. Such fair value was estimated by Jones Lang LaSalle Corporate Appraisal and Consulting Limited, an independent professionally qualified valuers who hold recognised relevant professional qualifications and have recent experiences in the locations and segments of the properties valued.

The movements in provision for impairment of other receivables are as follows:

	2022		2021	
	Third parties RMB'000	**Related parties RMB'000**	Third parties RMB'000	Related parties RMB'000
At the beginning of the year	**1,191**	**15,813**	1,341	–
Charge for the year *(Note 7)*	**3,003**	**272,378**	(150)	15,813
At the end of the year	**4,194**	**288,191**	1,191	15,813

21. FINANCIAL ASSETS AT FVTPL

	2022 **RMB'000**	2021 RMB'000
Unlisted fund-linked note	**30,992**	40,904

During the year ended 31 December 2021, the Group purchased an unlisted fund-linked note with nominal amount of USD6,305,000 (equivalent to approximately RMB41,453,000) issued by a financial institution (the "**Issuer**"). The fund-linked note is linked to a segregated portfolio of Yue Xiu Investment Fund Series Segregated Portfolio Company, which is an unlisted third-party investment fund registered with Cayman Islands Monetary Authority. The segregated portfolio including but not limited to listed equity and debt securities, structured products and other private investment fund.

The directors of the Company consider the credit risk of the financial institution is minimal as it is a subsidiary of a state-owned corporation with its holding company listed in stock exchange of Shenzhen.

The fund-linked note is redeemable after 1-year lock up period from the date of acquisition at the fair value of the fund-linked note at the date of redemption.

The fair value of the unlisted fund-linked note as at the end of the reporting period was estimated by the management of the Company by reference to the performance report provided by the fund manager.

During the year ended 31 December 2022, fair value loss on financial assets at FVTPL of approximately RMB9,912,000 (2021: RMB549,000) (Note 7) was recognised in the profit or loss.

Details of fair value estimation are set out in Note 34.

Subsequent to the year ended 31 December 2022, the Group reassessed the prevailing economy environment and submitted a redemption notice to the Issuer in August 2023 in accordance with the relevant terms to subscription agreements. The Issuer advised that, due to the fair value of the underlying investment assets was dropped to zero, the redemption value of the fund-linked note is considered as nil.

22. CASH AND BANK BALANCES

	2022 **RMB'000**	2021 RMB'000
Pledged deposits		
– Time deposits pledged as security for bank financings to the Borrowers *(Note 2.1)*		
– Matured within 3 months	**135,050**	–
Time deposits	**–**	397,330
Less: Pledged deposits deducted by banks *(Note)*	**(135,046)**	–
	4	397,330
Cash and bank balances	**258,233**	321,719
	258,237	719,049

Note: For the reasons mentioned in Note 2.1, the Group provided deposit pledges in aggregate of RMB172,800,000, RMB94,530,000 and RMB135,050,000 to ZZ Bank WE, HX Bank NY and ZZ Bank WL (the "**Bankers**") respectively, as security for bank financing offered to the Borrowers I. The bank financing was fully utilised by the Borrowers I. However, as they failed to repay the amounts due to the Bankers, the Bankers deducted the Group's pledged deposits of (i) RMB263,801,000 during the year and RMB135,046,000 subsequent to 31 December 2022 for the defaulted bank financing.

As at 31 December 2022, the term deposits are deposits at bank with a maturity of ranging from 3 to 12 months (2021: 3 to 12 months) and carried interest at prevailing deposit rates ranging from 1.54% to 2.10% (2021: 1.54% to 2.10%) per annum.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between seven days and a year depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates.

At 31 December 2022, time deposits and cash and cash equivalents of the Group which is denominated in Renminbi amounted to approximately RMB175,320,000 (2021: RMB595,451,000). The Renminbi 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 Renminbi for other currencies through banks authorised to conduct foreign exchange business. The remaining cash and cash equivalents denominated in Hong Kong dollars and United States dollars amounted to approximately RMB82,467,000 (2021: RMB123,519,000) and RMB447,000 (2021: RMB79,000) respectively.

23. TRADE PAYABLES

	2022 RMB'000	2021 RMB'000
Trade payables		
– Related parties *(Note 32(e))*	**673**	2,494
– Third parties	**111,812**	100,406
	112,485	102,900

The trade payables have a normal credit terms of 30 to 90 (2021: 30 to 90) days.

The ageing analysis of trade payables based on the invoice date was as follows:

	2022 RMB'000	2021 RMB'000
Within 1 year	**48,462**	71,096
1 to 2 years	**62,245**	29,782
2 to 3 years	**885**	1,238
Over 3 years	**893**	784
	112,485	102,900

24. OTHER PAYABLES AND ACCRUALS

	2022 **RMB'000**	2021 RMB'000
Other payables		
– Related parties *(Note 32(e))*	**19,037**	58,092
– Deposits and temporary receipts from property owners	**108,321**	114,424
– Others	**44,889**	31,312
	172,247	203,828
Payroll payables	**38,300**	32,656
Other taxes payable	**2,258**	13,406
	212,805	249,890

Deposits mainly represented miscellaneous deposits including the management deposit and property improvement deposits received from property owners for the respective service period. Temporary receipts represented the utility charges received from property owners on behalf of utility companies.

Other payables to related parties were unsecured, interest-free and repayable on demand.

25. CONTRACT LIABILITIES

	2022 RMB'000	2021 RMB'000
Contract liabilities		
– Property management services	**76,944**	93,508
– Value-added services	**32,383**	43,355
– Pre-delivery and consulting services	**32**	1,952
	109,359	138,815
Attributable to:		
– Related parties *(Note 32(e))*	**90**	2,267
– Third parties	**109,269**	136,548
	109,359	138,815

Contract liabilities mainly arise from the advance payments received from customers while the underlying services are yet to be provided. The balance mainly represented the short-term advances received from customers in relation to the provision of property management services at the end of the year. Movement of contract liabilities is as follows:

	2022 RMB'000	2021 RMB'000
At 1 January	**138,815**	124,134
Increase in contract liabilities as a result of receiving service deposits and instalments during the year	**258,774**	120,682
Decrease in contract liabilities as a result of recognising revenue during the year	**(288,207)**	(106,001)
Decrease through disposal of a subsidiary *(Note 31)*	**(23)**	–
At 31 December	**109,359**	138,815

26. DEFERRED TAX ASSETS/LIABILITIES

The movements in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, were as follows:

Deferred tax assets

	Allowance for impairment of financial assets and contract assets RMB'000
At 1 January 2021	3,918
Recognised in profit or loss *(Note 10)*	8,115
At 31 December 2021 and 1 January 2022	**12,033**
Recognised in profit or loss *(Note 10)*	**9,921**
At 31 December 2022	**21,954**

The Group has not recognised deferred tax assets of approximately RMB21,035,000 (2021: RMB14,421,000) in respect of cumulative tax losses as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses will expire within 5 years when such losses were incurred under current tax legislation.

26. DEFERRED TAX ASSETS/LIABILITIES (CONTINUED)

Deferred tax liabilities

	PRC withholding taxes RMB'000	Differences on recognition of depreciation RMB'000	Total RMB'000
At 1 January 2021	7,678	443	8,121
Recognised in profit or loss *(Note 10)*	1,571	414	1,985
At 31 December 2021 and 1 January 2022	**9,249**	**857**	**10,106**
Recognised in profit or loss *(Note 10)*	**(1,954)**	**(605)**	**(2,559)**
At 31 December 2022	**7,295**	**252**	**7,547**

Deferred tax liabilities of RMB63,993,000 as at 31 December 2022 (2021: RMB52,775,000) have not been provided in respect of withholding tax that would be payable on the distribution of retained earnings of the certain Mainland China subsidiaries, which was determined based on the extent of retained earnings of these subsidiaries unlikely to be distributed of RMB639,927,000 as at 31 December 2022 (2021: RMB527,749,000). The directors of the Company consider the Company controls the dividend policy of the Mainland China subsidiaries and the directors of the Company determined that such retained earnings are to be distributed in the foreseeable future.

27. SHARE CAPITAL

The Company was incorporated in December 2018 and its share capital is as follows:

	2022 **RMB'000**	2021 RMB'000
Authorised:		
38,000,000,000 shares of a par value of HK$0.00001 each	**380**	380

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

	Number of shares in issue	**Fully paid share capital** RMB'000
At 1 January 2021	549,500,000	5
Placing of new shares under general mandate *(Note)*	18,000,000	–*
At 31 December 2021, 1 January 2022 and 31 December 2022	567,500,000	5

Note: On 8 February 2021, an aggregate of 18,000,000 placing shares has been placed to six places at the placing price of HK$2.10 per placing share pursuant to the terms and conditions of the placing agreement. The gross proceeds from the placing amounted to HK$37,800,000 and the net proceeds (after deducting all applicable costs and expenses) amounted to approximately HK$37,160,000 (equivalent to RMB31,118,000), with amount of approximately RMB180 and RMB31,118,000 credited to share capital and share premium respectively.

* Amount less than RMB1,000.

28. RESERVES

The amounts of the Group's reserves and the movements therein for the year are presented in the consolidated statements of changes in equity.

Share premium

Share premium account of the Group represents the excess of the proceeds received over the nominal value of the Company's shares issued.

Other reserve

Other reserve account of the Group comprises the merger reserve, capital reserve and share options reserve of approximately RMB72,732,000, RMB230,057,000 (debit) and RMB Nil (2021: RMB72,732,000, RMB230,057,000 (debit) and RMB34,400,000) respectively.

– Merger reserve represents the difference between the nominal value of the shares of the subsidiaries acquired and the nominal value of the shares issued by the Company as consideration thereof pursuant to the exchange of shares on group reorganisation.

– Capital reserve represents the difference between the fair value of the consideration paid and the carrying value of the subsidiaries acquired.

– Share-based compensation reserve represents award shares granted to certain directors and employees of the Group. Upon the expiry of the vesting period, no share-based payment expense relating to the restricted shares granted pursuant to the restricted share award scheme was recognised by the Group during the year ended 31 December 2022 (2021: RMB9,378,000) (Note 29).

PRC reserve fund

Pursuant to the relevant rules and regulations in the PRC and the articles of association of certain PRC subsidiaries of the Group, the subsidiaries appropriate 10% of their profit after taxation to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their respective registered capital.

29. SHARE AWARD SCHEME

The Company operates a restricted share award scheme (the "**Scheme**") for the main purpose of reflecting the substance of the share incentive scheme adopted by Xinyuan Science, the major operating subsidiary of the Company and encouraging and retains the grantees (the "**Grantees**") to work with the Group. The Grantees of the Scheme include the Company's directors, senior executives and employees. The Scheme was adopted by the board on 31 January 2019 (the "**Adoption Date**") and shall remain valid and effective for a period of three years from the Adoption Date.

Pursuant to the Scheme, a total of ten directors and employees of the Group (each, the "**Grantee**") were awarded a total of 56,250 restricted shares, representing 15% of the share capital of the Company at the date of grant, which were subsequently subdivided into 56,250,000 shares representing 11.25% of the enlarged issued share capital of the Company immediately following the completion of the Global Offering which may be allotted and issued upon the exercise of any options which may be granted under the Post-IPO Share Option Scheme.

All the said restricted shares were granted to the Grantees at the aggregate consideration of RMB8,400,000 on 21 March 2019. Such consideration was fully settled in cash upon the allotment and issue of restricted shares.

Details of share awarded under the Scheme are as follows:

	Share awarded on 21 March 2019
Number of restricted shares awarded:	
– Directors	16,875,000
– Senior executives	13,125,000
– Employees	7,500,000
– Ultimate Holding Company *(Note)*	18,750,000
	56,250,000

Note: On 30 June 2019, Mr. Zhang Lizhou (one of the Grantees) resigned as an executive director. Pursuant to the Scheme, upon the resignation of Mr. Zhang Lizhou, his 5% share (i.e. 18,750,000 shares) was transferred to Ultimate Holding Company in consideration of the refund of RMB2,800,000 paid by Mr. Zhang Lizhou by entering into the arrangement agreement, these shares were vested immediately. Therefore, an award of 10% of the share capital of the Company was granted to the remaining directors, senior executives and employees at the aggregate consideration of RMB5,600,000.

29. SHARE AWARD SCHEME (CONTINUED)

Pursuant to the Scheme, the remaining restricted shares would be vested in three tranches of 2%, 18% and 80% of the restricted shares, on 1 January 2020, 1 January 2021 and 1 January 2022, respectively, in accordance with certain vesting conditions.

Each Grantee shall be subject to a service condition that he/she shall continuously serve or work for the Group for the period from the date of grant to 31 December 2021 (both dates inclusive). If the Grantee ceases to be a director or employee or other eligible person of the Group due to resignation or employment being terminated by the Group due to misconduct ("**Disqualification**"), the Grantee shall upon request of the Company (i) transfer or procure his/her nominee to transfer the legal and equitable ownership in all restricted shares which have been allotted and issued to him/her, free from all encumbrances, to the Company or its nominee; (ii) refund in full all the dividends received by him/her in respect of the forfeited shares as at the date of Disqualification; and the Company shall refund the (a) consideration paid by the Grantee per restricted share or (b) the closing market price per share on the date of Disqualification, whichever is the lower.

Awards vested and forfeited of the Company's shares during the year are as follows:

For the year ended 31 December 2022

Category of Grantees	Date of grant	Balance as at 1 January 2022	Aggregated awards vested during the year	Aggregated awards forfeited during the year	Balance as at 31 December 2022
Directors	21 March 2019	3,375,000	13,500,000	–	16,875,000
Senior executives	21 March 2019	2,625,000	10,500,000	–	13,125,000
Employees	21 March 2019	1,500,000	6,000,000	–	7,500,000
		7,500,000	30,000,000	–	37,500,000

29. SHARE AWARD SCHEME (CONTINUED)

For the year ended 31 December 2021

Category of Grantees	Date of grant	Balance as at 1 January 2021	Aggregated awards vested during the year	Aggregated awards forfeited during the year	Balance as at 31 December 2021
Directors	21 March 2019	337,500	3,037,500	–	3,375,000
Senior executives	21 March 2019	262,500	2,362,500	–	2,625,000
Employees	21 March 2019	150,000	1,350,000	–	1,500,000
		750,000	6,750,000	–	7,500,000

The fair value of Grantees' services received in return for restricted shares awarded of approximately RMB34,400,000 was measured by reference to the market price of Xinyuan Science at grant date of approximately RMB40,000,000 and netted off the consideration paid by the grantees of approximately RMB5,600,000. Such market price was determined by the directors of the Company with reference to the valuation performed by an independent valuer using the income approach technique known as the discounted cash flow method. Significant inputs into the valuation model were as follows:

	Share awarded on 21 March 2019
Growth rate	13.3%
Discount rate	18.0%
Discount for lack of marketability	20.0%

No other feature of the restricted shares was incorporated into the measurement of the fair value.

The variables and assumptions used in estimating the fair value of the share options were the directors' best estimates. Change in subjective input assumptions can materially affect the fair value.

No share-based payment expenses was recognized as all the restricted shares granted pursuant to the restricted share award scheme were vested in 2021.

29. SHARE AWARD SCHEME (CONTINUED)

During the year ended 31 December 2021, the Group recognised share-based payment expense relating to the restricted shares granted pursuant to the restricted share award scheme of approximately RMB9,378,000 in profit or loss, which included share-based payment expense recognised in directors' and chief executive's remuneration, and other employees' remuneration of RMB4,246,000 (Note 8) and RMB5,132,000 (Note 7), respectively.

As at 31 December 2022, no share options were granted, expired or lapsed under the Post-IPO Share Option Scheme (2021: Same).

30. GOODWILL

The amount of goodwill arising from business combination in prior years. The Group acquired 100% equity interest in Chongqing Heavy Truck Group Hongqi Property Co. Ltd. ("**Chongqing Hongqi**") from Chongqing General Machinery Industry Co., Ltd. Chongqing Hongqi is engaged in provision of property management and related services to customers.

The recoverable amounts of the CGUs

The recoverable amount of Chongqing Hongqi as at 31 December 2022 has been determined to be approximately RMB19,470,000 (2021: RMB35,149,000) based on a value-in-use calculation (2021: value-in-use calculation). That value-in-use calculation use cash flow projections based on most recent financial budget approved by management covering a period of 5 years. Cash flow beyond the projection period are extrapolated using an estimated growth rate of 3.8% (2021: 2.0%). The pre-tax discount rate used to discount the forecasted cash flows was 12.0% (2021: 11.8%).

The key assumptions for the discounted cash flow method are those regarding the pre-tax discount rates, revenue growth rates, budgeted gross margin. The Group estimated pre-tax discount that reflect current market assessments of the time value of money and the risks specific to Chongqing Hongqi. The revenue growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of Chongqing Hongqi operate and expectations on market development. Budgeted gross margin are based on historical average gross margins of Chongqing Hongqi.

Based on the assessment, the value-in-use of Chongqing Hongqi is greater than the total carrying amount and therefore the management has concluded that there is no impairment in respect of Group's goodwill during the year ended 31 December 2022 (2021: Same).

The management was of the opinion that a reasonably possible change in key assumptions for Chongqing Hongqi on which the management had based its determination of the recoverable amount would not cause an impairment loss.

31. DISPOSAL OF A SUBSIDIARY

During the year ended 31 December 2022, the Group entered into the sales and purchase agreement (the "**Agreement**") with an independent third party, to dispose of its 60% equity interests in an indirectly owned subsidiary which is principally engaged in the property management and related services in the PRC (the "**Disposal Subsidiary**"), at a consideration of approximately RMB965,000. The consideration was fully settled during the year.

The disposal was completed on 31 August 2022 ("**Disposal Date**"), and since then, the Group did not hold any equity interest in the Disposal Subsidiary and lost control over the Disposal Subsidiary and the results, assets and liabilities of the Disposal Subsidiary were ceased to be consolidated with those of the Group.

Loss on disposal of a subsidiary of approximately RMB12,000 (2021: Nil) was recognised as "Other expenses" in the profit or loss during the year ended 31 December 2022 (Note 7).

The net carrying amounts of assets/(liabilities) of the Disposal Subsidiary as at the Disposal Date were as follows:

	31 August 2022 RMB'000
Property, plant and equipment *(Note 13)*	10
Trade and other receivables, and prepayments	65
Cash and cash equivalent	2,231
Contract liabilities *(Note 25)*	(23)
Other payables	(568)
Tax payable	(11)
Net assets disposed of	1,704
Non-controlling interest at the Disposal Date	(681)
Loss on disposal of a subsidiary *(Note 7)*	(58)
Cash consideration	965
Change in cash and cash equivalents:	
Cash consideration	965
Less: net cash disposed of from the Disposal Subsidiary	(2,231)
Net cash outflows from disposal of a subsidiary	(1,266)

32. RELATED PARTY TRANSACTIONS

(a) Name and relationship with a related party

The Ultimate Holding Company held approximately 52.86% (2021: 52.86%) equity interests in the Group as at 31 December 2022.

(b) Material transactions with related parties

	2022 **RMB'000**	2021 RMB'000
Property management service fee income		
– Subsidiaries of the Ultimate Holding Company	**12,241**	25,507
– Associates of the Ultimate Holding Company	**9,136**	2,498
Value-added service fee income		
– Subsidiaries of the Ultimate Holding Company	**5,881**	36,953
– Associates of the Ultimate Holding Company	**28**	3,668
– Joint ventures of the Ultimate Holding Company	**188**	–
Pre-delivery and consulting service fee income		
– Subsidiaries of the Ultimate Holding Company	**41,447**	105,261
– Associates of the Ultimate Holding Company	**3,802**	6,885
– Joint ventures of the Ultimate Holding Company	**8,041**	5,108
– Associates of the Group	**–**	1,127
Interest income		
– Subsidiary of the Ultimate Holding Company	**3,623**	4,135

Except for pre-delivery and consulting service fee income RMB Nil (2021: RMB1,127,000) from associates of the Group, the related party transactions listed above also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section "Continuing Connected Transactions" of the Report of Directors.

The prices for the above service fees and other transactions were determined in accordance with the terms mutually agreed by the contract parties.

Saved as disclosed in elsewhere in the consolidated financial statements and the above, the Group's time deposits of approximately RMB135,050,000 (2021: RMB397,330,000) (Note 22) were pledged as security for the bank financings to one of the subsidiaries of the Ultimate Holding Company and its business partners.

32. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Material related party fund transfers during the year ended 31 December 2021

(i) On 29 June 2021, 10 August 2021 and 3 September 2021, the Group transferred cash of RMB100 million, RMB50.76 million and RMB25 million, respectively, to Xinyuan (China) as partial earnest money pursuant to the Agreement mentioned in Note 20(b).

On 27 October 2021, the Group transferred cash of RMB7.75 million to Xinyuan (China), the payment consists (1) RMB1.74 million as partial prepayment for the purchase of various car parks of Xinyuan Guoji Xincheng project, which was for the purpose of providing referral services to the Ultimate Holding Company group in respect of unsold car parks and earning service fees based on the price differentials upon the sales of such car parks to the project property owners; and (2) RMB6.01 million as partial earnest money pursuant to the Agreement mentioned in Note 20(b).

In addition to above transfers, since 1 January 2021, the Group transferred cash aggregating to RMB23.69 million to various subsidiaries of the Ultimate Holding Company as additional earnest money pursuant to the above Agreement.

(ii) The Group transferred cash of HK$120 million (equivalent to approximately RMB100.31 million) to the Ultimate Holding Company on 12 January 2021. On 29 June 2021, South Glory International Limited, a subsidiary of the Ultimate Holding Company, repaid HK$120 million (equivalent to approximately RMB99.82 million) to the Group on behalf of the Ultimate Holding Company.

(iii) The Group transferred cash of RMB55 million to Qingning Apartment, the joint venture (Note 16), on 4 January 2021, and then on the same day Qingning Apartment remitted RMB55 million to Xinyuan China. The Group transferred cash of RMB30 million to Qingning Apartment on 15 January 2021, and then on the same day Qingning Apartment transferred cash of RMB30 million to Henan Xinyuan Guangsheng Real Estate Co., Ltd. ("**Henan Xinyuan Guangsheng**", a subsidiary of the Ultimate Holding Company). On 19 April 2021, Xinyuan China partially repaid RMB35 million to Qingning Apartment, and Qingning Apartment partially repaid RMB35 million to the Group. Hence Qingning Apartment owed RMB50 million to the Group, and Xinyuan China and Henan Xinyuan Guangsheng owed RMB20 million and RMB30 million to Qingning Apartment, respectively. On 25 March 2021, Xingyang Xinyuan Real Estate Co., Ltd. ("**Xingyang Xinyuan**", a subsidiary of the Ultimate Holding Company) transferred cash of RMB50 million to the Group.

32. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Material related party fund transfers during the year ended 31 December 2021 (Continued)

(iii) (Continued)

On 29 March 2021, Xingyang Xinyuan transferred Xingyang Xinyuan's receivable from the Group of RMB50 million to Qingning Apartment, and hence the Group has a payable of RMB50 million to Qingning Apartment. Xingyang Xinyuan confirmed that such transfer of receivable to Qingning Apartment was for the settlement of the payables of Xinyuan China and Henan Xinyuan Guangsheng to Qingning Apartment of RMB20 million and RMB30 million, respectively. Hence, Qingning Apartment's receivable from Xinyuan China and Henan Xinyuan Guangsheng of RMB20 million and RMB30 million, respectively, were settled.

Subsequently the Group agreed with Qingning Apartment for the offset of the Group's receivable from Qingning Apartment of RMB50 million against the Group's payable to Qingning Apartment of RMB50 million. Hence the Group's receivable from and payable to Qingning Apartment of the same amount of RMB50 million were settled.

(iv) On 21 January 2021, the Group transferred cash of approximately RMB10.77 million to Henan Xinyuan Guangsheng as additional prepayment for the purchase of various car parks of International New City project for an aggregate consideration of RMB19.3 million, which was for the purpose of providing referral services to the Ultimate Holding Company group in respect of unsold car parks and earning service fees based on the price differentials upon the sales of such car parks to the project property owners.

The transaction was subsequently cancelled after the Group realised the transaction was not falling within the scope of exclusive sales agreement signed on 17 September 2020. On 29 October 2021, Xinyuan China transferred full amount of RMB10.77 million back to the Group on the behalf of Henan Xinyuan Guangsheng. Details of the cancellation of the agreement refer to the Group's announcement dated 27 October 2021 and 13 January 2022.

32. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Material related party fund transfers during the year ended 31 December 2021 (Continued)

(v) On 31 January 2021, the Group prepaid approximately RMB1.83 million to Zhengzhou Xinnan Real Estate Co., Ltd ("**Zhengzhou Xinnan**", a subsidiary of the Ultimate Holding Company) for the purchase of various car parks of International New City project for a consideration of approximately RMB39.35 million by offsetting against the Group's property management fee receivable from Zhengzhou Xinnan. Such purchase was for the purpose of providing referral services to the Ultimate Holding Company group in respect of unsold car parks and earning service fees based on the price differentials upon the sales of such car parks to the project property owners.

The transaction was subsequently cancelled after the Group realised the transaction was not falling within the scope of exclusive sales agreement signed on 17 September 2020. On 29 October 2022, Xinyuan China transferred full amount of RMB1.83 million back to the Group on the behalf of Zhengzhou Xinnan. Details of the cancellation of the agreement refer to the Group's announcement dated 27 October 2021 and 13 January 2022.

(vi) In January 2021, the Group transferred cash in aggregate of approximately RMB4.32 million to Mingyuan Landscape Engineering Co., Ltd. ("**Mingyuan Landscape**", a subsidiary of the Ultimate Holding Company) as certain prepayment for the purpose of providing sales referral services to Mingyuan Landscape in respect of various car parks of Jinan International City Garden project which Mingyuan Landscape purchased from another subsidiary of the Ultimate Holding Company at a consideration of approximately RMB11.9 million. The Group earned service fees based on the price differentials between the purchase price of Mingyuan Landscape and the relevant selling prices upon the sales of such car parks to the project property owners. During the year ended 31 December 2021, the Group generated the corresponding Pre-delivery and consulting service fee income of approximately RMB2,336,000, which were included in Pre-delivery and consulting service fee income (Note 32(b)).

(vii) Henan Xinyuan Real Estate Co., Ltd. ("**Henan Xinyuan Real Estate**", a subsidiary of the Ultimate Holding Company) transferred cash in aggregate of approximately RMB41.06 million to the Group on 24 February 2021 and on the same day the Group transferred cash of approximately RMB27.55 million and RMB13.51 million to Zhengzhou Xinnan and Henan Xinyuan Guangsheng, respectively.

32. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Material related party fund transfers during the year ended 31 December 2021 (Continued)

(vii) (Continued)

Henan Xinyuan Real Estate confirmed to the Group that the above fund transfers by the Group to Zhengzhou Xinnan and Henan Xinyuan Guangsheng respectively were conducted by the Group on behalf of Henan Xinyuan Real Estate at Henan Xinyuan Real Estate's instruction. Hence no receivable from Zhengzhou Xinnan and Henan Xinyuan Guangsheng by the Group, and no payable to Henan Xinyuan Real Estate by the Group shall arose from the above cash transfers.

(viii) In February 2021, the Group transferred cash of RMB5 million to Changsha Xinyuan Wanzhuo Real Estate Co, Ltd ("**Xinyuan Wanzhuo**", a subsidiary of the Ultimate Holding Company) as partial prepayment for the purchase of various car parks of Changsha Xinyuan Splendid project at a consideration of RMB8.76 million, which was for the purpose of providing referral services to the Ultimate Holding Company group in respect of unsold car parks and earning service fees based on the price differentials upon the sales of such car parks to the project property owners.

The transaction was subsequently cancelled after the Group realised the transaction was not falling within the scope of exclusive sales agreement signed on 17 September 2020. On 29 October 2021, Xinyuan China transferred full amount of RMB5 million back to the Group on the behalf of Xinyuan Wanzhuo. Details of the cancellation of the agreement refer to the Group's announcement dated 27 October 2021 and 13 January 2022.

(d) Key management compensation

Compensation for key management other than those for directors as disclosed in Note 8 is set out below:

	2022 **RMB'000**	2021 RMB'000
Salaries, allowances and benefits in kind	**1,930**	1,864
Discretionary bonuses	**–**	1,511
Equity-settled share-based payment*	**–**	3,302
Pension scheme contributions	**78**	79
	2,008	6,756

* Equity-settled share-based payment included above was related to the restricted shares granted pursuant to the restricted share award scheme (Note 29), and represented the expense recognised in profit or loss during the year.

32. RELATED PARTY TRANSACTIONS (CONTINUED)

(e) Balances with related parties

	2022 **RMB'000**	2021 RMB'000
Receivables from related parties, net of impairment:		
Loans receivables		
– Subsidiary of the Ultimate Holding Company	**24,465**	40,131
Trade receivables		
– Subsidiaries of the Ultimate Holding Company	**100,719**	123,682
– Associates of the Ultimate Holding Company	**11,216**	–
– A joint venture of the Ultimate Holding Company	**4,653**	23
– A joint venture of the Group	**4**	–
– An associate of the Group	**–**	43
Contract assets		
– Subsidiaries of the Ultimate Holding Company	**25,120**	35,655
– An associate of the Ultimate Holding Company	**2,434**	537
– Joint venture of the Ultimate Holding Company	**1,770**	–
– An associate of the Group	**92**	174
Other receivables (including payments to related parties)		
– Payments to related parties	**117,445**	191,469
– Receivables related to Pledges	**198,282**	–
– Others	**807**	24,922
Prepayment (non-current)		
– A subsidiary of the Ultimate Holding Company	**89,073**	89,073
Prepayments (current)		
– Subsidiaries of the Ultimate Holding Company	**868**	893
Payables to related parties:		
Trade payables		
– Subsidiaries of the Ultimate Holding Company	**673**	2,494
Other payables		
– Subsidiaries of the Ultimate Holding Company *(Note)*	**18,801**	58,092
– An associate of the Group	**236**	–
Contract liabilities		
– Subsidiaries of the Ultimate Holding Company	**90**	2,267

Note: Other payables to subsidiaries of the Ultimate Holding Company are unsecured, interest free, and repayable on demand.

33. FINANCIAL INSTRUMENTS BY CATEGORY

	2022 RMB'000	2021 RMB'000
Financial assets at amortised cost:		
Trade and bill receivables	**198,637**	258,152
Financial assets included in deposits, prepayments and other receivables	**330,818**	241,052
Loan to a related party	**24,465**	40,131
Cash and cash equivalents	**258,237**	719,049
	812,157	1,258,384
Financial assets at FVTPL:	**30,992**	40,904
	843,149	1,299,288
Financial liabilities at amortised cost:		
Trade payables	**112,485**	102,900
Financial liabilities included in other payables and accruals	**172,247**	203,828
Lease liabilities	**3,983**	2,085
	288,715	308,813

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Except for the below, the management has assessed that the fair values of time deposits, cash and cash equivalents, payments to related parties, loan to related party, trade and bill receivables, financial assets included in deposits and other receivables, trade payables and financial liabilities included in other payables and accruals and lease liabilities approximate to their carrying amounts largely due to the short term maturities of these instruments.

Fair value hierarchy

The following table presents the carrying value of the Group's financial instruments measured at fair value across the three levels of the fair value hierarchy defined in IFRS 13 "Fair Value Measurement" with fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement.

		2022		
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at FVTPL *(Note 21)*	**–**	**–**	**30,992**	**30,992**
Financial assets at FVTPL *(Note 21)*	–	–	40,904	40,904

The fair value of fund linked note is determined by use adjusted net assets value approach. Under adjusted net assets value approach, total value of the fund was based on the sum of the value of underlying investment.

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (Continued)

The movements during the years in the balance of level 3 fair value measurement is as follows:

	Unlisted fund-linked note RMB'000
At 1 January 2021	–
Purchase of the unlisted fund-linked note	41,453
Fair value loss – included in profit or loss	(549)
At 31 December 2021 and 1 January 2022	40,904
Fair value loss – included in profit or loss	(9,912)
31 December 2022	30,992

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). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise time deposits and cash and cash equivalents. The main purpose of these financial instruments are to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bill receivables, financial assets included in prepayments and other receivables, trade payables and financial liabilities included in other payables and accruals and lease liabilities, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The board of directors review and agree policies for managing each of these risks and they are summarised below.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk

The credit risk of the Group mainly arises from cash and cash equivalents, pledged deposits, trade and bills receivables, contract assets, deposits and other receivables and loans to/amounts due from related parties. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations at the end of each reporting period in relation to each class of recognised financial assets is the carrying amount of those assets stated in the consolidated statement of financial position. The management has a credit policy in place and the exposures to these credit risks are monitored and controlled on an ongoing basis. It considers available reasonable and supportive forward-looking information.

The Group has three types of assets that are subject to the expected credit loss model:

– Trade and bills receivables;

– Contract assets; and

– Other financial assets at amortised cost

(i) **Trade and bills receivables and contract assets**

As part of the Group's credit risk management, the Group applies internal credit rating for its customers by reference to past default experience and current past due exposure of the debtor, and an analysis of the debtor's current financial position. The Group applies simplified approach to measure the ECL which uses a lifetime expected loss allowance for all trade and bills receivables and contract assets. The Group performs impairment assessment under ECL model on trade and bills receivables and contract assets individually or based on provision matrix.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (Continued)

(i) Trade and bills receivables and contract assets (Continued)

Except for related parties and customers with significant balances or credit-impaired, which are assessed for impairment individually, the remaining trade and bills receivables and contract assets, representing larger number of small customers are grouped under a provision matrix based on shared credit risk characteristics by reference to the repayment history over past three years and the corresponding historical credit losses experienced within the period. The grouping is regularly reviewed by the management of the Group to ensure relevant information about specific debtors is updated. The historical loss rates were adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group had considered that the PRC's gross domestic growth and unemployment rate are to be the most relevant factor, and accordingly, adjusted the historical loss rates based on expected changes of this factor.

Related parties and individual customers with significant balances are assessed individually for the credit risk and risk of default. The Group has used the financial information of counterparties to assess whether credit risk has been increased significantly since initial recognition. The ECLs are estimated based on assumptions about risk of defaults and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment assessment, based on the Group's past history, existing market conditions as well as forward looking information at the end of each reporting period. In assessing forward-looking information, the Group consider factors macroeconomic factors, industry risks and changes in debtor's conditions.

The Group rebutted the presumption of default under ECL model for trade and bills receivables over 90 days past due based on the good repayment records for those customers with continuous partial settlement.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (Continued)

(i) Trade and bills receivables and contract assets (Continued)

The loss allowance provision for the trade receivables was determined as follows:

	Third parties						Related parties	
	Less than 1 year RMB'000	1 to 2 years RMB'000	2 to 3 years RMB'000	3 to 4 years RMB'000	4 to 5 years RMB'000	Over 5 years RMB'000	Less than 1 year RMB'000	Total RMB'000
At 31 December 2022								
Expected credit loss rate	**8.78%**	**28.16%**	**39.93%**	**58.78%**	**100.00%**	**100.00%**	**50.28%**	
Gross carrying amount	**20,907**	**57,122**	**24,227**	**10,327**	**5,067**	**5,580**	**234,523**	**357,753**
Expected credit losses	**1,835**	**16,087**	**9,675**	**6,070**	**5,067**	**5,580**	**117,931**	**162,245**
At 31 December 2021								
Expected credit loss rate	3.47%	13.28%	20.13%	32.52%	100.00%	100.00%	3.21%	
Gross carrying amount	89,583	22,555	11,528	5,067	2,259	3,320	127,855	262,167
Expected credit losses	3,113	2,996	2,321	1,648	2,259	3,320	4,107	19,764

The directors of the Company considered the expected credit loss for bills receivable as at 31 December 2022 is immaterial in view of no history of default and good repayment history of these customers (2021: Same).

Contract assets have substantially the same risk characteristics as the trade receivables. The Group has therefore concluded that the expected loss rates and forward looking information for trade receivables are a reasonable approximation of the loss rates for the contract assets, and the forward-looking information determined in above was also incorporated to estimate the loss allowance of contract assets.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (Continued)

(i) Trade and bills receivables and contract assets (Continued)

The loss allowance provision for the contract assets was determined as follows:

	Expected loss rate RMB'000	Gross carrying amount RMB'000	Expected credit losses RMB'000
2022			
Third parties	**35.45%**	**24,998**	**(8,863)**
Related parties	**50.28%**	**59,171**	**(29,755)**
		84,169	**(38,618)**
2021			
Third parties	3.15%	26,577	(838)
Related parties	6.81%	39,023	(2,657)
		65,600	(3,495)

Trade and bills receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a long period.

Impairment losses on trade and bill receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously impaired are credited against the same line item.

The movement of allowance for impairment of trade and bill receivables and contract assets are separately disclosed in Notes 18 and 19 to these consolidated financial statements.

Except for the balances with the related party group, concentrations of credit risk are managed by analysis by customer/counterparty. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables and contract assets are widely dispersed.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (Continued)

(ii) Other financial assets at amortised cost

For the deposits and other receivables other than balances with related parties, they are closely monitored for recoverability and collectability and the Group maintains close communications with the counterparties. The Group uses the past-due information of counterparties to assess whether credit risk has increased significantly since initial recognition. As at the reporting date, the balances are not past due, and based on historical experience, majority of these balances were settled shortly upon maturity, hence the associated credit risk is minimal. The management considered that the identified impairment loss under expected credit loss model was immaterial.

Related parties are assessed individually for the credit risk and risk of default. The Group has used the financial information of counterparties to assess whether credit risk has been increased significantly since initial recognition. The ECLs are estimated based on assumptions about risk of defaults and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment assessment, based on the Group's past history, existing market conditions as well as forward looking information at the end of each reporting period. In assessing forward- looking information, the Group consider factors macroeconomic factors, industry risks and changes in debtor's conditions.

The Group expects that there is no significant credit risk associated with cash and cash equivalents and pledged deposits, since they are substantially deposited at state-owned banks and other medium or large-sized listed banks. The management does not expect that there will be any significant losses from non-performance by these counterparties.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (Continued)

(ii) Other financial assets at amortised cost (Continued)

The Group estimated expected credit losses by applying a loss rate approach with reference to the historical loss record of Group. The loss rate is adjusted to reflect to the current conditions and forecasts of future economic conditions, as appropriate. Set out below is the information about the credit risk exposure on the Group's other receivables:

	Third parties RMB'000	Related parties RMB'000	Total RMB'000
At 31 December 2022			
Expected credit loss rate	**33.75%**	**45.21%**	
Gross carrying amount	**21,561**	**604,725**	**626,286**
Expected credit losses	**7,277**	**288,191**	**295,468**
At 31 December 2021			
Expected credit loss rate	4.61%	6.81%	
Gross carrying amount	25,852	232,204	258,056
Expected credit losses	1,191	15,813	17,004

In addition to other receivables, during the year, the Group entered a loan agreement to provide a loan of gross amount of RMB48,000,000 to a subsidiary of the Ultimate Holding Company.

The directors consider the loan receivables have substantially the same risk characteristics as the other receivables from related parties. The Group has therefore concluded that the expected loss rates and forward looking information for other receivables from related parties are a reasonable approximation of the loss rates for the loan receivables, and the forward-looking information determined in above was also incorporated to estimate the loss allowance of loan receivables.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (Continued)

(ii) Other financial assets at amortised cost (Continued)

Set out below is the information about the credit risk exposure on the Group's loan receivables:

	Related parties RMB'000
At 31 December 2022	
Expected credit loss rate	**57.03%**
Gross carrying amount	**51,840**
Expected credit losses	**27,375**
At 31 December 2021	
Expected credit loss rate	16.39%
Gross carrying amount	48,000
Expected credit losses	7,869

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (Continued)

(iii) The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade and bills receivables/ contract assets	Other financial assets
Performing	The counterparty has a low to moderate risk of default and does not have any past-due amounts	Lifetime ECL – not-credit impaired	12m ECL
Underperforming	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not-credit impaired	Lifetime ECL – not-credit impaired
Non-performing	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (Continued)

(iv) The tables below detail the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

	Notes	**Internal credit rating**	**12-month or lifetime ECL**	**Gross carrying amount 2022 RMB'000**	Gross carrying amount 2021 RMB'000
Financial assets at amortised cost:					
Trade and bill receivables	*18*	Performing	Lifetime ECL (not credit-impaired)	**352,173**	274,596
		Non-performing	Lifetime ECL (credit-impaired)	**5,580**	3,320
Loans receivable	*32*	Non-performing	Lifetime ECL (credit-impaired)	**51,840**	48,000
Deposits and other receivables, excluding prepayments and goods and services tax receivables	*20*	Performing	12m ECL	**425,912**	52,595
		Non-performing	Lifetime ECL (not credit-impaired)	**200,374**	205,461
Pledged deposits	*22*	N/A	12m ECL	**–**	–
	22	Non-performing	Lifetime ECL (credit-impaired)	**135,046**	–
Cash and cash equivalents	*22*	N/A	12m ECL	**258,327**	719,049
Other item:					
Contract assets	*19*	Non-performing	Lifetime ECL (credit-impaired)	**15,396**	65,600

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligation due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding to finance its working capital needs as well as capital expenditure in respect of its development projects, and flexibility through the use of stand-by credit facilities.

The table below analyses the maturity profile of the Group's financial liabilities as at the end of the year, which is based on contractual undiscounted payments.

	2022 **RMB'000**	2021 RMB'000
Amounts were due on demand or within one year		
Trade payables	**112,485**	102,900
Financial liabilities included in other payables and accruals	**172,247**	203,828
Lease liabilities	**4,229**	2,573
	288,961	309,301

(c) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The capital structure of the Group consists of non-trade amounts due to related parties, net of cash and cash equivalents, and equity attributable to equity shareholders of the Company, comprising share capital, reserves and retained earnings.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, 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 capital management during the year ended 31 December 2022.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Foreign currency risk

The Group has no significant foreign currency risk as the operations and customers of the Group are located in the PRC with most of the operating assets and transactions denominated and settled in RMB. The sole foreign currency exposure of the Group arises from its investments in unlisted fund-linked note denominated in USD.

As at 31 December 2022, if RMB had strengthened/weakened by 5% against the US dollar with all other variables held constant, profit after tax (and retained profits) would have been approximately RMB Nil (2021: RMB2,045,000) lower/higher.

(e) Fair value risk

The Group is exposed to fair value risk through its investments in unlisted fund-linked note measured at FVTPL. At 31 December 2022, the exposure from unlisted fund-linked note was approximately RMB30,992,000. As at 31 December 2021, the exposure from unlisted fund-linked note was approximately RMB40,904,000. A decrease of 10% on the performance result of the unlisted fund would have a negative impact of approximately RMB2,324,000 on the profit after tax (and retained profits) and other comprehensive income attributable to the Group. An increase of 10% in the performance result of the unlisted fund would have a positive impact the Group's performance in a similar amount.

36. EVENTS AFTER THE REPORTING PERIOD

Tripartite Agreement and Car Parking Space Exclusive Sales Cooperation Agreement

On 22 July 2022, Zhengzhou Shengdao entered into the a previous agreement, pursuant to which Sichuan Justbon agreed to assist Zhengzhou Shengdao to sell a total of 862 car parking spaces for a period commencing from 22 July 2022 until the sales of all car parking spaces are completed.

On 22 September 2023, Zhengzhou Shengdao, Sichuan Justbon and Xinyuan Science (an indirect wholly-owned subsidiary of the Company) entered into the Tripartite Agreement, pursuant to which (i) Zhengzhou Shengdao and Sichuan Justbon agreed to terminate the Previous Agreement; (ii) Zhengzhou Shengdao agreed to pay the Termination Fee to Sichuan Justbon; and (iii) Xinyuan Science agreed to cooperate with Zhengzhou Shengdao to sell the remaining 798 unsold car parking spaces and pay the Termination Fee to Sichuan Justbon on behalf of Zhengzhou Shengdao.

On 22 September 2023, Xinyuan Science and Zhengzhou Shengdao entered into the Car Parking Space Exclusive Sales Cooperation Agreement, pursuant to which Zhengzhou Shengdao agreed to designate Xinyuan Science as the exclusive sales partner of a total of 798 Designated Car Parking Spaces for the Cooperation Period and grant the right to Xinyuan Science for the implementation of the Exclusive Sales Cooperation. Pursuant to the Car Parking Space Exclusive Sales Cooperation Agreement, Xinyuan Science shall pay Zhengzhou Shengdao a refundable Earnest Money of RMB11,226,518 in instalments as the deposit.

36. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

Compensation Agreements in Respect of Arbitration

Xinyuan (China) has confirmed the use of these bank balances related to Incident Transaction I for Xinyuan (China)'s or its business parties' banking facilities at their written response to the Advisor. Based on that, the Company has filed a notice of arbitration ("**Arbitration**") with the Hong Kong International Arbitration Centre against Xinyuan (China) in respect of the Pledges, in which the Company seeks recovery of any loss and/or damage suffered by the Company with respect to the Pledges, including the total deposit principal, interest losses on the principal and cost and expenses incurred in the investigation and all related matters with aggregate amount of approximately RMB430,411,000. Upon the final and legally binding arbitral awarded in the Aribitration on 13 October 2023, Xinyuan (China) and the Group entered into several compensation agreements in accordance with the Arbitration conclusion.

37. CASH FLOWS INFORMATION

(a) Major non-cash transaction

As disclosed in Notes 2.1, and 20(f), the balance of loss on Pledges which would be compensated by Xinyuan (China) was regarded as the other receivables with related parties.

During the year ended 31 December 2021, the Group did not have material non-cash transactions.

37. CASH FLOWS INFORMATION (CONTINUED)

(b) Reconciliation of liabilities from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities:

	Lease liabilities *(Note 14(b))* RMB'000	Total RMB'000
At 1 January 2021	3,500	3,500
Changes from financing cash flows:		
Payment of principal portion of lease liabilities	(1,552)	(1,552)
Other changes:		
Interest on lease liabilities	137	137
Total other changes	137	137
At 31 December 2021 and 1 January 2022	**2,085**	**2,085**
Changes from financing cash flows:		
Payment of lease liabilities	**(1,743)**	**(1,743)**
Other changes:		
Interest on lease liabilities	**112**	**112**
New lease contract entered	**3,529**	**3,529**
Total other changes	**3,641**	**3,641**
At 31 December 2022	**3,983**	**3,983**

38. 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:

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Investments in subsidiaries	(a)	**6,880**	6,880
Amounts due from subsidiaries		**413,427**	481,656
Total non-current assets		**420,307**	488,536
CURRENT ASSETS			
Cash and cash equivalents		**4,853**	7,518
Other receivables		**–**	275
Total current assets		**4,853**	7,793
CURRENT LIABILITY			
Amounts due to subsidiaries		**25,397**	25,757
Total current liabilities		**25,397**	25,757
NET CURRENT LIABILITIES		**(20,544)**	(17,964)
TOTAL ASSETS LESS CURRENT LIABILITIES AND NET ASSETS		**399,763**	470,572
EQUITY			
Share capital	27	**5**	5
Reserves	(b)	**399,758**	470,567
Total equity		**399,763**	470,572

SHEN Yuan-Ching
Director

WANG Yong
Director

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

(a) Investments in subsidiaries

As at 31 December 2022, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies, the particulars of which are set out below:

Name	Place and date of incorporation/ place of operation	Registered and issued capital	Percentage of equity attributable to the Company Direct 2022	Direct 2021	Indirect 2022	Indirect 2021	Principal activities
Xinyuan Property Management Service (BVI) Ltd.	British Virgin Islands, 2 January 2020	–	**100%**	100%	**–**	–	Investment holding
Xinyuan Property Management Service (HK) Limited ("**Xinyuan HK**")	Hong Kong, 8 January 2021	HK$1	**–**	–	**100%**	100%	Investment holding
Xinyuan Science	The PRC, 28 December 1998	RMB50,000,000	**–**	–	**100%**	100%	Property management and related services
Beijing Xinxiang Huicheng Property Services Co., Ltd. (北京鑫享滙成物業服務有限公司)	The PRC, 18 October 2013	RMB10,000,000	**–**	–	**100%**	100%	Property decoration services
Henan Chengzhihang Property Services Co., Ltd. (河南誠至行物業服務有限公司)	The PRC, 15 December 2017	RMB5,000,000	**–**	–	**100%**	100%	Property management and related services
Henan Xinyuan Property Services Co., Ltd. (河南鑫苑物業服務有限公司)	The PRC, 1 December 2016	RMB10,000,000	**–**	–	**100%**	100%	Property management and related services
Qingdao Xinyuan Jinguang Property Development Co., Ltd. (青島鑫苑金光物業發展有限公司) ("**Qingdao Jinguang**")	The PRC, 6 November 2001	RMB1,000,000	**–**	–	**–**	60%	Property management and related services
Henan Xinyuan Real Estate Marketing Co., Ltd. (河南鑫苑房地產營銷策劃有限公司)	The PRC, 30 July 2015	RMB1,000,000	**–**	–	**100%**	100%	Real estate marketing
Jiangsu Xinyuan Property Service Co., Ltd. (江蘇鑫苑物業服務有限公司)	The PRC, 30 May 2022	RMB10,000,000	**–**	–	**100%**	–	Property management and related services

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

(a) Investments in subsidiaries (Continued)

Name	Place and date of incorporation/ place of operation	Registered and issued capital	Percentage of equity attributable to the Company				Principal activities
			Direct		Indirect		
			2022	2021	2022	2021	
Henan Xinxiansheng Trading Co., Ltd. (河南鑫鮮生商貿有限公司)	The PRC, 20 May 2022	RMB1,000,000	–	–	100%	–	Trading
Henan Yueshenghang Property Services Co., Ltd. (河南悅晟行物業服務有限公司)	The PRC, 15 April 2016	RMB5,000,000	–	–	100%	100%	Property management and related services
Puyang Zhongfang Xinyuan Property Services Co., Ltd. (濮陽中房鑫苑物業服務有限公司)	The PRC, 29 November 2017	RMB5,000,000	–	–	65%	65%	Property management and related services
Yancheng Xinyuan Huafang Property Management Co., Ltd. (鹽城鑫苑華芳物業服務有限公司)	The PRC, 12 June 2017	RMB2,680,000	–	–	100%	100%	Property management and related services
Henan Gechen Culture Media Co., Ltd. (河南格宸文化傳媒有限公司)	The PRC, 14 March 2019	RMB10,000,000	–	–	100%	100%	Event planning and execution
Xingyang Xinzhisheng Property Services Co., Ltd. (滎陽市鑫之晟物業服務有限公司)	The PRC, 9 April 2019	RMB10,000,000	–	–	100%	100%	Property management and related services
Henan Yingsheng M&E Engineering Co., Ltd. (河南省盈晟機電工程有限公司)	The PRC, 10 April 2019	RMB20,000,000	–	–	51%	51%	Intelligence engineering
Xinyi Xinyuan Property Services Co., Ltd. (新沂鑫苑物業服務有限公司)	The PRC, 7 May 2019	RMB10,000,000	–	–	100%	100%	Property management and related services
Anyang Xinhengyue Property Services Co., Ltd. (安陽鑫恒悅物業服務有限公司)	The PRC, 26 June 2019	RMB10,000,000	–	–	100%	100%	Property management and related services
Neihuang Shirui Property Management Co., Ltd. (內黃縣實瑞物業服務有限公司)	The PRC, 19 September 2014	RMB500,000	–	–	100%	100%	Property management and related services

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

(a) Investments in subsidiaries (Continued)

Name	Place and date of incorporation/ place of operation	Registered and issued capital	Percentage of equity attributable to the Company				Principal activities
			Direct		Indirect		
			2022	2021	**2022**	2021	
Zhengzhou Xunjian Intelligent Engineering Co., Ltd. (鄭州市迅簡智能化工程有限公司)	The PRC, 18 July 2022	RMB5,000,000	**–**	–	**100%**	–	Intelligence engineering
Jiangsu Shengyuan Intelligent Engineering Co., Ltd. (江蘇晟遠智能化工程有限公司)	The PRC, 5 July 2022	RMB10,000,000	**–**	–	**100%**	–	Intelligence engineering
Henan Xinjiasheng Elevator Engineering Co., Ltd. (河南鑫嘉晟電梯工程有限公司)	The PRC, 22 October 2019	RMB10,000,000	**–**	–	**100%**	100%	Elevator installation, repair and maintenance services
Huaian Kangyang Property Services Co., Ltd. (淮安康陽物業服務有限公司)	The PRC, 4 December 2013	RMB200,000	**–**	–	**70%**	70%	Property management and related services
Henan Jingya Landscape Engineering Company Co., Ltd. (河南璟雅園林工程有限公司)	The PRC, 14 March 2019	RMB10,000,000	**–**	–	**100%**	100%	Landscape engineering and related services
Henan Xinzhixiang Electronic Technology Co., Ltd. (河南鑫智享電子科技有限公司)	The PRC, 20 May 2019	RMB5,000,000	**–**	–	**100%**	100%	Network technical service
Hefei Xinyuan Property Services Co., Ltd. (合肥鑫苑物業服務有限公司)	The PRC, 1 June 2019	RMB1,000,000	**–**	–	**100%**	100%	Property management and related services
Henan Xinyi Better Life Co., Ltd. (河南鑫怡美好生活服務有限公司)	The PRC, 8 August 2020	RMB5,000,000	**–**	–	**100%**	100%	Housekeeping services
Henan Shengjia Apartment Management Co., Ltd. (河南晟家公寓管理有限公司)	The PRC, 25 August 2020	RMB10,000,000	**–**	–	**100%**	100%	Property management and related services
Guangzhou Yuesheng Lianxing Business Service Co. Ltd. (廣州悦晟聯行商務服務有限公司)	The PRC, 10 September 2020	RMB10,000,000	**–**	–	**100%**	100%	Business services

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

(a) Investments in subsidiaries (Continued)

Name	Place and date of incorporation/ place of operation	Registered and issued capital	Percentage of equity attributable to the Company				Principal activities
			Direct		Indirect		
			2022	2021	**2022**	2021	
Jinan Shengyuan Intelligent Engineering Co., Ltd. (濟南晟遠智能化工程有限公司)	The PRC, 1 August 2022	RMB5,000,000	**–**	–	**100%**	–	Intelligent engineering
Zhengzhou Xinzhimeng Property Service Co., Ltd. (鄭州市鑫之夢物業服務有限公司)	The PRC, 8 July 2022	RMB5,000,000	**–**	–	**100%**	–	Property management and related services
Henan Xinyuan Xin City Property Service Co., Ltd. (河南鑫苑鑫都市物業服務有限公司)	The PRC, 13 October 2020	RMB5,000,000	**–**	–	**51%**	51%	Property management and related services
Chongqing Heavy Truck Group Hongqi Property Co. Ltd. (重慶重型汽車集團鴻企物業有限責任公司)	The PRC, 16 October 2008	RMB5,350,000	**–**	–	**100%**	100%	Property management and related services
Beijing Juhe Real Estate Agency Co., Ltd. (北京聚合房地產經紀有限公司)	The PRC, 2 August 2017	RMB10,000,000	**–**	–	**70%**	70%	Real Estate Agency
Henan Rongyao Catering Service Co. Ltd (河南融肴餐飲服務有限公司)	The PRC, 23 September 2021	RMB1,000,000	**–**	–	**51%**	51%	Dormant
Zhengzhou Shengxin Landscaping Construction Co. Ltd. (鄭州晟欣園林綠化工程有限公司)	The PRC, 10 November 2021	RMB10,000,000	**–**	–	**51%**	51%	Dormant
Lu'an Xinyuan Property Service Co., Ltd. (六安鑫苑物業服務有限公司)	The PRC, 19 October 2022	RMB3,000,000	**–**	–	**100%**	–	Property management and related services

* Newly set up subsidiaries during the year.

The English names of all subsidiaries established in the PRC are translated for identification purposes only.

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

(b) Reserves

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2021	563,285	25,022	(23,900)	564,407
Loss and total comprehensive income for the year	–	–	(86,775)	(86,775)
Placing of new shares *(Note 27)*	31,118	–	–	31,118
Equity-settled share-based payments *(Note 29)*	–	9,378	–	9,378
Dividends *(Note 11)*	–	–	(47,561)	(47,561)
At 31 December 2021 and 1 January 2022	**594,403**	**34,400**	**(158,236)**	**470,567**
Loss and total comprehensive income for the year	**–**	**–**	**(4,042)**	**(4,042)**
Vesting of awarded shares	**34,400**	**(34,400)**	**–**	**–**
Dividends *(Note 11)*	**–**	**–**	**(66,767)**	**(66,767)**
At 31 December 2022	**628,803**	**–**	**(229,045)**	**399,758**

39. APPROVAL OF THE FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issue by the board of directors on 12 March 2024.

FINANCIAL SUMMARY

Below are the Group's financial information extracted from the Company's published consolidated financial statements:

GROUP OPERATING RESULT

	Year ended 31 December				
	2022 **RMB'000**	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
REVENUE	**686,498**	770,176	653,702	533,954	393,329
Gross profit	**229,320**	266,157	257,672	201,789	133,572
PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT	**(334,265)**	122,570	131,152	81,319	76,100

GROUP ASSETS, LIABILITIES AND EQUITY

	As at 31 December				
	2022 **RMB'000**	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Non-current assets	**130,481**	350,983	116,234	106,792	113,522
Current assets	**901,222**	1,141,792	1,134,473	797,534	492,838
Total assets	**1,031,703**	1,492,775	1,250,707	904,326	606,360
Current liabilities	**508,728**	567,085	442,563	338,041	355,693
Net current assets	**392,494**	574,707	691,910	459,493	137,145
Total assets less current liabilities	**522,975**	925,690	808,144	566,285	250,667
Net assets	**513,313**	914,892	797,887	563,087	250,667
Capital and reserves					
Share capital	**5**	5	5	4	–
Reserves	**510,501**	911,533	796,028	561,932	249,092
	510,506	911,538	796,033	561,936	249,092
Non-controlling interests	**2,807**	3,354	1,854	1,151	1,575
Total equity	**513,313**	914,892	797,887	563,087	250,667

The above financial information for the year ended 31 December 2017 and 2018 are based on accountants' report contained in the Company's prospectus dated 25 September 2019.