JIANDE INTERNATIONAL HOLDINGS LIMITED
建德國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)

Stock Code : 865
股票代號 : 865

Annual Report 年報
2023

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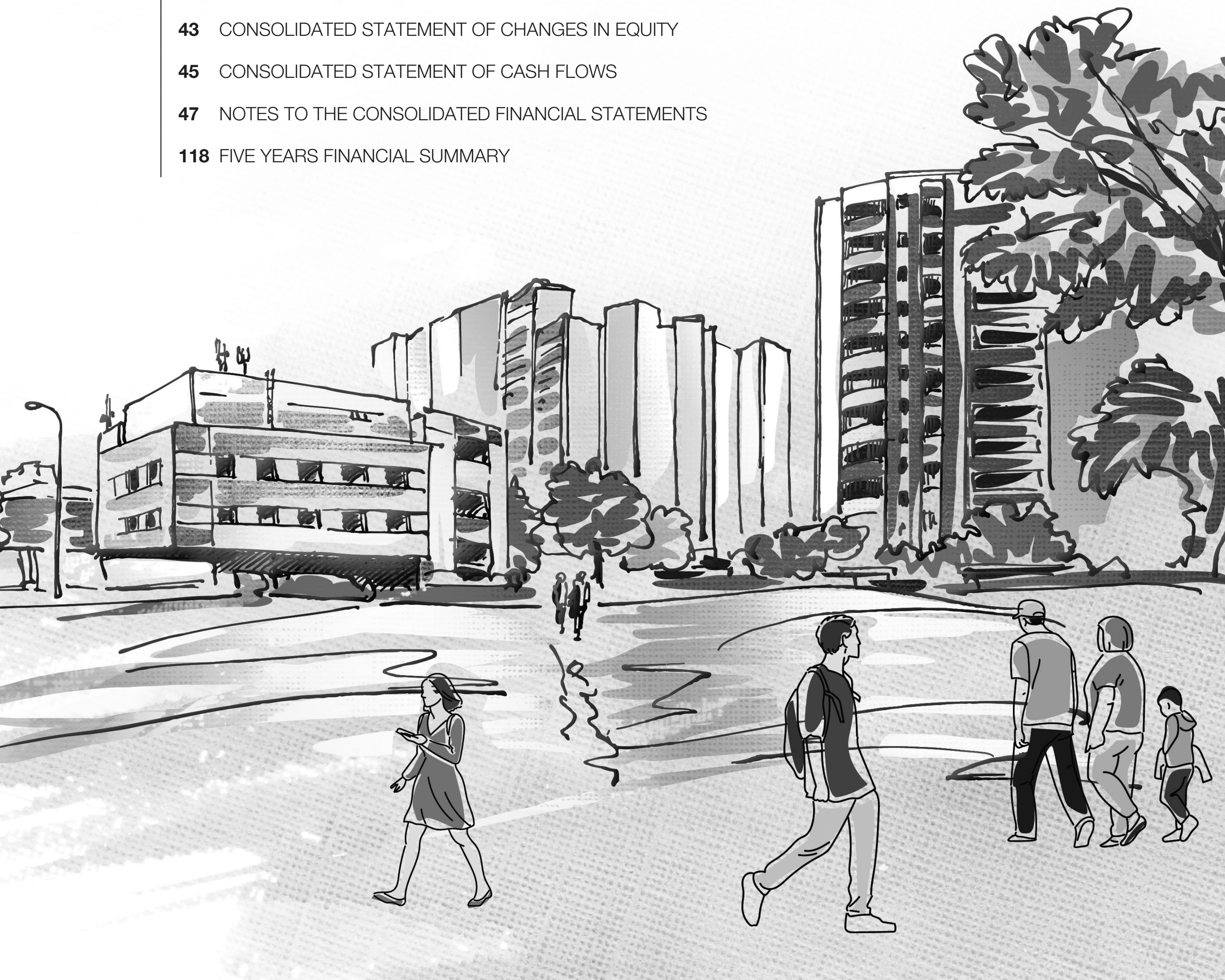

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Shie Tak Chung *(Chairman)*
Mr. Tsoi Kin Sze *(Chief Executive Officer)*
Mr. Wu Zhisong

Independent Non-executive Directors

Mr. Ma Sai Yam
Mr. Zhang Senquan
Mr. Yang Quan

COMPANY SECRETARY

Mr. Wong Kin Tak *(ACCA, HKICPA)*

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
31/F, Gloucester Tower
The Landmark
11 Pedder Street, Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 401–402, 4/F, Westlands Centre
20 Westlands Road, Quarry Bay
Hong Kong

REGISTERED OFFICE

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

STOCK CODE

Listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) under the stock code 00865

CORPORATE WEBSITE

www.jiande-intl.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of Jiande International Holdings Limited (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2023.

INDUSTRY REVIEW

In 2023, despite of the complex and severe international political and economic environment, China's economy has demonstrated its resilience after the full release of pandemic controls. The gross domestic product of China for 2023 expanded 5.2% on a year-on-year basis, achieving approximately RMB126 trillion according to the preliminary estimate by the National Bureau of Statistics.

With the drastic change in the demand-supply relationship, the adjustment in real estate market in China has been under progress. According to the data from the National Bureau of Statistics, sales of commodity housing amounted to approximately RMB11.7 trillion, representing a year-on-year decrease of 6.5%. To promote the healthy growth in the industry, the relevant authorities implemented a series of supportive policies to ensure the timely delivery of presold homes and boost property buyers' confidence.

BUSINESS REVIEW AND PROSPECT

During the year ended 31 December 2023, the Group continued focusing on the development of its four residential and commercial property projects in the PRC, namely Xixian Kangqiao Xueyuan (息縣康橋學苑) in Xinyang, Henan Province, and Wugang Kangqiao Xueyuan (武岡康橋學苑), Kangqiao International City (康橋國際城) and Kangqiao Meiju (康橋美居) in Wugang, Hunan Province. The Group started to deliver the newly completed residential properties in the Xixian Kangqiao Xueyuan and the Wugang Kangqiao Xueyuan projects since July 2023.

Looking forward to 2024, the real estate industry remains to be full of challenges. The central government stressed the importance of high-quality development and has intensified its effort to drive the steady qualitative growth and rational quantitative growth of the economy. It is expected that more supportive policies will be launched to facilitate the stable and robust development in the property market. Local governments are also expected to implement region-specific and flexible regulatory policies to promote long-term healthy and high-quality development of real estate industry.

The Group will continue to uphold its prudent management approach to maintain a balance between growth, efficiency and risk. The Group has committed to developing quality properties accompanied with a living community to customers, particularly in those cities in the PRC where residents still have the rigid demand for housing due to the continuous urbanization process. The Group will also aim at being customer-centred and innovating product functions to realise customers' pursuit for better lives.

As at 31 December 2023, the status of the Group's property development projects are as follows:

Location	Project Name	Address	Type	Site area	Total gross floor area	Properties for development	Properties under development	Properties for sale	Properties held for investment (Note d)	Properties completed and delivered	Actual/ expected time of whole project completion	Percentage interest attributable to the Group
				('000 sq.m)	('000 sq.m)	('000 sq.m)	('000 sq.m)	('000 sq.m)	('000 sq.m)	('000 sq.m)		
Quanzhou, Fujian Province	Binjiang International (濱江國際)	Southeast of Xibin Park (溪濱公園東南側), Luoyang Town, Huian County, Quanzhou	Residential (Note b)	83	346	–	–	4	14	328	2014	98.4%
Yangzhou, Jiangsu Province	The Cullinan Bay (天璽灣)	East of Linjiang Road and north of Dingxing Road (臨江路東側、鼎興路北側), Yangzhou	Residential (Note c)	82	236	–	–	47	3	186	2021	98.4%
Xinyang, Henan Province	Xixian Kangqiao Xueyuan (Note a) (息縣康橋學苑)	West of Shuyinggongda Road and north of Xirangda Road (叔穎公大道西側、息壤大道北側), Xi County, Xinyang	Residential (Note c)	55	147	–	111	13	–	23	2026	80%
Wugang, Hunan Province	Wugang Kangqiao Xueyuan (Note a) (武岡康橋學苑)	South of Zhucheng Highway (竹城公路南側), Wugang	Residential (Note c)	34	122	–	58	28	–	36	2024	80%
Wugang, Hunan Province	Kangqiao International City (Note a) (康橋國際城)	South of Xindong Road and east of Futian Road (新東路南側、富田路東側), Wugang	Commercial	22	36	36	–	–	–	–	2025	80%
Wugang, Hunan Province	Kangqiao Meishu (Note a) (康橋美居)	South of Xindong Road and east of Futian Road (新東路南側、富田路東側), Wugang	Residential and Commercial (Note c)	24	72	72	–	–	–	–	2026	80%
Wugang, Hunan Province	Kangqiao Meishu (Note a) (康橋美墅)	East side of Futian Road and north side of Chunyuan Road (富田路以東、春園路以北), Wugang	Residential and Commercial (Note c)	49	148	148	–	–	–	–	2026	80%
Total				349	1,107	256	169	92	17	573		

Notes:

(a) English name of this project is not official and for identification purpose only.

(b) Car parking spaces, retail stores and kindergarten are included as ancillary residential facilities of this project.

(c) Car parking spaces and retail stores are included as ancillary residential facilities of this project.

(d) Properties are situated on land held on long term lease according to the term stated in the relevant state-owned land use rights certificates.

APPRECIATION

I wish to take this opportunity to express my gratitude for the support from the Group's business partners and customers over the years. Also, I would like to thank my fellow directors for their invaluable advice and guidance, and to each and every staff member for their hard work and unwavering commitment to the Group.

Shie Tak Chung
Chairman
28 March 2024

FINANCIAL REVIEW

Financial Performance

The Group's revenue for the year ended 31 December 2023 was mainly derived from the sale and delivery of residential properties of the projects developed recently in Henan Province and Hunan Province, namely Xixian Kangqiao Xueyuan (息縣康橋學苑) and Wugang Kangqiao Xueyuan (武岡康橋學苑), net of discounts and sales related taxes. Revenue rose by 6.2% from RMB262,153,000 for the year ended 31 December 2022 to RMB278,286,000 for the year ended 31 December 2023, primarily due to the increase in properties completed and delivered to customers during the year ended 31 December 2023.

Gross profit of the Group dropped by 55.7% from RMB83,593,000 for the year ended 31 December 2022 to RMB37,006,000 for the year ended 31 December 2023, mainly caused by the declining gross profit margin from 31.9% for the year ended 31 December 2022 to 13.3% for the year ended 31 December 2023. The squeeze in gross profit margin was primarily attributable to the lower gross profit margin earned from the recently developed projects in face of the price adjustment pressure in the property market during the year ended 31 December 2023.

Write down on properties for sale of approximately RMB5,035,000 for the year ended 31 December 2022 represented the write down of certain car parking spaces of the Group to their net realisable value when the Group adjusted the selling price of these car parking spaces below cost to promote the sale. No adjustments to the price of the properties for sale below cost were made by the Group during the year ended 31 December 2023.

Loss on misappropriation of funds for the year ended 31 December 2022 represented the net loss suffered by the Group, resulting from the misappropriation of funds by a former treasurer of Hui An China General between 2019 and 2022, as disclosed in the Company's announcements dated 7 October 2022, 19 December 2022 and 28 March 2023.

Selling expenses of the Group increased by 13.3% from RMB7,349,000 for the year ended 31 December 2022 to RMB8,324,000 for the year ended 31 December 2023, primarily attributable to the additional sales agent commission incurred for the delivery of properties.

Administrative expenses decreased by 27.4% from RMB20,914,000 for the year ended 31 December 2022 to RMB15,182,000 for the year ended 31 December 2023 as the Group implemented additional cost control measures to cope with the challenging business environment.

Income tax expense, representing current tax provision for the PRC Enterprise Income Tax and PRC Land Appreciation Tax and deferred tax, decreased by 38.1% from RMB13,603,000 for the year ended 31 December 2022 to RMB8,423,000 for the year ended 31 December 2023, mainly attributable to the reduction of the Group's taxable profit.

Profit attributable to owners of the Company decreased by 85.6% from RMB31,321,000 for the year ended 31 December 2022 to RMB4,507,000 for the year ended 31 December 2023, primarily due to the squeeze in gross profit from the Group's property development business, partially offset by the decrease in write down on properties for sale, loss on misappropriation of funds, administrative expenses and income tax expense.

Liquidity and Financial Resources

As at 31 December 2023, the Group had total assets of RMB1,201,801,000 (including restricted bank deposits and bank balances and cash of RMB170,401,000), which were financed by total equity of RMB804,334,000 and total liabilities of RMB397,467,000. The Group's working capital requirements were mainly fulfilled by its internal resources and bank borrowings during the year ended 31 December 2023.

Current ratio of the Group was 2.93 times as at 31 December 2023 (31 December 2022: 2.45 times). The Group had secured bank borrowings of RMB36,000,000 as at 31 December 2023 (31 December 2022: RMB36,000,000). Gearing ratio, defined as total debts comprising bank borrowings and amount due to a non-controlling interest of subsidiaries divided by total equity, maintained at 19.7% as at 31 December 2023 (31 December 2022: 19.7%).

Foreign Exchange Exposure

Major subsidiaries of the Company operate in the PRC and all the business transactions of the Group are denominated in RMB. Net foreign exchange loss for the year ended 31 December 2023 primarily resulted from the translation of the bank balances denominated in currencies other than RMB into RMB. Currently, the Group does not use derivative financial instruments and has not entered into any derivative contracts. However, the management will monitor the currency fluctuation exposure and will consider hedging significant foreign exchange risk should the need arise.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2023, the Group had approximately 39 full-time employees, excluding the directors of the Company ("the Directors"), in the PRC. During the year ended 31 December 2023, the total staff costs, including Directors' remuneration, was RMB8,013,000 (2022: RMB9,484,000). Remuneration packages of the employees are determined by reference to the qualifications and experience of the employee concerned and are reviewed annually by the management with reference to market conditions and individual performance. The Group offers a comprehensive and competitive remuneration and benefit package to its employees. As required by applicable PRC laws and regulations, the Group participates in various employee benefit plans of the municipal and provincial governments, including housing provident fund, pension, medical, maternity, work injury insurance and unemployment benefit plans.

REPORT OF THE DIRECTORS

The board (the "Board") of Directors of the Company herein present their report and the audited financial statements of the Group for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group are the development and sale of properties in the PRC. Details and principal activities of the Company's subsidiaries are set out in note 38 to the consolidated financial statements. There was no significant change in the nature of the Group's principal activities during the year ended 31 December 2023.

BUSINESS REVIEW

The Company is a property developer in the PRC, focusing on the development of residential and commercial properties. Details of the Group's business review, prospect and financial performance and the principal risks and uncertainties facing the Company are provided in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" and the consolidated financial statements of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2023 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 39 to 117 of this annual report.

The Board does not recommend the payment of any dividend in respect of the year (2022: Nil).

PLANT AND EQUIPMENT

Details of movements in the plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

SECURED BANK BORROWINGS

Particulars of secured bank borrowings of the Group are set out in note 26 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 29 to the consolidated financial statements. The Group has not adopted any share option scheme.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the Consolidated Statement of Changes in Equity on pages 43 to 44 of this annual report and in note 38 to the consolidated financial statements, respectively.

As at 31 December 2023, the distributable reserves of the Company as calculated in accordance with the relevant provisions of the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands amounted to RMB474,713,000.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group recognises that employees are one of its significant assets and offers equal employment opportunities to safeguard its staff against discrimination arising from age, race, ethnicity, gender and religion, while striving to develop a fair, respectful, diversified, cooperative and friendly corporate culture and working environment. With a view to enhancing the satisfactory level of the staff, the Group provides the staff with competitive remuneration packages and comprehensive training programmes, so as to encourage the staff to reach their full potential and contribute their talents.

The Group is committed to providing high-quality products and services to its customers. Through on-site visits and major customers satisfaction surveys, the Group reaches out for its existing and prospective customers to understand their needs and collect their feedback for identifying areas of improvement and advancing the Group to achieve excellence.

The Group values mutually beneficial long-term relationships with its suppliers. Their steady supply of products and provision of services in high quality are crucial for the Group. The Group is committed to developing stable and sustainable partnership among its suppliers.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2023, sales to the Group's five largest customers accounted for approximately 2.2% of the total sales for the year and sales to the largest customer included therein amounted to approximately 0.5%. Purchases from the Group's five largest suppliers accounted for approximately 84.1% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 68.2%. None of the Directors of the Company or any of their close associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's share capital) had any interest in the Group's five largest customers and suppliers.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this annual report, there were no other significant investments held, no material acquisitions or disposals of subsidiaries, associates and joint ventures during the year, nor was there any plan authorised by the Board for other material investments or additions of capital assets at the date of this annual report.

CHARGE ON ASSETS

As at 31 December 2023, the Group pledged properties for development of approximately RMB135,787,000 to secure its bank borrowings.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into during the year or subsisted at the end of the year.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 118 of this annual report. This summary does not form part of the audited financial statements included in this annual report.

DIRECTORS

The Directors, comprising executive directors (the "Executive Directors") and independent non-executive directors (the "Independent Non-executive Directors"), during the year and up to the date of this report of the directors were as follows:

Executive Directors

Mr. Shie Tak Chung *(Chairman)*
Mr. Tsoi Kin Sze *(Chief Executive Officer)*
Mr. Wu Zhisong

Independent Non-executive Directors

Mr. Ma Sai Yam
Mr. Zhang Senquan
Mr. Yang Quan

In accordance with article 109 of the Company's articles of association (the "Articles"), Messrs. Wu Zhisong and Ma Sai Yam will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

DIRECTORS' BIOGRAPHIES

There have been no changes in the information of Directors and chief executive of the Company since the publication of the 2023 interim report up to the date of this annual report as required to be disclosed pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), save and except that:

Mr. Shie Tak Chung no longer served as deputy chairman of the Hong Kong Fujian Charitable Education Fund (香港福建希望工程基金會副主席), honorary president (life) of the General Association of Xiamen (H.K.) Limited (香港廈門聯誼總會永遠名譽會長) and executive council member of Fujian Overseas Friendship Association (福建海外聯誼會常務理事).

Biographical details of the Directors are set out on pages 30 to 32 of this annual report.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company, which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' REMUNERATION

Details of the remuneration of the Directors are set out in note 10 to the consolidated financial statements.

The remuneration of the Directors is principally determined with reference to the balance of skill and experience appropriate to the Group's business.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

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

As at 31 December 2023, so far as is known to the Directors, the interests or short positions of the Directors and the chief executive of the Company and their associates in the shares, or underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong) (the "SFO")) which were 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 were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange, were as follows:

Long Position in Shares and Underlying Shares of the Company

Name of Directors	Capacity	Number of issued ordinary shares held	Approximate Percentage of issued share capital of the Company
Shie Tak Chung	Interest of a controlled corporation	1,517,896,394 (Note1)	26.00%
Tsoi Kin Sze	Interest of a controlled corporation	1,780,596,394 (Note 2)	30.5%

Notes:

1 Fame Build Holdings Limited ("Fame Build"), a company incorporated in the British Virgin Islands, is the registered owner of these shares. As at 31 December 2023 and up to the date of this report of directors, Fame Build was solely and beneficially owned by Mr. Shie Tak Chung.

2 Talent Connect Investments Limited ("Talent Connect"), a company incorporated in the British Virgin Islands, is the registered owner of these shares. As at 31 December 2023 and up to the date of this report of directors, Talent Connect was solely and beneficially owned by Mr. Tsoi Kin Sze.

Save as disclosed above, as at 31 December 2023, none of the Directors and the chief executive of the Company and their associates had interests or short positions in the shares, or underlying shares of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were 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 were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or their respective spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors or their respective associates has an interest in any business which competes or may compete with the business of the Group.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

PERMITTED INDEMNITY PROVISION

Under the Articles, every Director or other officers of the Company acting in relation to any of the affairs of the Company shall be entitled to be indemnified against all actions, costs, charges, losses, damages and expenses which he/she may incur or sustain in or about the execution of the duties in his/her office. The Company has arranged appropriate insurance cover in respect of legal action against its Directors and officers.

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

As at 31 December 2023, so far as is known to the Directors, the following entities, not being a Director or chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long Positions in Shares and Underlying Shares of the Company

Name	Capacity	Number of issued ordinary shares held	Approximate Percentage of issued share capital of the Company
Fame Build	Beneficial owner	1,517,896,394	26.00%
Talent Connect	Beneficial owner	1,780,596,394	30.50%

Save as disclosed above, as at 31 December 2023, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

NON-COMPETITION UNDERTAKING BY CONTROLLING SHAREHOLDERS

The Company has received the confirmations signed by Mr. Tsoi Kin Sze and Talent Connect (collectively, the "Covenantors") on 18 March 2024 (collectively, the "Confirmations") confirming that, for the year ended 31 December 2023 and up to the date of signing of the Confirmations by the Covenantors, each of them has fully complied with the deed of non-competitions respectively executed by the Covenantors in favour of the Group on 26 February 2016 (the "Deed of Non-Competition") and, in particular, each of them and their respective associates have not, directly or indirectly, own, invest in, carry on, participate in, develop, operate or be interested or engaged in or acquire or hold any activity or business which is or may be in competition, directly or indirectly, with the business carried on or contemplated to be carried on by any member of the Group (being the property development of residential and commercial properties) from time to time in the PRC.

The Independent Non-executive Directors have reviewed the Confirmations and all of them are satisfied that the Deed of Non-Competition have been complied with during the year ended 31 December 2023.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

The Company had not entered into any connected transaction during the year ended 31 December 2023 which is required to be disclosed in accordance with Chapter 14A of the Listing Rules. Related party transactions entered into by the Group during the year ended 31 December 2023, which constitute fully exempt connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules are disclosed in note 36 to the consolidated financial statements.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, there is a sufficiency of public float of the Company's securities as required under the Listing Rules as at the date of this annual report.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

To demonstrate the commitment of maintaining sustainable development and to comply with the relevant laws and regulations in respect of environmental protection, the Group endeavors to minimise the impacts of its operating activities on the environment.

The Group has taken into consideration the environmental factors in the course of planning and development for its property projects, such as promoting planting and landscaping during project design to optimise the green ecosystem and adopting a series of emission reduction, water pollution prevention and resources saving measures on the construction sites. The Group also procures and selects environment-friendly materials for both outdoor and indoor construction, so as to provide residents with a comfortable living environment and conserve natural resources upon the completion of the project. In addition, engaging construction contractors with sound environmental protection and safety track records, the Group has closely monitored its projects at every stage to ensure the construction process is in compliance with environmental protection and safety laws and regulations.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group seeks to uphold high standard of integrity in all aspects of business and is committed to ensure that its affairs are conducted in accordance with applicable laws and regulatory requirements and has formulated and adopted various internal control measures, approval procedures and training within all business units at all levels of the Group. To the best knowledge of the Directors, the Group has complied in material respects with all the relevant laws and regulations that have a significant impact on the Group during the year ended 31 December 2023.

RETIREMENT BENEFITS PLANS

Particulars of the Group's retirement benefits plans are set out in note 15 to the consolidated financial statements.

CORPORATE GOVERNANCE

The Company's corporate governance practices are set out in the Corporate Governance Report on pages 16 to 29 of this annual report.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to the shareholders by reason of their holdings of the shares of the Company. If the shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or exercising of any rights in relation to the shares of the Company, they are advised to consult their professional advisers.

EVENT AFTER THE REPORTING DATE

Save as disclosed in this annual report, there were no significant events that have occurred subsequent to the end of the reporting period of the Company and up to the date of this report of the directors.

AUDITORS

The consolidated financial statements of the Company for the year ended 31 December 2023 have been audited by HLB Hodgson Impey Cheng Limited ("HLB"), who will retire at the forthcoming annual general meeting. A resolution will be submitted to the forthcoming annual general meeting to re-appoint HLB as auditors of the Company.

On behalf of the Board
Shie Tak Chung
Chairman

28 March 2024

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining good standards of corporate governance best suited to the needs and interests of the Group in order to achieve sustainable development and enhance corporate performance. The Board recognises that effective corporate governance practices of the Company with emphasis on integrity, sound internal control and high level of accountability and transparency are fundamental to safeguarding interests of shareholders and other stakeholders and enhancing shareholders' value.

The Company's corporate governance practices are based on the principles and code provisions set out in Part 2 of Appendix C1 (Corporate Governance Code (the "CG Code")) to the Hong Kong Listing Rules. The Board is responsible for formulating the policy for the corporate governance of the Company and performing the below corporate governance duties:

— developing and reviewing the Company's policies and practices on corporate governance and making recommendations;

— reviewing the Company's policies and practices on compliance with all relevant legal and regulatory requirements (where applicable);

— developing and reviewing the code of conduct and compliance manual (if any) applicable to the Directors and the employees of the Group; and

— reviewing the Company's compliance with the CG Code and disclosure requirements in the corporate governance report.

To the best knowledge of the Directors, the Company has complied with the code provisions of the CG Code during the year ended 31 December 2023.

DIRECTORS

The Board

The Board, led by the chairman of the Board (the "Chairman"), steers the Company's business direction. It is responsible for formulating the Company's long-term strategies, setting business development goals, assessing results of management policies, monitoring the management's performance and ensuring effective implementation of risk management measures on a regular basis. The Directors meet regularly to review the Group's financial and operational performance and to discuss and formulate future development plans. The Directors can attend meetings in person or through electronic means of communication in accordance with the Articles.

Board Composition

The Board currently comprises a total of six Directors, being three Executive Directors and three Independent Non-executive Directors. The list of Directors is set out in the section headed "Report of the Directors" of this annual report. In addition, an updated list of the Company's Directors by category identifying their role and function is at all times available on the websites of the Stock Exchange and the Company respectively. The list specifies whether the Director is an Independent Non-executive Director and expresses the respective roles and functions of each Director.

The Board is characterised by significant diversity and has a balance of skills and experience appropriate for the direction and oversight of the Group's strategic priorities. The Directors give sufficient time and attention to the affairs of the Group. All Directors are required to disclose to the Company at the time of their appointment and annually the number and the nature of offices held in public companies or organizations and other significant commitments with an indication of the time involved.

The Board Diversity Policy

The Company recognises and embraces the benefits of a diversity of Board members and has adopted a policy of the Board diversity (the "Board Diversity Policy"). The Board Diversity Policy endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments shall continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates is based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision shall be made according to the merits of candidates and their contribution to the Board.

Currently, all Board members are males. In order to achieve gender diversity on the Board level, the Board will appoint one female Board member no later than 31 December 2024.

The Board will review the implementation and effectiveness of the Board Diversity Policy on an annual basis in accordance with the code provision B.1.3 of the CG Code.

To achieve diversity at workforce level, the Group has put in place appropriate recruitment and selection practices such that a diverse range of candidates are considered and ensure that gender diversity is taken into account when recruiting employees. The management will review the gender composition of the workforce and set targets based on the future needs of the Group's development. The gender ratio of male to female in the workforce, including senior management of the Group, as at 31 December 2023, is approximately 1.29:1.

Independent Element on the Board

The Board includes a balanced composition of Executive and Non-executive Directors (including Independent Non-executive Directors) so that there is a sufficient independent element on the Board, which can effectively exercise independent judgement. Save for those as disclosed in the section headed "Directors' Biographies" of this annual report, the Board members have no other financial, business, family or other material/relevant relationships with each other.

The Independent Non-executive Directors play an important role on the Board. They are responsible for ensuring that the Board maintains high standards of financial and other mandatory reporting as well as providing adequate checks and balances for safeguarding the interest of shareholders of the Company and the Group as a whole. During the year ended 31 December 2023, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors representing at least one-third of the Board with at least one of them possessing appropriate professional qualifications on accounting or related financial management expertise.

The Board has received from each of its Independent Non-executive Directors a confirmation of independence pursuant to Rule 3.13 of the Listing Rules and the Company considers that all of the Independent Non-executive Directors are independent. The Company identifies the Independent Non-executive Directors in all corporate communications which disclose the names of directors.

Role and Function of the Board and the Management

The Board is responsible for overall strategic formulation and performance monitoring of the Group. It delegates day-to-day operations of the Company to the senior management within the control and authority framework set by the Board. In addition, the Board has also delegated various responsibilities to the Audit Committee, the Remuneration Committee and the Nomination Committee. Further details of these Board committees are set out in this report.

Chairman and CEO

With respect to code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company fully supported the division of responsibility between the chairman of the Board (the "Chairman") and the chief executive officer of the Company ("CEO") to ensure a balance of power and authority. During the year ended 31 December 2023, the positions of the Chairman and CEO were held by Mr. Shie Tak Chung and Mr. Tsoi Kin Sze, respectively. This ensures a clear distinction between the Chairman's duty to manage the Board and the CEO's duty to oversee the overall internal operation of the Company.

Records of Meetings of the Board and the Board Committees

The board shall meet regularly and at least four times a year at approximately quarterly intervals under code provision C.5.1 of the CG Code, the chairman should at least annually, hold meetings with the independent non-executive directors without the other directors present under the code provision C.2.7 of the CG Code, and the audit committee must meet, at least twice a year, with the issuer's auditors under code provision D.3.3(e)(i) of the CG Code.

During the year ended 31 December 2023, the Board met four times, the Chairman held a meeting with all the Independent Non-executive Directors without the presence of other Executive Directors, and the Audit Committee met three times with the Company's auditors. Attendance of individual Directors at the meetings of the Board and the Board committees for the year ended 31 December 2023 is as follows:

	Number of meetings attended/eligible to attend			
	Board	Nomination Committee	Remuneration Committee	Audit Committee
Executive Directors				
Shie Tak Chung	4/4	1/1	1/1	0/0
Tsoi Kin Sze	4/4	0/0	0/0	0/0
Wu Zhisong	4/4	0/0	0/0	0/0
Independent Non-executive Directors				
Ma Sai Yam	4/4	1/1	1/1	4/4
Zhang Senquan	4/4	1/1	1/1	4/4
Yang Quan	4/4	0/0	0/0	4/4

Notice of regular Board meetings are served to all Directors at least 14 days before the meeting while reasonable notice is generally given for other Board meetings. Agenda and Board papers together with all appropriate, complete and reliable information are sent to all Directors in a timely manner, and at least 3 days before the intended date of each Board or Board committee meeting, except agreed otherwise among the members, to ensure that they had sufficient time to review the board papers, be adequately prepared for the meeting, keep the Directors apprised of the latest developments and financial position of the Company and to enable them to include any matter in the agenda and to make informed decisions.

The Board and each Director, upon reasonable request, have access to independent professional advice to assist them in performing their duties to the Company, at the Company's expense. When needed and upon making request to the Board, the Directors may obtain independent professional advice at the Company's expense in carrying out their duties.

Minutes of all meetings of the Board and the Board committees are kept by the company secretary. All of the above minutes record the discussions and decisions reached by the relevant members in sufficient detail the matters considered and decisions reached, including any concern raised by Directors or dissenting views expressed. Any Director may inspect the minutes at any reasonable time on reasonable notice.

Draft minutes are normally circulated to Directors or members of the relevant committee for comment within a reasonable time after each meeting and the final version is sent to all Directors or committee members for their record.

Appointment and Re-election of Directors

Appointment of new Directors is a matter for consideration by the Nomination Committee. The Nomination Committee will give adequate consideration to the Board Diversity Policy and review the profiles of the candidates and make recommendations to the Board on the appointment, re-appointment and nomination of Directors.

According to article 113 of the Articles, any Director so appointed by the Board shall hold office, in the case of filling a casual vacancy, only until the next following general meeting of the Company or, in the case of an addition to their number, until the next following annual general meeting of the Company who shall then be eligible for re-election at such general meeting. According to article 109 of the Articles, at each annual general meeting of the Company (the "AGM"), one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years while those retiring Directors shall be eligible for re-election.

All Directors have entered into service contracts or letters of engagement with the Company for a term of not more than three years.

Model Code for Securities Transactions

The Company has adopted the Model Code as the code of conduct for Directors in their dealings in securities of the Company. Having made specific enquiry with all Directors, all Directors confirmed that they have complied with the Model Code throughout the year ended 31 December 2023.

Employees who are likely to possess inside information in relation to the Company or its shares are prohibited from dealing in shares of the Company during the black-out period.

Insurance for Directors' and Officers' Liabilities

Appropriate insurance cover on directors' and officers' liabilities has been in force to protect the Directors and officers of the Group from their risk exposure arising from the business of the Group.

Directors' Training and Professional Development

The Directors are continually updated with legal and regulatory developments, and business and market changes to facilitate the discharge of their responsibilities. Every newly appointed Director will be given an introduction of the Listing Rules, legal and other regulatory requirements to ensure compliance and upkeep of good corporate governance practices. Directors are also encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. There are also arrangements in place for providing continuing briefing and professional development to Directors at the Company's expenses whenever necessary.

According to the records maintained by the Company, the Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the requirement of the CG Code on continuous professional development during the year ended 31 December 2023:

	Read materials	**Attend seminars/ briefing**
Executive Directors		
Shie Tak Chung	✓	✓
Tsoi Kin Sze	✓	✓
Wu Zhisong	✓	✓
Independent Non-executive Directors		
Ma Sai Yam	✓	✓
Zhang Senquan	✓	✓
Yang Quan	✓	✓

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board aims to present a balanced, clear and understandable assessment in annual and interim reports, inside information announcements and other financial disclosures required under the Listing Rules and other regulatory requirements.

The Directors have acknowledged their responsibility for the preparation of the financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period.

The statement by the auditors of the Company, HLB, regarding their reporting responsibilities on the financial statements of the Group for the year ended 31 December 2023 is set out in the section headed “Independent Auditor’s Report” of this annual report.

The Directors, having made appropriate reasonable enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and hence decide that it is appropriate to prepare the financial statements set out in the audited financial statements on pages 39 to 46 of this annual report on a going concern basis. As at the date of this annual report, the Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern.

The basis on which the Company generates or preserves value over the longer term and the strategy for delivering its objectives are explained in the section headed “Management Discussion and Analysis” of this annual report.

Access to Information

The management provides the Board with sufficient explanation and information, such as the Group's major business activities and key financial information, to enable the Board to make an informed assessment of the financial information and position of the Company put before the Board for approval. Where any Director requires more information than is volunteered by the management, each Director has the right to separately and independently access to the Company's senior management to make further enquiries if necessary.

Risk Management and Internal Control

The Board has the overall responsibility for maintaining sound and effective risk management and internal control systems to safeguard the Group's assets and stakeholders' interests, as well as for reviewing the effectiveness of the systems through the support of internal audit function and the Audit Committee.

The Group has adopted a three-tier risk management approach to identify, assess, mitigate and handle risks. At the first line of defense, business units are responsible for identifying, assessing and monitoring risks associated with each business or deal. The management, as the second line of defense, defines rule sets and models, provides technical support, develops appropriate systems and oversees risk management to ensure that significant risks of the Group are within the acceptable level and that the first line of defense is effective. As the final line of defense, the internal audit function ensures that the first and second lines of defense are effective through regular review. However, the risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. Moreover, the management of the Group would, at least once a year, identify risks that would adversely affect the achievement of the Group's business objectives, and assesses and prioritises the identified risks according to a set of standard criteria. Risk mitigation plans are established and risk responsible persons are appointed for those significant risks.

Given the Group's relatively simple corporate and operation structure, as opposed to diverting resources to establish internal audit department, the Board conducted annual review of the Company's risk management and internal control systems through engaging ZHONGHUI ANDA Risk Services Limited (the "IC Advisor") to perform review and assessment of the effectiveness of the Company's risk management and internal control systems which implemented material controls covering the financial, operational, compliance and risk management aspects of the Group for the year ended 31 December 2023 and reported to the Audit Committee and the Board. The management of the Group is responsible for taking necessary actions to remedy any significant failures or weaknesses in internal control identified by the IC Advisor. The IC Advisor also performs follow-up review to assist the Audit Committee in monitoring the implementation of remedial actions. The Board considers that internal audits have been implemented and provided the Board with reasonable assurance that the processes of the Company operate as designed.

The Group's risk management and internal control systems aim to provide reasonable assurance, rather than eliminating the risk of failing to achieve business objectives. Therefore, such systems can only provide reasonable but not absolute assurance against any material misstatement or losses.

As disclosed in the Company's announcements dated 7 October 2022, 19 December 2022 and 28 March 2023, a former treasurer of Hui An China General Real Estate Development Company Limited (惠安中總房地產開發有限公司) ("Hui An China General"), a subsidiary owned as to 98.4% by the Company, misappropriated the funds of Hui An China General between 2019 and 2022 (the "Misappropriation"). As such, the Company engaged RSM as independent forensic accountant to, among other things, conduct an independent forensic accounting review (the "Independent Review") in respect of the Misappropriation, review the risk management and internal control systems of the Group and make rectification and improvement recommendations to the Board. Based on the findings of the Independent Review, the Group ascertained a total net loss as a result of the Misappropriation to be approximately RMB24.98 million from 2019 to 2022. The Independent Review report issued by RSM was tabled and accepted by the Board on 28 March 2023. The key findings of the Independent Review have been summarized in 2022 annual report of the Company. After review of the Independent Review report and taking into consideration the remedial actions having been taken, the Board believes that the Company's systems of risk management and internal control in place are effective and adequate to prevent misappropriation of funds in future.

Inside Information Policy setting out the guidelines to the Directors and all employees of the Group has been established to ensure that inside information can be promptly identified, assessed and disseminated to the public in equal and timely manner in accordance with the applicable laws and regulations. Before the information is fully disclosed to the public, the Company will ensure that the information is kept strictly confidential. If the Company believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Company would immediately disclose the information to the public. The Company is committed to ensure that information contained in announcements are not false or misleading as to a material fact, or false or misleading through the omission of a material fact, in view of presenting information in a clear and balanced manner, which requires equal disclosure of both positive and negative facts.

Whistleblowing policy and procedures have been established for reporting possible improprieties. Whistle-blowers are protected under the policy and ensured non-retaliation, and all information are kept confidential. Various independent channels have been established to facilitate identification of suspected fraud and non-compliance cases.

In addition, the Group's anti-corruption policies have expressly stipulated the code of conduct to which all employees are subject. The Group has in place email address for reporting any irregular or fraudulent activities to the Board on a confidential basis. The identity of those who lodge a complaint will be protected.

Auditors' Remuneration

For the year ended 31 December 2023, the remuneration paid/payable for services provided by the auditors of the Company, is as follows:

	RMB'000
Services rendered	
Statutory audit services	905
Non-audit services	290

BOARD COMMITTEES

Composition of the Board Committees

The Board delegates its powers and authorities from time to time to the Board committees in order to ensure the operational efficiency and specific issues are being handled by relevant expertise. All Board committees are provided with accurate and sufficient information in timely manner so as to enable the Board committees to make informed decisions for the benefit of the Company and sufficient resources to discharge their duties.

During the year ended 31 December 2023, the Board had the Nomination Committee, Remuneration Committee and Audit Committee.

The table below provides membership information of these committees on which the relevant Board members serve:

	Nomination Committee	**Remuneration Committee**	**Audit Committee**
Executive Directors			
Shie Tak Chung	Chairman	Member	
Tsoi Kin Sze			
Wu Zhisong			
Independent Non-executive Directors			
Ma Sai Yam	Member	Chairman	Member
Zhang Senquan	Member	Member	Chairman
Yang Quan			Member

The terms of reference of each of the Board committees which deal clearly with its authorities and duties are made available on the websites of the Stock Exchange and the Company respectively.

Nomination Committee

The principal duties of the Nomination Committee include, amongst other things:

— reviewing the structure, size and composition (including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service of the Board members) of the Board and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

— identifying individuals suitably qualified to become Directors and selecting or making recommendations to the Board on the selection of individuals nominated for directorships when a vacancy occurs on the Board;

— making recommendations to the Board on the appointment or re-appointment of the Directors and succession planning for Directors;

— reviewing the Board Diversity Policy, as appropriate; and reviewing the measurable objectives that have been set for implementing the Board Diversity Policy, and reviewing the progress on achieving the objectives; and

— assessing the independence of Independent Non-executive Directors.

For the year ended 31 December 2023, the Nomination Committee held one (1) meeting. Details of the committee members' attendance are set out in the paragraph headed "Records of Meetings of the Board and the Board Committees" in this corporate governance report.

The summary of the work of the Nomination Committee for the year ended 31 December 2023 is as below:

— made recommendations to the Board on the re-election of Directors at the forthcoming annual general meeting of the Company;

— assessed the independence of Independent Non-executive Directors; and

— reviewed the structure, size and composition of the Board.

Where vacancies exist at the Board, candidates are proposed and put forward to the Nomination Committee for consideration. The recommendations of the Nomination Committee will then be tendered to the Board for approval. In considering the nomination of a new Director, the Nomination Committee will give adequate consideration to the Board Diversity Policy and take into account the qualification, ability, working experience, leadership and professional ethics of the candidates. In determining the independence of Directors, the Board follows the requirements set out in the Listing Rules.

The Nomination Committee has explicit authority to seek any necessary information from the employees within its scope of duties and the authority to obtain outside independent professional advice, at the Company's expense, to perform its responsibilities if it considers necessary.

The chairman of the Nomination Committee is the Chairman of the Board and the Independent Non-executive Directors of the Company constitute the majority of the Nomination Committee.

Remuneration Committee

The principal duties of the Remuneration Committee include, amongst other things:

— making recommendations to the Board on the Company's remuneration policy and structure for all Directors' and senior management;

— reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives;

— determining, with delegated responsibility, the remuneration packages of individual executive Directors and senior management and making recommendations to the Board on the remuneration packages of individual Executive Directors and senior management, and the remuneration of non-executive Directors;

— ensuring that no Director or any of his/her associates is involved in deciding his/her own remuneration; and

— reviewing and making recommendations on the roles and responsibilities, training and professional development of the senior management team.

The Remuneration Committee has adopted the recommendation model described in E.1.2(c)(ii) of CG code.

For the year ended 31 December 2023, the Remuneration Committee held one (1) meeting. Details of the committee members' attendance are set out in the paragraph headed "Records of Meetings of the Board and the Board Committees" in this corporate governance report.

The summary of the work of the Remuneration Committee for the year ended 31 December 2023 is as below:

— reviewed the existing policy and structure of the remuneration of the executive Directors;

— reviewed the existing remuneration package of the independent non-executive Directors; and

— reviewed the existing policy and structure of the remuneration of management of the Group.

The Remuneration Committee may consult the Chairman and/or the CEO of the Company about their remuneration proposals for other Executive Directors. It has explicit authority to seek any necessary information from the employees within its scope of duties and the authority to obtain outside independent professional advice, at the Company's expense, to perform its responsibilities if it considers necessary.

The Group's remuneration policies are market alignment and reward for performance. The Company reviews the remuneration package annually taking into consideration of the market practice, competitive market position and individual performance.

Details of the remuneration paid to the Directors and senior management are set out in notes 10 and 11 to the consolidated financial statements. The remunerations of each of the five highest paid individuals who are also the senior management members of the Group during the years ended 31 December 2023 are within HK$1,000,000. Three of the five highest paid employees for the year ended 31 December 2023 are Directors of the Company.

The chairman of the Remuneration Committee is an Independent Non-executive Director and the Independent Non-executive Directors of the Company constitute the majority of the Remuneration Committee.

Audit Committee

The principal duties of the Audit Committee include, amongst other things:

— overseeing the relationship with the Company's auditors;

— reviewing the Company's interim and annual reports and financial statements;

— overseeing the Company's financial reporting system, risk management and internal control systems; and

— reviewing the arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters.

For the year ended 31 December 2023, the Audit Committee held four (4) meetings. Details of the committee members' attendance are set out in the paragraph headed "Records of Meetings of the Board and the Board Committees" in this corporate governance report.

The summary of the work of the Audit Committee for the year ended 31 December 2023 is as below:

— reviewed the annual results announcement and annual report of the Group, including the accounting principles and practices adopted for the preparation of financial statements, for the financial year ended 31 December 2022 before submission to the Board for approval and publication;

— reviewed the interim results announcement and interim report of the Group, including the accounting principles and practices adopted for the preparation of financial statements, for the six months ended 30 June 2023 before submission to the Board for approval and publication;

— met with the auditors to discuss the accounting and audit or review issues of the Group and reviewed their findings, recommendations and independency;

— reviewed the Group's risk management and internal control systems based on the reports submitted by the IC Advisor; and

— reviewed the compliance with the non-competition undertaking by the Covenantors under the deed of non-competitions, of which the details on the compliance and enforcement of the undertaking are set out in the section headed "Report of the Directors" of this annual report.

The Audit Committee has explicit authority to investigate any activity within its terms of reference and the authority to obtain outside legal or other independent professional advice, at the Company's expense, to perform its responsibilities if it considers necessary. It is given access to and assistance from the employees and reasonable resources to perform its duties properly.

Chaired by Mr. Zhang Senquan who possesses the appropriate professional accounting qualifications and financial management expertise, the Audit Committee comprises all Independent Non-executive Directors. None of the members of the Audit Committee are former partners of the existing auditors of the Company.

There was no disagreement between the Audit Committee and the Directors in respect of matters about selection, appointment, resignation or dismissal of an external auditors during the year ended 31 December 2023.

The Audit Committee has reviewed with the management the consolidated financial statements of the Company for the year ended 31 December 2023, including the accounting principles and practices adopted.

COMPANY SECRETARY

The position of the company secretary is held by Mr. Wong Kin Tak, who is a member of Hong Kong Institute of Certified Public Accountants and Association of Chartered Certified Accountants. During the year ended 31 December 2023, Mr. Wong has complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of relevant professional training.

COMMUNICATIONS WITH SHAREHOLDERS

All of the Company's shares are ordinary shares carrying equal voting rights. As at the date of this annual report, sufficient shares of the Company were on public float as required by the Listing Rules.

The Company recognises that effective communication can highlight transparency and enhance accountability to its shareholders. The Company provides information to its shareholders through the publication of notices, announcements, circulars, interim and annual reports. Shareholders may access the Company's website at www.jiande-intl.com for the Group's information. Shareholders may also put to the Board any enquiries about the Group in writing by sending emails to ir@jiande-itl.com or mail to the principal office of the Company at Room 401–402, 4/F, Westlands Centre, 20 Westlands Road, Quarry Bay, Hong Kong. The Directors, the company secretary or other appropriate members of senior management respond to enquiries from shareholders in a timely manner.

The general meeting of the Company provides a useful forum for shareholders to exchange views with the Board. All Directors shall make an effort to attend the general meeting to address queries raised by shareholders. External auditors are also invited to attend the AGM to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.

The Company reviewed the implementation and effectiveness of the measures relating to shareholders' communication and considered them to be effective.

Pursuant to article 64 of the Articles, shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business (including any proposals) specified in such requisition, and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Board shall be reimbursed to the requisitionists by the Company.

The provisions for a shareholder to propose a person for election as a director of the Company are laid down in article 114 of the Articles. No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the principal place of business of the Company in Hong Kong or at the Hong Kong Branch Share Registrar. The period for lodgement of the notices required under this Article will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than ten business days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least ten business days.

During the year ended 31 December 2023, all Directors attended the AGM held on 8 June 2023 in Hong Kong.

There was no significant change in the Company's constitutional documents during the year ended 31 December 2023.

DIRECTORS' BIOGRAPHIES

Mr. Shie Tak Chung, aged 67, appointed as an Executive Director and the Chairman of the Company on 25 October 2016 and taking on the additional role of CEO of the Company from 22 November 2019 to 16 December 2021, is mainly responsible for the overall corporate development and strategic planning of the Group. Moreover, he is the director of five subsidiaries of the Company. Mr. Shie has over 20 years of management experience in the real estate industry in the PRC. Mr. Shie obtained a bachelor's degree majoring in International Economics and Trade from Xiamen University in January 2014. Mr. Shie holds a lot of important social positions, including committee member of the National Committee of the Chinese People's Political Consultative Conference ("CPPCC") (中國人民政治協商會議全國委員會委員), executive committee member of All-China Federation of Returned Overseas Chinese (中華全國歸國華僑聯合會常務委員), deputy chairman of Fujian Province Federation of Returned Overseas Chinese (福建省歸國華僑聯合會副主席), member of the Subcommittee of Social and Legal Affairs of the National Committee of the CPPCC (全國政協社會和法制委員會委員), member of the Election Committee of the Hong Kong Special Administrative Region (香港特別行政區選舉委員會委員), vice president and secretary general of Hong Kong Federation of Fujian Associations (香港福建社團聯會副主席兼秘書長), executive deputy chairman of Share-Happiness Benevolent Fund Limited (香港樂群慈善基金會有限公司常務副主席), executive vice president of Hong Kong Association for the Promotion of Peaceful Reunification of China (中國和平統一促進會香港總會常務副會長) and honorary president (life) of Shishi City Residents' Association (石獅市旅港同鄉公會永遠榮譽會長).

Mr. Tsoi Kin Sze, aged 54, has about 20 years of management experience in the real estate industry in the PRC. He served as the Executive Director and CEO of the Company from 25 October 2016 to 22 November 2019 and rejoined the Company as executive Director and CEO on 16 December 2021, and was mainly responsible for the overall operation management of the Group. Moreover, he is the director of five subsidiaries of the Company. Mr. Tsoi holds a number of important social positions, including standing committee member of Fujian Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議福建省委員會常務委員), president of Hong Kong CPPCC of Fukien Province Members Association (福建省港區政協委員聯誼會會長), executive deputy chairman of Hong Kong Federation of Fujian Associations (香港福建社團聯會常務副主席), president of Island West Branch of Hong Kong Federation of Fujian Associations (香港福建社團聯會港島東分會會長), chairman of Volunteer Committee of HKCPPCC (Provisional) Members Association (港區省級政協委員聯誼會義工委員會主任), executive vice president of Hong Kong Association for the Promotion of Peaceful Reunification of China (中國和平統一促進會香港總會常務副會長) and honorary president (life) of Hong Kong Quanzhou Clans United Association (香港泉州市同鄉總會永遠名譽會長).

Mr. Wu Zhisong, aged 55, appointed as an Executive Director of the Company on 25 October 2016, is mainly responsible for the financial management and supervision of the Group. Moreover, he is the director of four subsidiaries of the Company. Mr. Wu has been the financial controller of Fujian Jiande Group Company Limited (福建建德集團有限公司) since December 2011 and was the financial controller of Shishi Jiande Property Development Company Limited (石獅市建德房地產有限公司) from August 2006 to December 2011. Prior to joining Shishi Jiande Property Development Company Limited, Mr. Wu worked as a civil servant at the National Tax Bureau of Quanzhou (泉州市國家税務局). Mr. Wu holds important social positions, including representative of the Quangzhou Municipal People's Congress (泉州市人民代表大會代表) and deputy chief supervisor of Shishi General Chamber of Commerce (石獅市總商會副監事長). Mr. Wu obtained a bachelor's degree majoring in applied chemistry from Huaqiao University (華僑大學) in July 1990. Mr. Wu has become a qualified intermediate accountant of the PRC since December 1999 and has become a qualified senior economist of the PRC since February 2015.

Mr. Ma Sai Yam, aged 60, appointed as an Independent Non-executive Director of the Company on 25 October 2016, is a practicing solicitor in Hong Kong and has accumulated over 20 years of experience in the legal field. He was admitted to practice law as a solicitor in Hong Kong in September 1997 and has been a member of The Law Society of Hong Kong since then. Mr. Ma has been a partner and a practicing solicitor of Ma Tang & Co., since March 2002. Prior to his current position, he had served as a consultant and a practicing solicitor of Tang, Lai & Leung from June 2000 to March 2002. Mr. Ma used to be the independent non-executive director of Golden Power Group Holdings Limited, the shares of which are listed on the Stock Exchange (stock code: 3919), from May 2015 to May 2022. Since February 2020, he has been an independent non-executive director of Artini Holdings Limited, the shares of which are listed on the Stock Exchange (stock code: 789). Mr. Ma graduated from the University of London in the United Kingdom as an external student in August 1991 with a Bachelor's science degree in Economics. He subsequently obtained a Postgraduate Certificate in Laws from The University of Hong Kong in June 1995 and a Master degree in laws from Renmin University of China in the PRC in January 2012.

Mr. Zhang Senquan, formerly known as Zhang Min, aged 47, was appointed as an Independent Non-executive Director of the Company on 25 October 2016. Mr. Zhang is the chief executive officer of Zhong Rui Capital (Hong Kong) Limited (中瑞資本(香港)有限公司) and the audit principal of Nortex (HK) CPA Limited. Mr. Zhang is also an independent non-executive director of Natural Food International Holding Limited, the shares of which are listed on the Stock Exchange (stock code: 1837); an independent non-executive director of Strawbear Entertainment Group, the shares of which are listed on the Stock Exchange (stock code: 2125); and the company secretary of China General Education Group Limited (stock code: 2175) and Guanze Medical Information Industry (Holding) Co., Ltd. (stock code: 2427). He is a member of Hong Kong Institute of Certified Public Accountants, China Institute of Certified Public Accountants and American Institute of Certified Public Accountants. Mr. Zhang used to be the independent director of Topchoice Medical Investment Co. Inc., the shares of which are listed on the Shanghai Stock Exchange (stock code: 600763SH), from December 2014 to March 2017; the independent non-executive director of Casablanca Group Limited, the shares of which are listed on the Stock Exchange (stock code: 2223), from April 2015 to April 2018; the independent non-executive director of Bonny International Holding Limited, the shares of which are listed on the Stock Exchange (stock code: 1906), from March 2019 to June 2020; the independent non-executive director of Beijing Digital Telecom Co., Ltd. (北京迪信通商貿股份有限公司), the shares of which are listed on the Stock Exchange (stock code: 6188), from June 2018 to June 2021; and the independent director of Jiangsu Aidea Pharmaceutical Co., Ltd. (江蘇艾迪藥業股份有限公司), the shares of which are listed on the Sci-Tech Innovation Board of the Shanghai Stock Exchange (stock code: 688488SH), from May 2019 to March 2022. Mr. Zhang was the managing director of Southwest Securities International Securities Limited, the shares of which are listed on the Stock Exchange (stock code: 812) from February 2016 to March 2020; and the independent non-executive director of Sang Hing Holdings (International) Ltd., the shares of which are listed on the Stock Exchange (stock code: 1472), from January 2020 to April 2023. He was the chief financial officer and joint company secretary of Huazhong In-Vehicle Holdings Company Limited, the shares of which are listed on the Stock Exchange (stock code: 6830) from May 2014 to July 2015. He served as head of the Strategic Development Department of Goodbaby International Holdings Limited, the shares of which are listed on the Stock Exchange (stock code: 1086), from March 2013 to April 2014. He has more than 10 years of professional experience in accounting and auditing, and worked at Ernst & Young, KPMG and Deloitte Touche Tohmatsu serving several positions from audit staff to audit partner from 1999 to 2012. Mr. Zhang received his bachelor's degree in economics from Fudan University in 1999.

Mr. Yang Quan, aged 53, was appointed as an Independent Non-executive Director of the Company on 25 October 2016. Mr. Yang became an assistant professor of the School of Economics of Xiamen University in July 2006, an associate professor in August 2009 and a professor in August 2014. He was a visiting scholar of Cornell University in the United States of America from January 2011 to January 2012 and Durham University Business School in the United Kingdom from October 2017 to October 2018. Mr. Yang graduated from East China Institute of Chemical Technology (currently known as “East China University of Science and Technology”) with a bachelor’s degree in environmental supervision from the environmental engineering faculty in July 1991. He obtained a Master’s degree in commercial economics in July 1997 and a doctor’s degree in global economics in June 2006 from Xiamen University.

國衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF JIANDE INTERNATIONAL HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Jiande International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 39 to 117, which comprise the consolidated statement of financial position as at 31 December 2023, and the 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 then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
We identified the valuation of investment properties as a key audit matter due to the quantitative significance of the balance to the consolidated financial statements as a whole, combined with the significant estimations required in determining the fair values. As at 31 December 2023, the Group's investment properties, comprised a kindergarten property and car parking spaces located in Quanzhou, Fujian Province, the People's Republic of China (the "PRC"), a retail store property and car parking spaces located in Yangzhou, Jiangsu Province, the PRC, were stated at fair value amounted to Renminbi ("RMB") 87,065,000, and the fair value change of investment properties for the year then ended amounted to a gain of RMB108,000. As disclosed in notes 3, 4 and 16 to the consolidated financial statements, all of the Group's investment properties were measured using the fair value model based on a valuation performed by independent qualified professional valuers (the "Valuers"). In estimating the fair values of the Group's investment properties, the directors of the Company worked with the Valuers to establish the appropriate valuation techniques and inputs to the model. The valuations of retail store properties and kindergarten property were determined based on income approach by considering the capitalised rental income derived from the existing tenancies with due provision for any reversionary income potential of the property interests, the valuation of civil defense car parking spaces in Quanzhou, non-civil defense car parking spaces in Quanzhou and Yangzhou were determined based on direct comparison approach by referencing to recent market transaction prices of similar properties in the similar locations with adjustments of other individual factors. The key inputs in evaluating the investment properties are term yield, reversionary yield and monthly market rent of retail store properties and kindergarten property, and recent market transaction prices per car parking space of comparable properties for civil defense car parking spaces in Quanzhou and non-civil car parking spaces in Quanzhou and Yangzhou.	Our procedures in relation to the management's valuation of investment properties included but not limited to: • Evaluating the competence, capabilities and objectivity of the Valuers, and obtaining an understanding of the Valuers' scope of work and their terms of engagement; • Evaluating the appropriateness of the Valuers' valuation approach to assess if they were consistent with the industry norms and in accordance with the relevant accounting standards; • Obtaining an understanding from the management and valuers about the key inputs to the valuation; • Evaluating the reasonableness of the key inputs underpinning the valuation; and • Comparing other inputs in the income approach and the direct comparison approach, on a sample basis. We found the valuation of investment properties was supported by available evidence.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Assessment of net realisable value of properties for/under development/properties for sale	
We identified the assessment of net realisable value ("NRV") of properties for/under development/properties for sale as a key audit matter due to the quantitative significance of the balance to the consolidated financial statements as a whole, combined with the management estimations required in determining the NRV of properties for/under development/properties for sale. As at 31 December 2023, the Group had properties for/under development/properties for sale at a total carrying amount of RMB880,792,000, which included properties for development of RMB253,274,000, properties under development of RMB336,184,000 and completed properties of RMB291,334,000, located in Fujian Province, Jiangsu Province, Henan Province and Hunan Province in the PRC, as disclosed in note 18 to the consolidated financial statements. As disclosed in notes 3, 4 and 18 to the consolidated financial statements, NRV is estimated at the estimated selling price less estimated costs to complete and estimated costs necessary to make the sales by reference to the similar properties in similar locations. An allowance is made if the estimated NRV is less than the carrying amount.	Our procedures in relation to the NRV of properties for/under development/properties for sale included but not limited to: • Obtaining an understanding of the control over the preparation and monitoring of the management budgets of construction and other costs for key property development project; • Evaluating the reasonableness of the estimated construction cost by comparing with actual construction cost incurred by completed properties of the Group and the reasonableness of the source data used in the valuation assessment of properties for/under development/properties for sale, on a sample basis; • Evaluating the appropriateness of the estimated selling prices, on a sample basis, by comparing it with recent sales transactions for similar properties in similar locations to assess the lower of cost of NRV; and • Evaluating the reasonableness of the estimated cost necessary to make the sale of properties for/under development/properties for sale, on a sample basis. We found the NRV of properties for/under development/properties for sale was supported by available evidence.

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF 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 HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

The engagement director on the audit resulting in the independent auditors' report is Lee Pak Kin.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Lee Pak Kin
Practising Certificate Number: P08262

Hong Kong, 28 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	2023 RMB$'000	2022 RMB$'000
Revenue — sales of properties	5	**278,286**	262,153
Cost of sales		**(241,280)**	(178,560)
Gross profit		**37,006**	83,593
Other gains and losses, net	6	**2,233**	3,361
Reversal of/(allowance for) expected credit loss on other receivables, net	9	**180**	(427)
Write down on properties for sale		**–**	(5,035)
Net fair value change of investment properties	16	**108**	(2,902)
Loss on misappropriation of funds		**–**	(4,488)
Selling expenses		**(8,324)**	(7,349)
Administrative expenses		**(15,182)**	(20,914)
Finance costs	7	**(8)**	(10)
Profit before tax		**16,013**	45,829
Income tax expense	8	**(8,423)**	(13,603)
Profit for the year	9	**7,590**	32,226
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**220**	219
Other comprehensive income for the year		**220**	219
Total comprehensive income for the year		**7,810**	32,445

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	2023 RMB$'000	2022 RMB$'000
Profit for the year attributable to:			
Owners of the Company		**4,507**	31,321
Non-controlling interests		**3,083**	905
		7,590	32,226
Total comprehensive income for the year attributable to:			
Owners of the Company		**4,727**	31,540
Non-controlling interests		**3,083**	905
		7,810	32,445
		RMB	RMB
Earnings per share			
— Basic and diluted	13	**0.08 cents**	0.54 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Notes	31 December 2023 RMB'000	31 December 2022 RMB'000
NON-CURRENT ASSETS			
Plant and equipment	15	780	1,539
Investment properties	16	87,065	93,645
Right-of-use assets	17	190	404
Deferred tax assets	27	3,937	6,085
		91,972	101,673
CURRENT ASSETS			
Properties for/under development/properties for sale	18	880,792	1,036,048
Other receivables, deposits and prepayments	19	15,382	24,469
Contract costs	20	2,400	1,885
Prepaid land appreciation tax		37,989	41,035
Restricted bank deposits	21	17,240	17,249
Bank balances and cash	21	153,161	133,203
		1,106,964	1,253,889
Assets classified as held for sale	22	2,865	3,011
		1,109,829	1,256,900
CURRENT LIABILITIES			
Trade and other payables	23	81,539	123,763
Contract liabilities	24	110,770	234,085
Amount due to a non-controlling interest of subsidiaries	28	122,274	120,914
Income tax and land appreciation tax payable		27,891	28,121
Lease liabilities	25	49	240
Secured bank borrowings	26	36,000	5,408
		378,523	512,531
NET CURRENT ASSETS		731,306	744,369
TOTAL ASSETS LESS CURRENT LIABILITIES		823,278	846,042

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Notes	31 December 2023 RMB'000	31 December 2022 RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	27	**18,907**	18,749
Lease liabilities	25	**37**	64
Secured bank borrowings	26	**–**	30,592
		18,944	49,405
NET ASSETS		**804,334**	796,637
CAPITAL AND RESERVES			
Share capital	29	**25,451**	25,451
Reserves		**762,610**	757,883
Equity attributable to owners of the Company		**788,061**	783,334
Non-controlling interests		**16,273**	13,303
TOTAL EQUITY		**804,334**	796,637

The consolidated financial statements on pages 39 to 117 were approved and authorised for issue by the board of directors on 28 March 2024 and are signed on its behalf by:

Mr. Shie Tak Chung
Director

Mr. Wu Zhisong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Attributable to owners of the Company									
	Share capital RMB'000	Other reserve RMB'000	Share premium RMB'000	Shareholders' contribution RMB'000	Other non-distributable reserve RMB'000	Reorganisation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2022 (restated)	25,451	518,484	193,733	59,139	26,084	187,822	(258,919)	751,794	12,495	764,289
Profit for the year	–	–	–	–	–	–	31,321	31,321	905	32,226
Exchange differences arising on translation of foreign operations	–	219	–	–	–	–	–	219	–	219
Total comprehensive income for the year	–	219	–	–	–	–	31,321	31,540	905	32,445
Transfer to other non-distributable reserve	–	–	–	–	6,528	–	(6,528)	–	–	–
Dividend paid to non-controlling interest	–	–	–	–	–	–	–	–	(97)	(97)
At 31 December 2022	25,451	518,703	193,733	59,139	32,612	187,822	(234,126)	783,334	13,303	796,637
At 1 January 2023	25,451	518,703	193,733	59,139	32,612	187,822	(234,126)	783,334	13,303	796,637
Profit for the year	–	–	–	–	–	–	4,507	4,507	3,083	7,590
Exchange differences arising on translation of foreign operations	–	220	–	–	–	–	–	220	–	220
Total comprehensive income for the year	–	220	–	–	–	–	4,507	4,727	3,083	7,810
Dividend paid to non-controlling interest	–	–	–	–	–	–	–	–	(113)	(113)
At 31 December 2023	25,451	518,923	193,733	59,139	32,612	187,822	(229,619)	788,061	16,273	804,334

Notes:

(a) Immediately before the resumption of trading the shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 27 October 2016, the amounts advanced from Mr. Shie Tak Chung and Mr. Tsoi Kin Sze to the Group in prior years amounting to RMB59,139,000 were waived and such waived amounts were recognised as shareholders' contribution.

(b) Other non-distributable reserve principally represent statutory reserves required to be appropriated from profit after income tax of the subsidiaries established in the People's Republic of China ("PRC"), under the relevant laws and regulations. Allocation to the statutory reserves shall be approved by the board of directors of the relevant subsidiaries. The appropriation to statutory reserves may cease if the balance of the statutory reserves has reached 50% of the registered capital of the respective subsidiaries. The statutory reserves may be used to make up losses or for conversion into capital. The relevant subsidiaries may, upon the approval by a resolution of shareholders' general meeting/board of directors' meeting, convert their statutory reserves into capital in proportion to their then existing shareholdings. However, when converting the statutory reserves into capital, the balance of such reserve remaining unconverted must not be less than 25% of the registered capital of the relevant subsidiary.

(c) The amount included in other reserve represents the deemed listing expenses incurred upon the reverse asset acquisition of the Company by China General (HK) Company Limited ("China General") completed on 25 October 2016 which was measured at the fair value of the equity consideration deemed to be issued to the former shareholders of the Company amounted to Hong Kong Dollar ("HK$" or "HKD") 621,746,000 (equivalent to RMB542,101,000), less the amount of 4,086,592,788 consideration shares, issued at HK$0.005 per share amounted to HK$20,433,000 (equivalent to RMB17,816,000).

In October 2014, 福建省厚德企業管理有限公司 ("Houde Enterprise") acquired, from 福建建弘投資有限公司 ("Jianhong Investment"), the entire paid-up capital of 恒德(石獅)投資有限公司 ("Hengde (Shishi)") at a consideration of RMB10,000,000 in cash. Upon completion of the acquisition, Hengde (Shishi) became a wholly-owned subsidiary of Houde Enterprise. The consideration was accounted for as a deemed distribution to Mr. Tsoi Kin Sze and Mr. Shie Tak Chung, who held 55% and 45% of the issued share capital of China General respectively and each of them also held 50% beneficial interest in Jianhong Investment. This transaction results in a dilution in Group's ownership interest in 揚州德輝房地產開發有限公司 and its subsidiary amounting to RMB5,801,000, which is charged to equity attributable to owners of the Company.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	2023	2022
	RMB$'000	RMB$'000
		(Restated)
OPERATING ACTIVITIES		
Profit before tax	**16,013**	45,829
Adjustments for:		
Interest income	**(2,050)**	(2,476)
Depreciation of plant and equipment	**869**	1,246
Depreciation of right-of-use assets	**249**	501
Write down on properties for sale	**–**	5,035
Write off on other receivables	**–**	1,142
Net fair vale change of investment properties	**(108)**	2,902
Finance costs	**8**	10
(Reversal of)/allowance for expected credit loss on other receivables, net	**(180)**	427
Operating cash flows before movements in working capital	**14,801**	54,616
Decrease/(Increase) in properties for/under development/properties for sale	**158,187**	(78,514)
Decrease in other receivables	**9,264**	49,529
Increase in contract costs	**(515)**	(574)
Decrease/(increase) in restricted bank deposits	**9**	(5,672)
Decrease in trade and other payables	**(42,969)**	(27,447)
Decrease in contract liabilities	**(123,315)**	(102,362)
Cash generated from/(used in) operations	**15,462**	(110,424)
PRC Enterprise Income Tax PRC Land Appreciation Tax paid	**(3,301)**	(19,532)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	**12,161**	(129,956)
INVESTING ACTIVITIES		
Purchase of plant and equipment	**(110)**	(384)
Proceeds from sales of investment properties	**6,834**	8,274
Deposits received on sales of investment properties	**746**	563
Interest received from bank deposits	**2,050**	2,476
NET CASH GENERATED FROM INVESTING ACTIVITIES	**9,520**	10,929

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	2023 RMB$'000	2022 RMB$'000 (Restated)
FINANCING ACTIVITIES		
Advance from a non-controlling interest of subsidiaries	**1,360**	27,184
Proceeds from bank borrowings	**20,000**	–
Repayment of lease liabilities	**(261)**	(259)
Interest paid on bank borrowings	**(2,929)**	(1,822)
Dividends paid to non-controlling interests	**(113)**	(97)
Secured bank borrowings repayment	**(20,000)**	(4,000)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	**(1,943)**	21,006
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**19,738**	(98,021)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**220**	332
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**133,203**	230,892
CASH AND CASH EQUIVALENTS AT END OF YEAR, Represented by bank balances and cash	**153,161**	133,203

1. GENERAL INFORMATION

Jiande International Holdings Limited (the "Company") was incorporated in the Cayman Islands with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. Its immediate and ultimate holding companies are Fame Build Holdings Limited and Talent Connect Investments Limited respectively, companies incorporated in the British Virgin Islands with limited liabilities, which are wholly owned by Mr. Shie Tak Chung ("Mr. Shie") and Mr. Tsoi Kin Sze ("Mr. Tsoi"). Pursuant to a deed of confirmation dated 23 October 2014 executed by Mr. Shie and Mr. Tsoi whereby they confirmed the existence of their acting in concert arrangement, which resulted in Mr. Shie and Mr. Tsoi collectively becoming the ultimate controlling shareholders of the Company. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report. The principal activity of the Company is investment holding and its subsidiaries (collectively referred as the "Group") are principally engaged in property development in the People's Republic of China (the "PRC") (see note 38).

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND CHANGE IN OTHER ACCOUNTING POLICIES

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time, which are mandatorily effective for the Group's annual periods beginning on 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS12	International Tax Reform — Pillar Two Model Rules

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND CHANGE IN OTHER ACCOUNTING POLICIES (Continued)

Impacts on application of HKFRS 17 (including the October 2020 and February 2022 Amendments) Insurance Contracts

The Group has applied the new standard and the relevant amendments for the first time in the current year.

HKFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes HKFRS 4 Insurance Contracts.

HKFRS 17 defines an insurance contract as a contract under which the Group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

In October 2020, the HKICPA issued Amendments to HKFRS 17 to address concerns and implementation challenges that were identified after HKFRS 17 was published. The amendments defer the date of initial application of HKFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the HKICPA issued Amendments to HKFRS 4 Extension of the Temporary Exemption from HKFRS 9 that extends the fixed expiry date of the temporary exemption from applying HKFRS 9 in HKFRS 4 to annual reporting periods beginning on or after 1 January 2023.

In February 2022, the HKICPA issued Amendment to HKFRS 17 Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information to address implementation challenges that were identified after HKFRS 17 was published. The amendment addresses challenges in the presentation of comparative information.

Certain financial guarantee contracts entered into by the Group meet the definition of insurance contracts under HKFRS 17. HKFRS 17 allows an accounting policy choice to apply HKFRS 17 or HKFRS 9 and the Group opted to continue account for these contracts under HKFRS 9. Therefore, the application of HKFRS 17 in the current year had no material impact on the consolidated financial statements.

Impacts of application of Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

The application of amendments to HKAS 12 has had no material impact on the Group's financial position and performance for the years ended 31 December 2023 and 2022.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) AND CHANGE IN OTHER ACCOUNTING POLICIES (Continued)

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

The Group has applied the amendments for the first time in the current year. HKAS 1 Presentation of Financial Statements is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group’s financial positions and performance but has affected the disclosure of the Group’s accounting policies.

Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund — Long Service Payment offsetting mechanism in Hong Kong

In June 2022, the Government of the Hong Kong Special Administrative Region gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (“Amendment Ordinance”), which will come into effect from 1 May 2025 (“Transition Date”). Once the Amendment Ordinance takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory contributions to mandatory provident fund (“MPF”) scheme to reduce the long service payment (“LSP”) in respect of an employee’s service from the Transition Date (the abolition of the “offsetting mechanism”). In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee’s monthly salary immediately before the Transition Date and the years of service up to that date.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND CHANGE IN OTHER ACCOUNTING POLICIES (Continued)

Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund — Long Service Payment offsetting mechanism in Hong Kong (Continued)

In July 2023, the HKICPA published the captioned accounting guidance relating to the abolition of the offsetting mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP.

To better reflect the substance of the abolition of the offsetting mechanism, the Group has applied the above HKICPA guidance and changed its accounting policy in connection with its LSP liability.

The change in accounting policy in the current year had no material impact on the consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1	Non-Current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKAS 21	Lack of Exchangeability[3]

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after 1 January 2024.
3 Effective for annual periods beginning on or after 1 January 2025.

The directors of the Company anticipate that the application of the new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance ("Companies Ordinance").

The consolidated financial statements have been prepared on the historical cost basis except for investment properties which are measured at fair values at the end of each reporting period.

3.2 Material accounting policy information

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has the rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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 listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Basis of consolidation (Continued)

Profit or loss and each item of other comprehensive income are attributed to owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell, except or financial assets within the scope of HKFRS 9 and investment properties, which continue to be measured in accordance with the accounting policies as set out in respective sections.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Revenue from contracts with customers

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

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 or 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 goods or service.

For sale of properties, revenue is recognised at a point in time when control of completed property is transferred to the customer and the Group has present right to payment and the collection of the consideration is probable.

A contract liability represents the Group's obligation to transfer goods to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Revenue from contracts with customers (Continued)

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

For advance payments received from customers before the transfer of the associated goods or services in which the Group adjusts for the promised amount of consideration for a significant financing component, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The relevant interest expenses during the period between the advance payments were received and the transfer of the associated goods and services are accounted for on the same basis as other borrowing costs.

Contract costs

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs (sales commission) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Leases

Definition of a lease

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

For contracts entered into or modified on or after the date of initial application of HKFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 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.

The 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.

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases showrooms 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 lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Right-of-use assets

The cost of right-of-use assets includes:

- 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.

Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property or inventory as a separate line item on the consolidated statement of financial position. Right-of-use assets that meet the definition of investment property and inventory are presented within "investment properties" and "properties for/under development/properties for sale".

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

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, 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease modifications

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 one or more additional 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. The associated non-lease components are included in the respective lease components.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Rental income which are derived from the Group's ordinary course of business are presented as other income.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Leases (Continued)

The Group as a lessor (Continued)

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

Changes in considerations of lease considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

For rent concession under which the Group legally releases the lessee from its obligation to make specifically identified lease payment, of which some of these lease payments are contractually due but not paid and some of them are not yet contractually due, the Group accounts for the portions which have been recognised as operating lease receivables (i.e. the lease payments which are contractually due but not paid) by applying the expected credit loss ("ECL") and derecognition requirements under HKFRS 9 and applies lease modification requirements for the forgiven lease payments that the Group has not recognised (i.e. the lease payments which are not yet contractually due) as at the effective date of modification.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. For properties under development for which revenue is recognised over time, the Group ceases to capitalise borrowing costs as soon as the properties are ready for the Group's intended sale.

Any specific borrowing that remains outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Employee benefits

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme and state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale, except for freehold land, which is always presumed to be recovered entirely through sale.

For the purpose of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Taxation (Continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax on deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Plant and equipment

Plant and equipment are tangible assets that are hold for use in the production or supply of goods or services, or for administrative purposes. Plant and equipment stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of assets over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties also include leased properties which are being recognised as right-of-use assets and subleased by the group under operating leases.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values, adjusted to exclude any prepaid or accrued operating lease income.

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

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

Impairment of plant and equipment, right-of-use-assets and contract costs

At the end of each reporting period, the Group reviews the carrying amounts of its plant and equipment, right-of-use-assets and contract costs to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of plant and equipment and right-of-use-assets are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash- generating unit or group of cash-generating units.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Impairment of plant and equipment, right-of-use-assets and contract costs (Continued)

Before the Group recognises an impairment loss for assets capitalised as contract costs under HKFRS 15, the Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Properties for/under development/properties for sale

Properties for/under development which are intended to be sold upon completion of development and properties for sale are classified as current assets. Except for the leasehold land element which is measured at cost model in accordance with the accounting policies of right-of-use assets, properties for/under development/properties for sale are carried at the lower of cost and NRV. Cost is determined on a specific identification basis including allocation of the related development expenditure incurred and where appropriate, borrowing costs capitalised. NRV represents the estimated selling price for the properties less estimated cost to completion and costs necessary to make the sales. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Properties for/under development for sale are transferred to properties for sale upon completion.

The Group transfers a property from inventories to investment property when there is a change in use to hold the property to earn rentals or/and for capital appreciation rather than for sale in the ordinary course of business, which is evidenced by the inception of an operating lease to another party. Any difference between the fair value of the property at the date of transfer and its previous carrying amount is recognised in profit or loss.

Financial instruments

Financial assets and financial liabilities 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 settlement 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.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

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 and financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under ECL model on financial assets (including trade and other receivables, restricted bank deposits and bank balances) and financial guarantee contracts which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-months ECL ("12m 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. Assessments 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.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when 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.

(i) Significant increase in credit risk

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)

(i) Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since recognition of financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)

(ii) Definition of 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.

(iii) 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:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) 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

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)

(iv) 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.

(v) 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 and 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. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)

(v) Measurement and recognition of ECL (Continued)

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the ECL is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For ECL on financial guarantee contracts for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

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

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for financial guarantee contracts, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables where the corresponding adjustment is recognised through a loss allowance account.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'Other gains and losses' line item (note 7) as part of the net foreign exchange gains/(losses);

For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'Other gains and losses' line item as part of the gain/(loss) from changes in fair value of financial assets (note 7);

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities including trade payables, other payables, amount due to a non-controlling interest of subsidiaries, secured bank borrowings and amount due to a related party are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts liabilities are measured initially at their fair values. They are subsequently measured at the higher of:

(i) the amount of loss allowance in accordance with HKFRS 9; and

(ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'Other gains and losses' line item in profit or loss (note 7) as part of net foreign exchange gains/(losses) for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk, foreign exchange gains and losses are recognised in other comprehensive income and accumulated in a separate component of equity.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value and restricted deposits arising from pre-sale of properties that are held for meeting short-term cash commitments. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Bank balances for which use by the Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. Contractual restrictions affecting use of bank balances are disclosed in note 22.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY(Continued)

Fair value of investment properties

The valuations of investment properties were determined based on the income approach or direct comparison approach. The valuations of retail store properties and kindergarten property were determined based on income approach by considering the capitalised rental income derived from the existing tenancies with due provision for any reversionary income potential of the property interests. It was based on capitalisation of the hypothetical and reasonable market rents with a typical lease term. The valuations of civil defense car parking spaces in Quanzhou, and non-civil defense car parking spaces in Quanzhou and Yangzhou were determined based on direct comparison approach by referencing to recent market transaction prices of similar properties in the similar locations with adjustments of other individual factors. Note 16 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of investment properties of the Group.

The carrying amount of investment properties at 31 December 2023 was RMB87,065,000 (2022: RMB93,645,000). Notwithstanding that the management employs independent professional qualified valuers to perform fair value assessments based on these assumptions, changes to these assumptions, including the potential risk of any market violation, policy, geopolitical and social changes or other unexpected incidents as a result of change in macroeconomic environment, changes in policy direction and/or mortgage requirements, or other unexpected incidents would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss and other comprehensive income.

Assessment of net realisable value on properties for/under development/properties for sale

In determining whether allowances should be made to the Group's properties for/under development/ properties for sale, the Group takes into consideration the current market conditions to estimate the net realisable value ("NRV") (i.e. the estimated selling price less estimated costs to completion and estimated costs necessary to make the sales by reference to the similar properties in similar locations). An allowance is made if the estimated NRV is less than the carrying amount. Where there is any decrease in the estimated selling price arising from any changes to the property market conditions in the PRC, an NRV allowance will be recognised on the properties for/under development/properties for sale in the consolidated statement of profit or loss and other comprehensive income. As at 31 December 2023, the carrying amount of the properties for/under development/properties for sale was approximately RMB880,792,000 (2022: RMB1,036,048,000).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Land appreciation tax

The Group is subject to land appreciation tax in the PRC. However, the implementation and settlement of the tax varies amongst different tax jurisdictions in various cities of the PRC and certain property development projects of the Group have not finalised their land appreciation tax calculations and payments with local tax authorities in the PRC. Accordingly, significant estimates is required in determining the amount of land appreciation and its related income tax provisions. The Group recognised the land appreciation tax based on management's best estimates and the amount of the land appreciation was determined by subtracting the related deductible amounts, including the property development expenditures which require accounting estimation of the total budget of the property development project, from the sales revenue. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and the related income tax provisions in the years in which such tax is finalised with local tax authorities.

5. REVENUE AND SEGMENT INFORMATION

The Group is engaged in the property development and revenue represents the net amounts received and receivable for properties sold by the Group in the normal course of business to customers.

(i) Disaggregation of revenue from contracts with customers

	2023 RMB'000	2022 RMB'000
Sales of properties		
Residential units in the Binjiang International Project*	4,371	8,195
Residential units in the Cullinan Bay Project**	16,310	253,958
Residential units in the Xixian Kangqiao Xueyuan Project***	99,473	–
Residential units in the Wugang Kangqiao Xueyuan Project****	158,132	–
Total revenue	278,286	262,153

* The project represents completed properties located in Quanzhou, Fujian Province.

** The project represents completed properties located in Yangzhou City, Jiangsu Province.

*** The project represents completed properties located in Xingyang, Henan Province.

**** The project represents completed properties located in Wugang, Hunan Province.

All of the Group's revenue is recognised at a point in time.

5. REVENUE AND SEGMENT INFORMATION (Continued)

(ii) Performance obligations for contracts with customers

For contracts entered into with customers on sales of properties, the relevant properties specified in the contracts are based on customer's specifications with no alternative use. Taking into consideration of the relevant contract terms, the Group concluded that the Group does not have an enforceable right to payment prior to transfer of the relevant properties to customers. Revenue from sales of properties is therefore recognised at a point in time when the completed property is transferred to customers, being at the point that the customer obtains the control of the completed property and the Group has present right to payment and collection of the consideration is probable.

The Group averagely receives 35% of the contract value as deposits from customers when they sign the sale and purchase agreement. However, depending on market conditions, the Group may offer customers a discount compared to the listed sales price, provided that the customers agree to pay the balance of the consideration early while construction is still ongoing. Such advance payment schemes result in contract liabilities being recognised throughout the property construction period for the full amount of the contract price.

The Group assesses whether the advance payment schemes contain significant financing component and, if so, adjusts the amount of consideration for the effects of the time value of money taking into consideration the credit characteristics of the Group. As this accrual increases the amount of the contract liabilities during the period of construction, it increases the amount of revenue recognised when control of the completed property is transferred to the customer.

The Group had provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by customers of the Group's properties. Pursuant to the terms of the guarantees, if a customer defaults on the payment of its mortgage during the term of guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount of the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the customer's sales deposit and sell the property to recover any amounts paid by the Group to the bank. The guarantee period commences from the dates of grant of the relevant mortgage loans and ends at the earlier of: (i) the property buyers obtain the individual property ownership certificate, and (ii) the full settlement of mortgage loans by the property buyers. The related financial guarantee contracts issued to banks in favour of customers in respect of the mortgage loans are not recognised separately as the fair value of the guarantees is immaterial.

5. REVENUE AND SEGMENT INFORMATION (Continued)

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2023 and 2022 and the expected timing of recognising revenue are as follows:

	2023 RMB'000	2022 RMB'000
Sales of properties		
Within one year	113,161	220,630
Over one year	–	54,338
	113,161	274,968

Segment information

Information reported to the executive directors of the Group, being the chief operating decision maker ("CODM"), for the purpose of resource allocation and assessment focuses on operating results of the Group as a whole as the Group's operations are integrated. Accordingly, no operating segment information is presented.

Entity-wide disclosures

Revenue from major products

Revenue during the years ended 31 December 2023 and 2022 represents sales of properties of property development projects in the PRC.

Geographical information

No geographical segment information is presented as the Group's revenue are all derived from the PRC based on the location of property development projects and all of the Group's non-current assets are located in the PRC by physical location of assets.

Information about major customers

No revenue from customers contributed over 10% of the total revenue of the Group for the years ended 31 December 2023 and 2022.

6. OTHER GAIN AND LOSSES, NET

	2023 RMB'000	2022 RMB'000
Rental income from investment properties	564	829
Bank interest income	2,050	2,476
Other	(381)	56
	2,233	3,361

7. FINANCE COSTS

	2023 RMB'000	2022 RMB'000
Interest on contract liabilities	–	1,616
Interest on bank borrowings	2,929	1,822
Interest on lease liabilities	8	10
Total borrowings costs	2,937	3,448
Less: amounts capitalised in the cost of qualifying assets	(2,929)	(3,438)
	8	10

8. INCOME TAX EXPENSE

	2023 RMB'000	2022 RMB'000
Current tax:		
PRC Enterprise Income Tax ("EIT")		
— Current tax	699	16,768
— (Over)/under-provision in respect of prior years	(70)	969
PRC Land Appreciation Tax ("LAT")	5,144	1,112
Withholding PRC EIT	344	–
	6,117	18,849
Deferred tax (note 27)	2,306	(5,246)
	8,423	13,603

No provision for taxation in Hong Kong has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

Current tax provision represents provision for the PRC EIT and the PRC LAT. Under the Law of PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

The Group has applied the temporary exception issued by the HKICPA in July 2023 from the accounting requirements for deferred taxes in HKAS 12. Accordingly, the Group neither recognises nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

8. INCOME TAX EXPENSE (Continued)

The Group is continuing to assess the impact of the Pillar Two income taxes legislation on its future financial performance.

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2023 RMB'000	2022 RMB'000
Profit before tax	16,013	45,829
Tax at PRC EIT of 25% (2022: 25%) (note)	4,003	11,457
Tax effect of expenses not deductible for tax purpose	2,933	4,537
The PRC LAT	5,144	1,112
Tax effect of the PRC LAT	(1,286)	(278)
Tax effect of tax losses not recognised	–	19
Recognition of tax losses preciously not recognised	(1,851)	(1,010)
Withholding PRC EIT	344	–
Tax effect in respect of investment properties	(794)	(3,203)
(Over)/under-provision in respect off prior years	(70)	969
Income tax expense	8,423	13,603

Note: The tax rate represents the statutory tax rate of the jurisdiction where the operations of the Group are substantially based.

9. PROFIT FOR THE YEAR

	2023 RMB'000	2022 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Directors' emoluments (note 10)	**2,134**	2,295
Other staff costs		
— Salaries and allowances	**5,381**	6,601
— Retirement benefits scheme contributions	**498**	588
	8,013	9,484
Gross rental income from investment properties (note 6)	**(564)**	(829)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	**57**	59
	(507)	(770)
Auditors' remuneration		
— Audit services	**905**	860
— Non-audit services	**290**	624
Cost of properties held for sale recognised as an expense	**241,280**	178,560
Depreciation of plant and equipment (note 15)	**869**	1,246
Depreciation of right-of-use assets (note 17)	**249**	501
(Reversal of)/allowance for expected credit loss on other receivables, net	**(180)**	427
Write off on other receivables	**–**	1,142
Write down on properties for sale	**–**	5,035

10. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and Companies Ordinance, is as follows:

For the year ended 31 December 2023

	Mr. Shie RMB'000	Chief executive Mr. Tsoi Kin Sze RMB'000	Mr. Wu Zhisong RMB'000	Total RMB'000
Executive directors				
Fees	–	–	–	–
Other emoluments:				
— Salaries and allowance	543	543	543	1,629
— Retirement benefits scheme contributions	–	16	–	16
Sub-total	543	559	543	1,645

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

	Mr. Ma Sai Yam RMB'000	Mr. Zhang Senquan RMB'000	Mr. Yang Quan RMB'000	Total RMB'000
Independent non-executive directors				
Fees	163	163	163	489
Other emoluments	–	–	–	–
Sub-total	163	163	163	489
Total				2,134

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

10. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS (Continued)

For the year ended 31 December 2022

	Mr. Shie RMB'000	Chief executive Mr. Tsoi Kin Sze RMB'000	Mr. Wu Zhisong RMB'000	Mr. Lee Lit Mo Johnny RMB'000 (note)	Total RMB'000
Executive directors					
Fees	–	–	–	–	–
Other emoluments:					
— Salaries and allowance	516	516	516	258	1,806
— Retirement benefits scheme contributions	–	16	–	8	24
Sub-total	516	532	516	266	1,830

Note: Mr. Lee Lit Mo Johnny was resigned as executive director with effect from 1 July 2022.

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

	Mr. Ma Sai Yam RMB'000	Mr. Zhang Senquan RMB'000	Mr. Yang Quan RMB'000	Total RMB'000
Independent non-executive directors				
Fees	155	155	155	465
Other emoluments	–	–	–	–
Sub-total	155	155	155	465
Total				2,295

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during both years.

No emoluments were paid by the Group to any of the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included three (2022: three) executive directors, details of whose remuneration are set out in note 10 above. Details of the remuneration for the year of the remaining two (2022: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2023 RMB'000	2022 RMB'000
Salaries and allowances	994	958
Retirement benefits scheme contributions	48	47
	1,042	1,005

The remunerations of each of the five highest paid individuals during the years ended 31 December 2023 and 2022 are within HK$1,000,000.

During the years ended 31 December 2023 and 2022, no emoluments were paid by the Group to any of the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

12. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the years ended 31 December 2023 and 2022, nor has any dividend been proposed since the end of the reporting period.

13. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	2023 RMB'000	2022 RMB'000
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	**4,507**	31,321

	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**5,837,990**	5,837,990

No diluted earnings per share for the years ended 31 December 2023 and 2022 were presented as there were no potential ordinary shares in issue during both years.

14. RETIREMENT BENEFITS PLANS

The Group participates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Under the scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. The Group contributes 5% of relevant payroll costs to the scheme with a cap of HK$1,500 per employee per month, which contribution is matched by employees.

In addition, the employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

For the year ended 31 December 2023, the total expenses on retirement benefits amounted to RMB514,000 (2022: RMB612,000).

As at 31 December 2023 and 2022, the Group had no forfeited contribution utilised to reduce the existing level of contributions and there was no forfeited contribution which may be used by the Group to reduce the contribution payable in the future year.

15. PLANT AND EQUIPMENT

	Leasehold improvement	Furniture and equipment	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000
COST				
At 1 January 2022	1,395	2,689	5,074	9,158
Additions	312	72	–	384
Disposals	(1,032)	–	–	(1,032)
At 31 December 2022	675	2,761	5,074	8,510
Additions	–	110	–	110
Written-off/disposal	–	–	(15)	(15)
At 31 December 2023	**675**	**2,871**	**5,059**	**8,605**
DEPRECIATION				
At 1 January 2022	867	2,210	3,680	6,757
Provided for the year	472	250	524	1,246
Eliminated on disposals	(1,032)	–	–	(1,032)
At 31 December 2022	307	2,460	4,204	6,971
Provided for the year	135	194	540	869
Written-off/disposal	–	–	(15)	(15)
At 31 December 2023	**442**	**2,654**	**4,729**	**7,825**
CARRYING VALUE				
At 31 December 2023	**233**	**217**	**330**	**780**
At 31 December 2022	368	301	870	1,539

The above items of plant and equipment, after taking into account the residual values, are depreciated on a straight-line basis over the following estimated useful lives:

Leasehold improvement	Over the shorter of the term of the lease or 3 years
Furniture and equipment	3 to 5 years
Motor vehicles	4 to 5 years

16. INVESTMENT PROPERTIES

	RMB'000
FAIR VALUE	
At 1 January 2022	105,071
Net fair value change recognised in profit or loss	(2,902)
Additions	2,490
Disposals	(8,003)
Reclassified as held for sale (note 22)	(3,011)
At 31 December 2022	93,645
Net fair value change recognised in profit or loss	108
Disposals	(3,823)
Reclassified as held for sale (note 22)	(2,865)
At 31 December 2023	87,065

The Group leases out car parking spaces, a kindergarten property and retail store properties under operating leases with rentals payable monthly. The leases typically run for an initial period of 3 months to 20 years.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

The fair values of the Group's investment properties as at 31 December 2023 and 2022 have been arrived on the basis of a valuation carried out on respective dates by Peak Vision Appraisals Limited and Messrs. Cushman & Wakefield Limited ("C&W") respectively, independent qualified professional valuers not connected to the Group. The management of the Group works closely with the valuers to establish the appropriate valuation techniques and inputs to the model and explain the cause of fluctuations in the fair values of the investment properties to the board of directors. The valuation technique of the civil defense car parking spaces has changed from income approach to direct comparison approach since the lease has been expired and no comparable market rent was available for reference.

In estimating the fair value of the investment properties, the highest and best use of the investment properties is their current use.

16. INVESTMENT PROPERTIES (Continued)

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used).

Investment properties	Fair value	Valuation techniques	Significant unobservable inputs	Sensitivities
Civil defense car parking spaces located in Quanzhou, Fujian Province, the PRC	RMB21,002,000 (2022: RMB17,570,000)	Direct comparison approach	Recent market transaction prices per car parking space of comparable properties ranging from RMB85,000 to RMB110,000 by taking into account the difference in location and individual factors, i.e. accessibility.	A significant increase in the market transaction prices used would result in a significant increase in fair value and vice versa.
		2022: Income approach	Reversionary yield: 4.2%	A slight increase in the reversionary yield used would result in a significant decrease in fair value, and vice versa.
			Monthly market rent, taking into account the difference in location, and individual factors, i.e. accessibility, between the comparable and the subject properties, ranging from RMB296 to RMB450 per civil defense car parking space per month.	A significant increase in the market rent used would result in a significant increase in fair value, and vice versa.
Non-civil defense car parking Spaces located in Quanzhou Fujian Province, the PRC	RMB46,633,000 (2022: RMB53,665,000)	Direct comparison approach	Recent market transaction prices per car parking space of comparable properties ranging from RMB94,000 to RMB122,200 (2022: RMB100,000 to RMB126,000) by taking into account the difference in location and individual factors, i.e. accessibility.	A significant increase in the market transaction prices used would result in a significant increase in fair value and vice versa.
A kindergarten property located in Quanzhou, Fujian Province, the PRC	RMB11,900,000 (2022: RMB12,770,000)	Income approach	Reversionary yield 4.8% (2022: 4.7%)	A slight increase in the reversionary yield used would result in a significant decrease in fair value, and vice versa.
			Monthly market rent, taking into account the difference in location and individual factors, i.e. accessibility, between the comparable and the subject properties, at an average of RMB18 (2022: 26) per square meter per month.	A significant increase in the market rent use would result in a significant increase in fair value, and vice versa.
Non-civil defense car parking Spaces located in Yangzhou, Jiangsu Province, the PRC	RMB5,940,000 (2022: RMB6,300,000)	Direct comparison approach	Recent market transaction prices per car parking space of comparable properties, at a range from RMB65,000 to RMB100,000 (2022: ranging from RMB66,000 to RMB120,000) by taking into account the difference in location and individual factors, i.e. accessibility.	A significant increase in the market transaction prices used would result in a significant increase in fair value, and vice versa.
Retail store properties located in Yangzhou, Jiangsu Province, The PRC	RMB1,590,000 (2022: RMB3,340,000)	Income approach	Reversionary yield 5.5% (2022: 4.8%)	A slight increase in the reversionary yield used would result in a significant decrease in fair value, and vice versa.
			Monthly market rent, taking into account the difference in location, and individual factors, i.e. size, accessibility and environment, between the comparables and the subject property, at an average of RMB63 (2022: RMB73) per square meter per month.	A significant increase in the market rent used would result in a significant increase in fair value, and vice versa.

16. INVESTMENT PROPERTIES (Continued)

Details of the Group's investment properties and information about the fair value hierarchy as at the end of the reporting periods are as follows:

	Fair value at Level 3 hierarchy	
	2023	2022
	RMB'000	RMB'000
Civil defense car parking spaces in Quanzhou	**21,002**	17,570
Non-civil defense car parking spaces in Quanzhou	**46,633**	53,665
A kindergarten property in Quanzhou	**11,900**	12,770
Non-civil defense car parking spaces in Yangzhou	**5,940**	6,300
Retail store properties in Yangzhou	**1,590**	3,340
	87,065	93,645

There were no transfers into or out of level 3 during both years.

17. RIGHT-OF-USE ASSETS

	2023	2022
	RMB'000	RMB'000
Leased properties		
Carrying amount	**190**	404

	For the year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Depreciation charge	**249**	501
Expense relating to short-term leases and with lease terms end within 12 months	**37**	35
Total cash outflow for leases	**261**	294
Additions to right-of-use assets	**35**	311

During the current year, the Group entered into new lease agreements with lease term of 3 years (2022: 1 to 3 years). The Group makes fixed payments on yearly basis.

17. RIGHT-OF-USE ASSETS (Continued)

For both years, the Group leases various offices and showrooms for its operations. Lease terms are negotiated on an individual basis. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for staff quarters. The short-term lease expense incurred during the year amounted to RMB37,000 (2022: RMB35,000).

Details of the lease maturity analysis of lease liabilities are set out in note 25.

18. PROPERTIES FOR/UNDER DEVELOPMENT/PROPERTIES FOR SALE

Properties for/under development and properties for sale in the consolidated statement of financial position comprise:

	2023 RMB'000	2022 RMB'000
Properties for development	253,274	249,663
Properties under development	336,184	627,077
Properties for sale	291,334	159,308
	880,792	1,036,048

Analysis of leasehold lands:

	2023 RMB'000	2022 RMB'000
Carrying amount	338,503	537,429

The carrying amount of leasehold lands is measured at cost less any impairment losses. The residual values are determined as the estimated disposal value of the leasehold land component. No depreciation charge on the leasehold lands taking into account the estimated residual values for the year ended 31 December 2023 and 2022.

The properties for development, properties under development and completed properties are located in Fujian Province, Jiangsu Province, Henan Province and Hunan Province in the PRC. All the properties for/under development/properties for sale are stated at lower of cost and NRV on an individual property basis.

As at 31 December, 2023, properties for development with carrying amount of RMB135,787,000 (2022: RMB132,177,000) are pledged to secure the bank borrowings of the Group (note 26).

19. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2023 RMB'000	2022 RMB'000
Other receivables (note (a))	**3,344**	4,457
Less: allowance for credit losses	**(624)**	(804)
	2,720	3,653
Other tax recoverable	**3,177**	8,624
Advance to supplies (note (b))	**2,628**	3,850
Other deposits and prepayments	**6,857**	8,342
Total other receivables, deposits and prepayments	**15,382**	24,469

Notes:

(a) The amount mainly represents the public maintenance fund payment on behalf of the property buyers to the Ministry of Housing and Urban-Rural Development of the PRC. Such funds are to be collected from the property buyers.

(b) The amount represents the advance payment to the contractors in order to secure construction services in projects. The advances are expected to be fully utilised in the construction projects within a year from the end of the reporting period.

Details of impairment assessment of other receivables are set out in note 34b.

20. CONTRACT COSTS

	2023 RMB'000	2022 RMB'000
Incremental costs to obtain contracts (note)	**2,400**	1,885

Note: Contract costs capitalised as at 31 December 2023 and 2022 relate to the incremental commissions expenses to intermediaries/employees in connection with obtaining sales of properties contracts with customers which are still under construction or not yet delivered at the reporting date.

20. CONTRACT COSTS (Continued)

Contract costs are recognised as part of selling expenses in the consolidated statement of profit or loss and other comprehensive income in the period in which revenue from the related property sales is recognised. The amount of capitalised costs recognised in profit or loss during the year was RMB1,885,000 (2022: RMB593,000). There was no impairment in relation to the opening balance of capitalised costs or the costs capitalised in both years.

The Group applies the practical expedient and recognises the incremental costs of obtaining contracts relating to the sale of completed properties and services as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is one year or less.

21. BANK BALANCES AND CASH AND RESTRICTED BANK DEPOSITS

The market interest rates per annum of bank balances and restricted bank deposits at 31 December 2023 and 2022 as follows:

	2023	2022
Bank balances	**0.01% to 2.1%**	0.01% to 3.00%
Restricted bank deposits (note)	**0.20% to 1.00%**	0.25% to 1.35%

Note: Restricted bank deposits represented designated bank accounts solely for collecting pre-sales proceeds and settlement of construction costs of properties and will be released upon the completion of the development of properties.

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

Details of impairment assessment of these bank balances and restricted bank deposits are set out in note 34b.

22. ASSETS CLASSIFIED AS HELD FOR SALE

	2023 RMB'000	2022 RMB'000
Assets classified as held for sale:		
Investment properties	**2,865**	3,011

During the years ended 31 December 2023 and 2022, the Group entered into sale agreements with independent third parties to sell certain investment properties (car parking spaces). As at 31 December 2023 and 2022, the Group received sale deposits regarding sales of investment properties to RMB1,218,000 and RMB1,509,000, respectively. The investment properties which were expected to be sold within twelve months were classified as held for sale and were presented separately in the consolidated statement of financial position. During the year ended 31 December 2023, the investment properties classified as held for sale as at 31 December 2022 have been derecognised.

23. TRADE AND OTHER PAYABLES

	2023 RMB'000	2022 RMB'000
Trade payables	2,242	3,123
Retention payable (note (a))	7,781	9,790
Accrued construction costs (note (b))	49,030	89,389
Accrual staff costs and contributions to the retirement benefits scheme	6,066	4,424
Other tax payables	5,565	2,683
Other payables and accrued expenses	9,627	9,325
Deposits received on exclusive sales agreements with property agents (note (c))	10	3,520
Deposits received on sales of investment properties	1,218	1,509
	81,539	123,763

Notes:

(a) In accordance with the normal practice of the industry, a certain percentage of contract sums is usually withheld by the Group as retention money for a period of one to two years after the work of subcontractors has been completed.

(b) The accrued construction costs relate to construction of properties under development for sale which will be transferred to trade payables on achieving payment milestones as stipulated in the agreements with the subcontractors.

(c) The amount represents the performance deposits received from two independent property agents for their exclusive sales agency agreements signed with the Group for underwriting certain residential flats, garages and car parks with a minimum selling price in The Cullinan Bay Project. Such amount will be conditionally returned to the property agent depending on the number of residential flats, garages and car parks sold within a fixed period of time as specified in the agreements.

The following is an aged analysis of trade payables presented based on the invoice date:

	2023 RMB'000	2022 RMB'000
0–60 days	216	–
61–90 days	231	412
91–180 days	16	193
181 days–1 year	325	917
Over 1 year	1,454	1,601
	2,242	3,123

The credit period on trade payables is normally within 90 days from the invoice date.

24. CONTRACT LIABILITIES

	2023 RMB'000	2022 RMB'000
Pre-sales proceeds received on sales of properties	**110,770**	234,085

As at 1 January 2022, contract liabilities amounted to RMB327,526,000.

The following table shows how much of the revenue recognised in the current year relates to carried forward contract liabilities.

	Sales of properties	
	2023 RMB'000	2022 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**196,026**	193,703

The Group averagely receives 35% (2022: 35%) of the contract value as deposits from customers when they sign the sale and purchase agreement. However, depending on market conditions, the Group may offer customers a discount compared to the listed sales price, provided that the customers agree to pay the balance of the consideration early while construction is still ongoing. The deposits and advance payment schemes result in contract liabilities being recognised throughout the property construction period until the customer obtains control of the completed property.

In addition, the Group assesses whether the advance payment schemes contain significant financing component and if so, adjusts the amount of consideration is adjusted for the effects of the time value of money taking into consideration the credit characteristics of the relevant group entities. As this accrual increases the amount of the contract liabilities during the period of construction, it increases the amount of revenue recognised when control of the completed property is transferred to the customers.

The directors of the Company considered that the balance of contract liabilities as at 31 December 2023 and 2022 will be recognised as revenue to profit or loss as follows:

	2023 RMB'000	2022 RMB'000
Within one year	**110,770**	193,025
After one year	**–**	41,060
	110,770	234,085

25. LEASE LIABILITIES

	2023 RMB'000	2022 RMB'000
Lease liabilities payable		
Within one year	**49**	240
Within a period of more than one year but not exceeding two years	**37**	39
Within a period of more than two years but not exceeding five years	**–**	25
	86	304
Less: Amount due for settlement with 12 months shown under current liabilities	**(49)**	(240)
Amount due for settlement after 12 months shown under non-current liabilities	**37**	64

The weighted average incremental borrowing rates applied to lease liabilities is 4.75% (2022: 4.75%).

26. SECURED BANK BORROWINGS

	2023 RMB'000	2022 RMB'000
Secured bank borrowings	**36,000**	36,000
The carrying amounts of the above bank borrowings are repayable:		
within one year	**36,000**	5,408
Within a period of more than one year but not exceeding two years	**–**	30,592
	36,000	36,000
Less: Amounts due within one year shown under current liabilities	**(36,000)**	(5,408)
Amounts shown under non-current liabilities	**–**	30,592

As at 31 December 2023 and 2022, all of the bank borrowings are denominated in RMB and carried at variable-rate borrowings which carry interest rate of one-year loan prime rate plus 2.35% per annum.

As at 31 December 2023, the secured borrowings were mainly secured by properties for development of the Group which set out in note 18, the corporate guarantee between the fellow subsidiaries and personal guarantees of Mr. Tsoi Kin Sze, director of the Company; and a related party controlled by Mr. Shie and Mr. Tsoi.

26. SECURED BANK BORROWINGS (Continued)

Loan covenants

In respect of bank borrowings with carrying amount of RMB36,000,000 as at 31 December 2023, the Group is required to comply with the following financial covenants which are tested on a quarterly basis: the ratio of the current assets to the current liabilities of the fellow subsidiary shall not be less than 0.7.

The fellow subsidiary has complied with the relevant covenants at each test date during the reporting period.

27. DEFERRED TAX ASSETS/LIABILITIES

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

	2023 RMB'000	2022 RMB'000
Deferred tax assets	**3,937**	6,085
Deferred tax liabilities	**(18,907)**	(18,749)
	(14,970)	(12,664)

These are the major deferred tax assets and liabilities recognised and movements thereon during the years ended 31 December 2023 and 2022:

	Revaluation of investment properties RMB'000	**Deferred tax on LAT payments on sales of properties deductible under EIT** RMB'000	**Tax losses** RMB'000	**ECL provision** RMB'000	**Deferred tax on pre-sales on sales of properties/ contract liabilities** RMB'000	**Deferred tax on contract costs** RMB'000	**Undistributed profits of subsidiaries** RMB'000	**Impairment loss on properties held for Sale** RMB'000	**Total** RMB'000
At 1 January 2022	(19,181)	(8,490)	2,229	87	8,067	(327)	(295)	–	(17,910)
(Charge) credit to profit or loss (note 9)	7,172	(1,769)	992	112	(2,377)	(143)	–	1,259	5,246
At 31 December 2022	(12,009)	(10,259)	3,221	199	5,690	(470)	(295)	1,259	(12,664)
(Charge) credit to profit or loss (note 9)	19	891	(145)	(45)	(2,897)	(129)	–	–	(2,306)
At 31 December 2023	**(11,990)**	**(9,368)**	**3,076**	**154**	**2,793**	**(599)**	**(295)**	**1,259**	**(14,970)**

27. DEFERRED TAX ASSETS/LIABILITIES (Continued)

Under the relevant tax law and implementation regulations in the PRC, withholding income tax is applicable to dividend earned and payable to investors that are "non-tax resident enterprises" in respect of profits earned by the PRC subsidiaries since 1 January 2008, which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such interest or dividends have their sources within the PRC. Under such circumstances, dividends paid by the PRC subsidiaries to offshore group entities shall be subject to the withholding tax at 10% or a lower treaty rate. The Group is subject to withholding tax in relation to the dividend paid by the PRC subsidiaries. Deferred taxation has not been provided for in the consolidated financial statements in respect of accumulated profits of the PRC subsidiaries amounting to RMB357,661,000 (2022: RMB353,065,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At 31 December 2023, the Group has unused tax losses of RMB13,286,000 (2022: RMB13,515,000) available for offsetting against future profits. A deferred tax asset has been recognised in respect of approximately RMB12,563,000 (2022: RMB13,039,000) of such losses. No deferred tax asset has been recognised in respect of the remaining approximately RMB723,000 (2022: RMB476,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately RMB723,000 (2022: RMB476,000) with expiry dates as disclosed in the following table.

	2023 **RMB'000**	2022 RMB'000
2023	**–**	67
2024	**1**	124
2025	**–**	90
2026	**14**	116
2027	**271**	79
2028	**437**	–
	723	476

28. AMOUNT DUE TO A NON-CONTROLLING INTEREST OF SUBSIDIARIES

	2023 RMB'000	2022 RMB'000
Shishi Qixin Trading Company Limited ("Shishi Qixin") (石獅市琦鑫貿易有限責任公司)	122,274	120,914

The amount due is non-trade, unsecured, non-interest bearing and repayable when 息縣德建置業有限公司 Xixian Dejian Property Company Limited ("Xixian Dejian") and 武崗德建置業有限公司 Wugang Dejian Property Company Limited ("Wugang Dejian"), non-wholly owned subsidiaries of the Company, have accumulated net cash inflow.

29. SHARE CAPITAL

	Number of shares '000	Amount of share capital HK$'000	Amount of share capital RMB'000
Ordinary shares of HK$0.005 each			
Authorised:			
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	100,000,000	500,000	435,951
Issued and fully paid:			
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	5,837,990	29,190	25,451

All of the shares issued by the Company rank pari passu and do not carry pre-emptive rights.

30. FINANCIAL GUARANTEE CONTRACT

	2023 RMB'000	2022 RMB'000
Corporate guarantee given to banks in respect of mortgage facilities granted to property buyers	243,550	265,213

30. FINANCIAL GUARANTEE CONTRACT (Continued)

In accordance with market practice in the PRC, the Group provides guarantees for the property buyers' mortgage loans with the PRC banks to facilitate their purchases of the Group's properties. Guarantees for mortgages on properties begin simultaneously with the respective mortgage, and are generally discharged at the earlier of: (i) the property buyers obtains the individual property ownership certificate, and (ii) the full settlement of mortgage loans by the property buyers. The outstanding financial guarantee providing with guarantee period up to the full settlement of mortgage loans as at 31 December 2023 amounted to RMB243,550,000 (2022: RMB265,213,000). Pursuant to terms of the guarantees with financing capped at 70% of contract price, for a given mortgage loan, if there is any default of the mortgage payments by a property buyer, the Group is responsible to repay to the bank outstanding balance of the mortgage loans as well as accrued interests and penalties owned by the defaulted property buyers. If the Group fails to do so, the mortgage banks will first deduct the bank balances existing in the banks owned by the property buyers. Any shortfall will be recovered through auction the underlying properties and recover the remaining balances from the Group if the outstanding loan amount exceeds the net foreclosure sale proceed. The Group does not conduct independent credit checks on their property buyers but rely on the credit checks conducted by the mortgage banks.

In the opinion of the directors of the Company, the fair values of the financial guarantee contracts of the Group are insignificant at initial recognition and the directors of the Company consider that, in case of default in payments, the NRV of the related properties is expected to cover the outstanding mortgage principals together with the accrued interest and penalties. Accordingly, no provision has been made in the consolidated financial statements for these guarantees.

31. OPERATING LEASING ARRANGEMENTS

The Group as lessor

Certain car parking spaces, a kindergarten property and a retail store property held for rental purposes have committed lessees for the next 3 months to 3 years respectively.

Undiscounted lease payments receivables on leases are as follows:

	2023 RMB'000	2022 RMB'000
Within one year	412	553
In the second year	448	392
In the third year	448	448
In the fourth year	448	448
In the fifth and after five years	896	1,344
	2,652	3,185

32. OTHER COMMITMENTS

	2023 RMB'000	2022 RMB'000
Construction commitments in respect of properties under development contracted for but not provided in the consolidated financial statements	**184,801**	232,993

33. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the years.

The capital structure of the Group consists of net debt, which includes the secured bank borrowings disclosed in note 26, lease liabilities in note 25, bank balances and cash and equity attributable to owners of the Company, comprising share capital and reserves.

The directors of the Company review the capital structure from time to time. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends and issue of new shares or new debts.

34. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2023 RMB'000	2022 RMB'000
Financial assets		
At amortised cost	**173,123**	154,103
Financial liabilities		
Amortised cost	**174,638**	179,928

b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, restricted bank deposits, bank balances and cash, trade payables, retention payables, other payables, amount due to a non-controlling interest of subsidiaries and secured bank borrowings. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risks (interest rate risk and currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

34. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risks

(i) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to restricted bank deposits, bank balances and secured bank borrowings. The cash flow interest rate risk is mainly concentrated on fluctuations associated with variable rate of restricted bank deposits, bank balances, secured bank borrowings. The Group is also exposed to fair value interest rate risk in relation to lease liabilities (see note 25 for details) carried at fixed rate. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate risk exposure and will consider interest rate hedging should the need arise.

No sensitivity analysis of restricted bank deposits, bank balances and secured bank borrowings is presented as a reasonably possible change in interest rate would not have significant impact on profit or loss of the Group.

(ii) Currency risk

The Group has certain other payables and bank balances and cash which are denominated in foreign currency of relevant group entities, hence they are exposed to foreign exchange risk. The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of each of the reporting period are as follows:

	Assets		Liabilities	
	2023 RMB'000	2022 RMB'000	**2023 RMB'000**	2022 RMB'000
HKD	**485**	1,223	**45**	43

The Group does not enter into any derivative contracts to minimise the currency risk exposure. However, the management monitors foreign exchange exposure and will consider hedging significant foreign exchange risk should the need arise.

34. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risks (Continued)

(ii) Currency risk (Continued)

Sensitivity analysis

The Group is mainly exposed to the effects of fluctuations of HKD.

The following table details the Group's sensitivity to a reasonably possible change of 5% in HKD against RMB while all other variables are held constant. 5% is the sensitivity rate used which represents the management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of each of the reporting periods for a 5% change in foreign currency rate.

An analysis of sensitivity to currency risk is as follows:

	2023 **RMB'000**	2022 RMB'000
Increase (decrease) in post-tax profit for the year		
— if RMB weakens against HKD	**16**	44
— if RMB strengthens against HKD	**(16)**	(44)

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

34. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade and other receivables, restricted bank deposits, bank balances and financial guarantee contracts. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Group performed impairment assessment for financial assets and financial guarantee contracts under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, are summarised as below.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 99% (2022: 98%) of the total financial assets as at 31 December 2023.

Restricted bank deposits/bank balances

The credit risks on restricted bank deposits and bank balances are limited because the counterparties are banks with high credit ratings assigned by international/national credit-rating agencies. The management of the Group assumed that there is no material increase for the credit risk on deposits during the year. Accordingly, the loss allowance measured under 12m ECL and the amount of impairment is consider insignificant at an amount equal to 12m ECL and no loss allowance was recognised during the years ended 31 December 2023 and 2022.

Trade receivables arising from contracts with customers

In order to minimise the credit risk, the management of the Group is responsible for determination of credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on trade balances individually. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Other receivables

For the purpose of impairment assessment for other receivables, the management makes periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. For other receivables with significant increase in credit risk since initial recognition, the Group provides impairment based on 12m ECL and no loss allowance was recognised. For credit-impaired other receivables which was assessed individually under ECL model, loss allowance of RMB624,000 (2022: RMB804,000) was recognised as at 31 December 2023.

34. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Other receivables (Continued)

Financial guarantee contracts

The Group assessed the expected credit loss on financial guarantee contracts on 12m ECL basis. In determining the ECL, the Group has taken into account the historical default experience and forward looking information as appropriate. The directors consider that it is not probable for the Group to sustain a loss under these guarantees as during the periods under guarantees, the Group can take over the ownerships of the related properties under default and sell the properties to recover any amounts paid by the Group to the banks. The Group considers the fair value of these financial guarantee contracts at initial recognition to be minimal. The directors also consider that the fair value of the underlying properties is able to cover the outstanding mortgage loans guaranteed by the Group in the event that the purchasers default on payments to the banks for their mortgage loans. There had been no significant increase in credit risk since initial recognition. The Group has considered the consistently low historical default rate in connection with payments and concluded that credit risk inherent in the Group's outstanding balances is insignificant.

For financial guarantee contracts, the maximum amount that the Group has guaranteed under the respective contracts was RMB243,550,000 (2022: RMB265,213,000) as at 31 December 2023. At the end of the reporting period, the directors of the Company have performed impairment assessment on ECL, and concluded that there has been no significant increase in credit risk since initial recognition of the financial guarantee contracts. Accordingly, the loss allowance for financial guarantee contracts issued by the Group is measured at an amount equal to 12m ECL. No loss allowance was recognised in the profit or loss because the directors of the Company consider that, in case of default in payments, the NRV of the related properties is expected to cover the outstanding mortgage principals together with the accrued interest and penalties because the market price of the properties is higher than the guaranteed amounts. In this regard, the directors of the Company consider the Group's credit risk is significantly reduced.

34. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets/other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL — not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL — not credit-impaired	12m ECL
Doubtful	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
Loss	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

34. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The table below details the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amounts 2023 RMB'000	2022 RMB'000
Financial assets at amortised cost						
Trade receivables	19	N/A	Loss	Lifetime ECL (credit-impaired)	–	–
Other receivables	19	N/A	(note a)	12m ECL	2,720	3,653
				Lifetime ECL (credit-impaired)	624	804
Restricted bank deposits	21	A-AAA	N/A	12m ECL	17,240	17,249
Bank balances	21	A-AAA	N/A	12m ECL	153,161	133,203
Other items						
Financial guarantee contracts (note b)	30	N/A	Low risk	12m ECL	243,550	265,213

34. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Note a: For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

2023	**Past due RMB'000**	**Not past due/ no fixed repayment terms RMB'000**	**Total RMB'000**
Other receivables	**624**	**2,720**	**3,344**

2022	Past due RMB'000	Not past due/ no fixed repayment terms RMB'000	Total RMB'000
Other receivables	804	3,653	4,457

Note b: For financial guarantee contracts, the gross carrying amount represents the maximum amount the Group has guaranteed under the respective contracts.

Gross carrying amount

The following table shows reconciliation of loss allowances that has been recognised for other receivables:

	Lifetime ECL (credit-impaired) RMB'000
At 1 January 2022	4,489
Impairment loss	427
Written-off	(4,112)
At 31 December 2022 and 1 January 2023	804
Reversal of impairment loss	(180)
At 31 December 2023	624

34. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents, bank balances and cash deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturities for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The tables include both interests and principal cash flows. To the extent that interest flows are variable rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

	Weighted average effective interest rate %	On demand or less than 3 months RMB'000	3 months to 1 year RMB'000	1 year to 2 years RMB'000	2 years to 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2023							
Trade and other payables	–	16,587	–	–	–	16,587	16,587
Amount due to a non-controlling interest of subsidiaries	–	122,274	–	–	–	122,274	122,274
Secured bank borrowings	5.9	2,695	34,654	–	–	37,349	36,000
Corporate guarantee for mortgage facilities granted to property buyers	–	243,550	–	–	–	243,550	–
Lease liabilities	5.88	–	54	39	–	93	86
		385,106	34,708	39	–	419,853	174,947

34. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

	Weighted average effective interest rate %	On demand or less than 3 months RMB'000	3 months to 1 year RMB'000	1 year to 2 years RMB'000	2 years to 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2022							
Trade and other payables	–	23,014	–	–	–	23,014	23,014
Amount due to a non-controlling interest of subsidiaries	–	120,914	–	–	–	120,914	120,914
Secured bank borrowings	6.20	2,492	11,332	24,947	–	38,771	36,000
Corporate guarantee for mortgage facilities granted to property buyers	–	265,213	–	–	–	265,213	–
Lease liabilities	4.75	–	249	41	26	316	304
		411,633	11,581	24,988	26	448,228	180,232

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of each reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. 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.

c. Fair value measurements of financial instruments

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on recurring basis

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values based on discounted cash flows analysis.

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those 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.

	Secured bank borrowings	**Amount due to a non-controlling interest of subsidiaries**	**Lease liabilities**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022	40,000	93,730	242	133,972
Financing cash flows:				
Advance from a non-controlling interest of subsidiaries	–	32,184	–	32,184
Interests paid on bank borrowings	(1,822)	–	–	(1,822)
Repayment of lease liabilities	–	–	(259)	(259)
Repayment to a non-controlling interest of subsidiaries	–	(5,000)	–	(5,000)
Repayment of secured bank borrowings	(4,000)	–	–	(4,000)
Non-cash changes:				
Finance costs	1,822	–	10	1,832
New leases entered	–	–	311	311
At 31 December 2022	36,000	120,914	304	157,218
Financing cash flows:				
Advance from a non-controlling interest of subsidiaries	–	1,360	–	1,360
Proceeds from bank borrowings	20,000	–	–	20,000
Interests paid on bank borrowings	(2,929)	–	–	(2,929)
Repayment of lease liabilities	–	–	(261)	(261)
Repayment of secured bank borrowings	(20,000)	–	–	(20,000)
Non-cash changes:				
Finance costs	2,929	–	8	2,937
New leases entered	–	–	35	35
At 31 December 2023	**36,000**	**122,274**	**86**	**158,360**

36. RELATED PARTY DISCLOSURES

Apart from details disclosed elsewhere in the consolidated financial statements, the Group has entered into the following transaction with a related party during the years ended 31 December 2023 and 2022:

Name of related party	Nature	2023 RMB'000	2022 RMB'000
福建省德泰物業管理有限公司 Detai Property Management Company Limited * ("Detai Property Management")	Property management services fee paid	687	682

* English name is for identification purpose only

Detai Property Management is beneficially owned by Mr. Shie and Mr. Tsoi and controlled by them acting in concert.

Compensation of key management personnel

The remuneration of directors and other members of key management during the years ended 31 December 2023 and 2022 was as follows:

	2023 RMB'000	2022 RMB'000
Short-term benefits	3,235	3,428
Post-employment benefits	136	152
	3,371	3,580

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals of the Group and market trends.

37. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

General information of subsidiaries

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below.

Name of subsidiaries	Place of incorporation/ establishment/ operations	Issued and fully paid share capital/ paid-up capital/ registered capital	Proportion ownership interest attributable to the Company				Proportion of voting power held by the Company		Principal activities
			Directly		Indirectly				
			2023	2022	2023	2022	2023	2022	
中總(香港)有限公司 China General	Hong Kong	Issued and fully paid share capital HKD488,184,682	100%	100%	–	–	100%	100%	Investment holding
創聯國際控股有限公司 Creative Union Global Holdings Limited	British Virgin Islands	Issued and fully paid share capital United States dollar 100	100%	100%	–	–	100%	100%	Investment holding
駿麗國際投資有限公司 Nice Smart International Investment Limited	Hong Kong	Issued and fully paid share capital HKD1,000	–	–	100%	100%	100%	100%	Investment holding
惠安中總房地產開發有限公司 Hui An China General	The PRC	Paid-up capital of RMB62,000,000	–	–	98.4%	98.4%	98.4%	98.4%	Property development
福建省厚德企業管理有限公司 Houde Enterprise	The PRC	Paid-up capital of RMB10,000,000	–	–	98.4%	98.4%	98.4%	98.4%	Investment holding
恒德(石獅)投資有限公司 Hengde (Shishi)	The PRC	Paid-up capital of RMB10,000,000	–	–	98.4%	98.4%	98.4%	98.4%	Investment holding
揚州德輝房地產開發有限公司 Yangzhou Dehui Real Estate Development Company Limited*	The PRC	Paid-up capital of RMB100,000,000	–	–	98.4%	98.4%	98.4%	98.4%	Property development
揚州德泰物業服務有限公司 Yangzhou Detai Property Services Company Limited*	The PRC	Paid-up capital of RMB1,000,000	–	–	98.4%	98.4%	98.4%	98.4%	Inactive
富鴻國際集團有限公司 Rich Honour International Group Limited	British Virgin Islands	Issued and fully paid share capital United States dollar 100	100%	100%	–	–	100%	100%	Investment holding
廈門昶勵貿易有限公司 Xiamen Changli Trading Co, Ltd.*	The PRC	Paid-up capital of RMB1,000,000	–	–	100%	100%	100%	100%	Inactive
廈門駿熠置業有限公司 Xiamen Junyi Property Co., Ltd.*	The PRC	Paid-up capital of RMB10,000,000	–	–	100%	100%	100%	100%	Inactive
息縣德建置業有限公司 Xixian Dejian	The PRC	Paid-up capital of RMB20,000,000	–	–	80%	80%	80%	80%	Property development
廈門建熠德置業有限公司 Xiamen Jianyide Property Co., Ltd.**	The PRC	Registered capital of RMB10,000,000 and paid-up capital of nil	–	–	–	–	–	–	Inactive
武岡德建置業有限公司 Wugang Dejian	The PRC	Registered capital of RMB20,000,000 and paid-up capital of nil	–	–	80%	80%	80%	80%	Property development
武岡德建房地產開發有限公司 Wugang Dejian Real Estate Development Company Limited*	The PRC	Registered capital of RMB20,000,000	–	–	80%	80%	80%	80%	Property development

* English names are for identification purpose only.

** Being deregistered during the year.

37. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

General information of subsidiaries (Continued)

All PRC established subsidiaries as above are limited liability companies.

All of the above subsidiaries operate predominantly in their respective places of incorporation/establishment.

None of the subsidiaries had any debt securities subsisting at the end of the reporting periods or at any time during the reporting periods.

38. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSET		
Investments in subsidiaries	542,101	542,101
CURRENT ASSETS		
Prepayments	437	9
Amounts due from subsidiaries	36	–
Bank balances and cash	365	1,149
	838	1,158
CURRENT LIABILITIES		
Other payables and accruals	2,731	2,281
Amounts due to subsidiaries	40,044	34,098
	42,775	36,379
NET CURRENT LIABILITIES	(41,937)	(35,221)
NET ASSETS	500,164	506,880
CAPITAL AND RESERVES		
Share capital	25,451	25,451
Reserves	474,713	481,429
TOTAL EQUITY	500,164	506,880

38. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(Continued)

Movement in the Company's reserves

	Other reserve RMB'000	Share premium RMB'000	Reorganisation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2022	524,285	193,733	37,819	(265,815)	490,022
Loss for the year	–	–	–	(6,141)	(6,141)
Exchange differences arising on translation of foreign operations	(2,452)	–	–	–	(2,452)
Total comprehensive expense for the year	(2,452)	–	–	(6,141)	(8,593)
At 31 December 2022	521,833	193,733	37,819	(271,956)	481,429
Loss for the year	–	–	–	(5,651)	(5,651)
Exchange differences arising on translation of foreign operations	(1,065)	–	–	–	(1,065)
Total comprehensive expense for the year	(1,065)	–	–	(5,651)	(6,716)
At 31 December 2023	**520,768**	**193,733**	**37,819**	**(277,607)**	**474,713**

39. SUBSEQUENT EVENTS

There were no significant events that have accrued subsequent to the end of the reporting period.

40. COMPARATIVE FIGURES

Certain other comparative figures have been reclassified to conform with the current year's presentation and disclosures.

FIVE YEARS FINANCIAL SUMMARY

For the year ended 31 December 2023

The consolidated results of the Company for each of the five years ended 31 December 2019, 2020, 2021, 2022 and 2023 and its consolidated assets, liabilities and equity of the Company as at 31 December 2019, 2020, 2021, 2022 and 2023 are those set out in the consolidated financial statements included in this annual report and the Company's annual reports for the four years ended 31 December 2019, 2020, 2021 and 2022.

The summary below does not form part of the audited financial statements included in this annual report.

	Year ended 31 December				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
			(Restated)	(Restated)	(Restated)
Revenue	**278,286**	262,153	105,609	480,024	184,082
Profit before tax	**16,013**	45,829	6,896	128,419	48,209
Income tax expense	**(8,423)**	(13,603)	(7,347)	(38,161)	(16,425)
Profit/(loss) for the year	**7,590**	32,226	(451)	90,258	31,784
Attributable to:					
Owners of the Company	**4,507**	31,321	1,303	90,334	31,220
Non-controlling interests	**3,083**	905	(1,754)	(76)	564
	7,590	32,226	(451)	90,258	31,784

	As at 31 December				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
			(Restated)	(Restated)	(Restated)
Total assets	**1,201,801**	1,358,573	1,422,276	1,105,983	1,281,737
Total liabilities	**(397,467)**	(561,936)	(657,987)	(341,243)	(607,158)
	804,334	796,637	764,289	764,740	674,579
Equity attributable to owners of the Company	**788,061**	783,334	751,794	750,491	660,157
Non-controlling interests	**16,273**	13,303	12,495	14,249	14,422
	804,334	796,637	764,289	764,740	674,579

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