SHANGHAI ZENDAI PROPERTY LIMITED
上海証大房地產有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 755)

RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

CONSOLIDATED INCOME STATEMENT

	Notes	**Year ended 31 December 2021** *HK$'000*	2020 *HK$'000*
Revenue	*4,5*	**740,993**	4,598,703
Cost of sales	*7*	**(930,256)**	(4,051,920)
Gross (loss)/profit		**(189,263)**	546,783
Other income, gains and expenses	*6*	**73,255**	10,021
Net impairment losses on financial assets		**(158,448)**	(185,195)
Impairment of property, plant and equipment		**(259,157)**	–
Selling and marketing expenses	*7*	**(73,229)**	(92,427)
Administrative expenses	*7*	**(300,861)**	(245,885)
Change in fair value of investment properties		**(253,778)**	(42,954)
Finance costs – net	*8*	**(1,001,523)**	(799,904)
Loss before income tax		**(2,163,004)**	(809,561)
Income tax credit/(expense)	*9*	**81,076**	(346,945)
Loss for the year		**(2,081,928)**	(1,156,506)
Loss for the year attributable to:			
– Owners of the Company		**(2,070,423)**	(1,150,773)
– Non-controlling interests		**(11,505)**	(5,733)
		(2,081,928)	(1,156,506)
Loss per share			
– Basic	*11*	**HK$(13.91) cents**	HK$(7.73) cents
– Diluted	*11*	**HK$(13.91) cents**	HK$(7.73) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2021	2020
	HK$'000	*HK$'000*
Loss for the year	**(2,081,928)**	(1,156,506)
Other comprehensive (loss)/income:		
Item that may be reclassified to profit or loss:		
Exchange differences arising on translation of foreign operations	**(18,489)**	46,587
Item that will not be reclassified to profit or loss:		
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	**3,294**	(18,207)
Other comprehensive (loss)/income for the year, net of tax	**(15,195)**	28,380
Total comprehensive loss for the year	**(2,097,123)**	(1,128,126)
Total comprehensive loss attributable to:		
– Owners of the Company	**(2,089,950)**	(1,131,595)
– Non-controlling interests	**(7,173)**	3,469
Total comprehensive loss for the year	**(2,097,123)**	(1,128,126)

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2021	2020
	Notes	***HK$'000***	*HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**754,109**	1,044,046
Investment properties		**5,380,718**	5,493,108
Financial asset at fair value through other comprehensive income		**24,331**	20,388
Amounts due from an associate		**–**	108,295
Properties under development		**812,246**	795,016
Deferred income tax assets		**–**	18,079
Pledged bank deposits	*13*	**12,231**	248,624
Total non-current assets		**6,983,635**	7,727,556
Current assets			
Properties under development and completed properties held-for-sale		**5,465,290**	5,896,666
Inventories		**2,365**	2,309
Contract assets		**–**	7,356
Trade, other receivables and prepayments	*12*	**283,874**	332,157
Deposits for properties under development		**4,952**	5,190
Amounts due from an associate		**–**	–
Financial assets at fair value through profit or loss		**21,572**	23,613
Tax prepayments		**235,813**	257,494
Pledged bank deposits	*13*	**221,148**	228,700
Cash and bank balances		**315,349**	230,800
Total current assets		**6,550,363**	6,984,285
Asset classified as held-for-sale		**3,547**	–
Total assets		**13,537,545**	14,711,841
EQUITY			
Equity attributable to owners of the Company			
Share capital		**297,587**	297,587
Reserves		**2,315,814**	2,335,341
Accumulated losses		**(4,632,089)**	(2,561,666)
		(2,018,688)	71,262
Non-controlling interests		**226,352**	233,525
Total (deficit)/equity		**(1,792,336)**	304,787

CONSOLIDATED BALANCE SHEET (CONTINUED)

		As at 31 December	
		2021	2020
	Notes	***HK$'000***	*HK$'000*
LIABILITIES			
Non-current liabilities			
Borrowings		**648,789**	2,746,429
Lease liabilities		**67,053**	76,054
Deferred income tax liabilities		**592,818**	664,509
Other payables	*14*	**–**	604,716
Total non-current liabilities		**1,308,660**	4,091,708
Current liabilities			
Trade and other payables	*14*	**4,671,068**	3,096,741
Contract liabilities		**2,138,909**	2,041,191
Amounts due to minority owners of subsidiaries		**122,770**	120,417
Borrowings		**6,327,694**	4,289,486
Lease liabilities		**31,492**	31,774
Tax payables		**729,288**	735,737
Total current liabilities		**14,021,221**	10,315,346
Total liabilities		**15,329,881**	14,407,054
Total equity and liabilities		**13,537,545**	14,711,841

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Shanghai Zendai Property Limited (the "**Company**") is a public limited company incorporated in Bermuda. Its shares are listed on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**"). Its registered office is at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda and its principal place of business is at Unit 6508, 65/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

The Company acts as an investment holding company. Its subsidiaries are principally engaged in property development, property investment and provision of property management and hotel operation. The Company and all its subsidiaries are referred as the Group. The Group has operations mainly in the People's Republic of China (the "**PRC**").

Following the outbreak of the Coronavirus Disease 2019 (the "**COVID-19**") in early 2020, a series of precautionary and control measures have been and continued to be implemented across China. For the year ended 31 December 2021, the COVID-19 outbreak has a temporary unfavorable impact on the progress of the Group's property construction activities and the sales of its properties.

The consolidated financial statements are presented in HK dollars ("**HK$**"), unless otherwise stated.

These consolidated financial statements have been approved for issue by the Board of Directors of the Company (the "**Board**") on 29 March 2022.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared on a historical cost basis, except for investment properties and certain financial assets at fair value through other comprehensive income/profit or loss, which are carried at fair value.

2.1 Going concern basis

The Group reported a net loss of HK$2,082 million during the year ended 31 December 2021. As at 31 December 2021, the Group's total deficit attributable to owners of the Company amounted to HK$2,019 million and its current liabilities exceeded its current assets (including asset classified as held-for-sale) by HK$7,467 million. At the same date, the Group's total borrowings amounted to HK$6,976 million (including the current portion of HK$6,328 million). Except for the borrowings from a shareholder of the Company and other companies with which the shareholder is associated (the "**Shareholder and Associated Parties**") of HK$3,143 million and related interest payable of HK$716 million which are unsecured, the Group's remaining borrowings were collaterised by the Group's properties under development and completed properties held-for-sale, hotel properties and investment properties recorded at a total carrying amount of HK$7,260 million together with fixed deposits amounting to HK$233 million. As at 31 December 2021, the Group had total cash and bank balances of HK$315 million.

2. BASIS OF PREPARATION (CONTINUED)

2.1 Going concern basis (Continued)

During the year ended 31 December 2021, the Group was unable to repay borrowings and interest payables from several financial institutions according to the repayment schedule (the "**Lenders of Defaulted Borrowings**") with total principal amounts of HK$4,601 million (the "**Defaulted Borrowings**") and related interest payables of HK$857 million. The Defaulted Borrowings and related interest payables included borrowings from the Shareholder and Associated Parties of HK$3,143 million and interest payables of HK$716 million since the Group was unable to repay in accordance with the repayment schedule stated in the debt restructuring agreement (the "**Debt Restructuring Agreement**") entered into with the Shareholder and Associated Parties on 31 December 2020. Such non-repayments are collectively referred to as (the "**Default Events**"). As a result, the entire outstanding principal and interest payables of these borrowings of HK$5,458 million would be immediately repayable if requested by the financial institutions, the Shareholder and Associated Parties. Defaulted Borrowings of HK$1,629 million, all with original contractual repayment dates after 31 December 2022, were classified as current liabilities as at 31 December 2021.

The Default Events triggered cross-defaults of other borrowings of the Group (the "**Cross-Defaulted Borrowings**") with aggregated principal amounts of HK$738 million and related interest payables of HK$1.6 million as at 31 December 2021. These amounts, including borrowings of HK$501 million with original contractual repayment dates beyond 31 December 2022, were classified under current liabilities as at 31 December 2021 as they are due upon demand if requested by the respective lenders.

In January 2022, the Group successfully obtained additional borrowings of HK$401 million, of which HK$52 million will be due for repayment within one year and the rest of the borrowings will be due after one year.

Up to the approval date of these consolidated financial statements, the Group subsequently repaid a portion of the principal and interest payables of the Defaulted and Cross-Defaulted Borrowings amounted to HK$116 million and HK$0.13 million, respectively. In addition, the Group repaid principal amounts and interest payable of HK$133 million and HK$0.18 million, respectively in accordance with the repayment schedules of other borrowings of the Group between 1 January 2022 and the approval date of these consolidated financial statements. The Group also successfully extended a Cross-Defaulted Borrowing with principal amount of HK$180 million with original maturity date on 12 January 2022 under the same terms of the original agreement despite its continuing cross-default status.

As at the approval date of these consolidated financial statements, the Group's Defaulted Borrowings and Cross-Defaulted Borrowings and related interest payables totalled HK$6,082 million. Taking into account the high interest and refinancing costs expected to be incurred, management expects that the Group's operating results for the year ending 31 December 2022 might be significantly affected under such circumstance.

2. BASIS OF PREPARATION (CONTINUED)

2.1 Going concern basis (Continued)

In addition, an indirect wholly-owned subsidiary of the Group, 南京立方置業有限公司 ("**Nanjing Lifang**"), received an enforcement order (the "**Order**") issued by the Intermediate People's Court of Lanzhou (the "**Court**") on 21 January 2022 following to the Group's failure to reach a mutually acceptable settlement plan for one of the Defaulted Borrowings (the "**Nanjing Defaulted Borrowing**") with outstanding principal of RMB180 million (equivalent to approximately HK$220 million), and interest and surcharge payable of RMB55 million (equivalent to approximately HK$67 million) as at 31 December 2021 with a financial institution (the "**Financial Institution**"). According to the Order:

(a) Bank deposit of Nanjing Lifang be frozen and allocated to settle the Nanjing Defaulted Borrowing;

(b) The Financial Institution has priority right for claim to the proceeds from any discounted disposal or auction or sale of the 100% pledged equity interest and land use right of 南京水清木華置業有限公司 ("**Nanjing Shuiqingmuhua**"), a subsidiary of Nanjing Lifang;

(c) Guarantors of the Nanjing Defaulted Borrowing (the "**Guarantors**"), which are subsidiaries of the Group, shall be jointly and severally liable for the outstanding sum of the Nanjing Defaulted Borrowing; and

(d) the Court shall be entitled to seal, seize, auction and sell the equivalent assets of Nanjing Lifang and the Guarantors if the balance of bank deposit of Nanjing Lifang is insufficient to settle the outstanding sum of the Nanjing Defaulted Borrowing.

Up to the approval date of these consolidated financial statements, no settlement plan has been reached by the Group with the Financial Institution despite of the Group's continuous effort in negotiating with the Financial Institution for a mutually acceptable resolution over the Nanjing Defaulted Borrowing.

The above conditions indicate the existence of material uncertainties which cast significant doubt regarding the Group's ability to continue as a going concern. In view of such circumstances, management of the Company has given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain plans and measures have been or will be taken by management to mitigate the Group's liquidity pressure and to improve its cashflows which include, but are not limited to, the following:

(a) the Group will continue its ongoing efforts to convince the lenders of the Defaulted Borrowings and Cross-Defaulted Borrowings not to take any actions against the Group for immediate payment of the principals and interest payables of these borrowings. Based on latest communications with these lenders, there is no indication that these parties have any current intention to take further action against the Group to demand immediate payment. Also, the Group will endeavor to negotiate with the Financial Institution for a mutually acceptable resolution over the Nanjing Defaulted Borrowing and to withdraw the Order from the Court;

(b) the Group has been actively negotiating with certain financial institutions and identifying various options for restructuring the Group's existing borrowings (including the repayment and extension of the Defaulted Borrowings and Cross-Defaulted Borrowings), and financing the continuing construction of properties under development;

(c) the Group is also seeking for the potential investors who are interested in co-development or purchase of the Group's projects; and

(d) the Group will also continue to take active measures to control administrative costs and contain capital expenditures; and to seek other alternative financing to fund the settlement of its existing financial obligations and future operating expenditure.

2. BASIS OF PREPARATION (CONTINUED)

2.1 Going concern basis (Continued)

The Directors of the Company (the "**Directors**") have reviewed the Group's cash flow projections prepared by management (the "**Cash Flow Projections**"), which cover a period of not less than twelve months from 31 December 2021. The Directors are of the opinion that, taking into account the abovementioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2021. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

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

(a) successful negotiations with the lenders of the Defaulted Borrowings and Cross-Defaulted Borrowings, despite the worsening consolidated financial position of the Group as at 31 December 2021 and consolidated financial performance of the Group for the year then ended and, such that these lenders will not take any actions against the Group to exercise their rights to demand immediate payment of the principals and interest payables of these borrowings before the Group is able to secure additional new sources of funding and restructure its existing borrowings, including repayment and extension of the Defaulted Borrowings and Cross-Defaulted Borrowings;

(b) successfully and timely securing new financing from the financial institutions with which the Group is actively negotiating to fund the aforesaid restructuring of its existing borrowings as well as the continued financing of the construction of properties. Securing new financing depends on (1) the current regulatory environment and the improvement strength of policy adjustment; (2) whether the lenders of existing borrowings are agreeable to the terms and conditions of the financing and refinancing agreements; and (3) the Group's ability to continuously comply with these terms and conditions;

(c) successfully accelerating the construction as well as pre-sale and sale of its properties under development; including meeting all of the necessary conditions to launch the pre-sale, and to make these pre-sales at the expected sale prices and in accordance with the timelines projected by management in the Cash Flow Projections; and

(d) the Group's ability to generate operating cash flows and obtain additional sources of financing other than those mentioned above, to meet the Group's ongoing funding needs as well as successfully controlling administrative costs and capital expenditure.

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

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(a) New and amended standards adopted by the Group

The Group has applied the following amended standards for the first time for their annual reporting period commencing 1 January 2021:

- COVID-19-related Rent Concessions – amendment to HKFRS 16
- Interest Rate Benchmark Reform – Phase 2 – amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16

The adoption of the abovementioned amendments and revised standards did not have any significant impact on the Group's accounting policies and did not require retrospective adjustments, and are not expected to significantly affect the current or future periods.

(b) New and amended standards and annual improvements issued but not yet applied by the Group

Certain new and amended standards and annual improvements have been published that are not mandatory for 31 December 2021 reporting period and have not been early adopted by the Group. These new and amended standards and annual improvements are not expected to have a material on the Group in the current or future reporting periods and on foreseeable future transactions.

4. SEGMENT REPORTING

Management has determined the operating segments based on the internal reports reviewed by the Directors, being the Chief Operating Decision Makers ("**CODM**") in making operation decisions, for assessing the operating performance and resources allocation.

The CODM considers the business primarily on the basis of the types of goods and services supplied by the Group. The Group is currently mainly organised into three operating segments which comprise (i) sales of properties; (ii) hotel operations; and (iii) properties rental, management and agency services.

The CODM assesses the performance of the operating segments based on a measure of adjusted profit or loss before income tax. Certain income and expenses are not allocated to the operating segments as they are not included in the measure of the segments' results that is used by the CODM for assessment of segment performance.

Total segment assets mainly exclude pledged bank deposits and unallocated head office corporate assets and asset classified as held-for-sale, all of which are managed on a centralised basis.

Total segment liabilities mainly exclude unallocated borrowings and unallocated head office and corporate liabilities, all of which are managed on a centralised basis.

Transactions between segments are carried out at arm's length. The revenue from external parties reported to the CODM is measured in a manner consistent with that in the consolidated income statement.

4. SEGMENT REPORTING (CONTINUED)

Segment information is presented below:

(a) Information about reportable segment revenue, profit or loss before income tax and other information

	Sales of properties		Hotel operations		Properties rental, management and agency services		Total	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Reportable segment revenue	**307,025**	4,207,815	**93,640**	72,148	**352,051**	347,318	**752,716**	4,627,281
Reportable segment revenue from internal sales	**–**	–	**–**	–	**(11,723)**	(28,578)	**(11,723)**	(28,578)
Reportable segment revenue from external sales *(i)*	**307,025**	4,207,815	**93,640**	72,148	**340,328**	318,740	**740,993**	4,598,703
Reportable segment (loss)/profit before income tax	**(1,012,507)**	(32,698)	**(209,451)**	(30,796)	**104,605**	88,816	**(1,117,353)**	25,322
Other information (items included in determining the reportable segment (loss)/profit):								
Bank interest income	**616**	1,484	**66**	91	**3,507**	405	**4,189**	1,980
Depreciation of property, plant and equipment	**8,566**	10,239	**57,685**	47,853	**2,748**	845	**68,999**	58,937
Change in fair value of investment properties	**–**	–	**–**	–	**(253,778)**	(42,954)	**(253,778)**	(42,954)
Gain/(loss) on disposal of property, plant and equipment, net	**(28)**	(15)	**16**	(24)	**235**	–	**223**	(39)
Gain on disposal of investment properties	**–**	–	**–**	–	**87,913**	–	**87,913**	–
Impairment of property, plant and equipment	**–**	–	**259,157**	–	**–**	–	**259,157**	–
Reportable segment assets	**7,663,884**	7,248,959	**848,249**	1,025,332	**4,768,974**	5,942,924	**13,281,107**	14,217,215
Amounts included in the measure of segment assets:								
Additions to non–current assets *(ii)*	**6,194**	2,009	**3,401**	37,063	**9,682**	21,597	**19,277**	60,669
Reportable segment liabilities	**10,656,798**	10,238,449	**101,078**	149,778	**900,535**	954,286	**11,658,411**	11,342,513

(i) For the year ended 31 December 2021, revenue from sales of properties of HK$307,025,000 (2020: HK$3,802,549,000) was recognised at a point in time and the remaining of HK$Nil (2020: HK$405,266,000) was recognised over time. The revenue from hotel operations, management and agency services of HK$253,260,000 (2020: HK$237,901,000) were recognised over time. Rental income of HK$180,708,000 (2020: HK$152,987,000) was recognised on a straight-line basis over the term of respective leases.

(ii) Amounts comprise additions to investment properties and property, plant and equipment.

4. SEGMENT REPORTING (CONTINUED)

(b) Reconciliation of reportable segment profit or loss before income tax, assets and liabilities

	Year ended 31 December	
	2021	2020
	HK$'000	*HK$'000*
Reportable segment (loss)/profit before income tax	**(1,117,353)**	25,322
Unallocated bank interest income	**1**	28
Finance costs	**(1,001,523)**	(799,904)
Unallocated head office and corporate expenses	**(44,129)**	(35,007)
Loss before income tax	**(2,163,004)**	(809,561)

	As at 31 December	
Assets	**2021**	2020
	HK$'000	*HK$'000*
Reportable segment assets	**13,281,107**	14,217,215
Pledged bank deposits	**233,379**	477,324
Unallocated head office and corporate assets	**19,512**	17,302
Asset classified as held-for-sale	**3,547**	–
Total assets	**13,537,545**	14,711,841

	As at 31 December	
Liabilities	**2021**	2020
	HK$'000	*HK$'000*
Reportable segment liabilities	**11,658,411**	11,342,513
Unallocated borrowings	**2,636,994**	2,490,622
Unallocated head office and corporate liabilities	**1,034,476**	573,919
Total liabilities	**15,329,881**	14,407,054

(c) Geographical information

The Group's revenue are all derived from operations conducted in the PRC and the majority of the Group's non-current assets (other than financial asset at fair value through other comprehensive income and deferred income tax assets) are also located in the PRC.

The Group has a large number of customers, and there is no significant revenue derived from specific external customers for the years ended 31 December 2021 and 2020.

4. SEGMENT REPORTING (CONTINUED)

(d) Contract liabilities

	As at 31 December	
	2021	2020
	HK$'000	*HK$'000*
Receipts in advance from purchasers of properties under development and completed properties	**2,138,909**	2,041,191

Out of the contract liabilities as at 31 December 2020 and 2019, amounts of HK$235,677,000 and HK$3,371,728,000 have been recognised as revenue of the Group during the years ended 31 December 2021 and 2020 respectively.

5. REVENUE

Revenue representing the aggregate of proceeds from sales of properties and amounts received and receivable from hotel operations, properties rental, management and agency services income is summarised as follows:

	Year ended 31 December	
	2021	2020
	HK$'000	*HK$'000*
Sales of properties	**307,025**	4,207,815
Hotel operations	**93,640**	72,148
Properties rental, management and agency services income	**340,328**	318,740
	740,993	4,598,703

6. OTHER INCOME, GAINS AND EXPENSES

	Year ended 31 December	
	2021	2020
	HK$'000	*HK$'000*
Bank interest income	**4,190**	2,008
Gains on early termination of lease agreement	**-**	1,094
Rental income *(a)*	**3,811**	3,093
Government grants	**1,185**	2,677
Gain/(loss) on disposal of property, plant and equipment, net	**223**	(39)
Gain on disposal of investment properties	**87,913**	-
Sales of scrap	**5,861**	-
Others *(b)*	**5,144**	1,188
Provisions and claims for compensation to customers and litigations	**(35,072)**	-
	73,255	10,021

(a) Rental income was derived from leases of certain retail properties on a temporary basis which are included in completed properties held-for-sale.

(b) Others mainly include exchange gains and write-back of long-aged other payables.

7. EXPENSES BY NATURE

Expenses by nature comprise cost of sales, selling and marketing expenses and administrative expenses as follows:

	Year ended 31 December	
	2021	2020
	HK$'000	*HK$'000*
Cost of properties sold	**261,788**	3,804,008
Cost of rendering property management service and others	**186,390**	156,990
Tax and levies	**50,300**	53,726
Impairment of properties under development and completed properties held-for-sale	**431,778**	37,196
Employee benefit expenses	**171,708**	175,469
Auditors' remuneration:		
– Audit services	**2,680**	2,680
– Non-audit services	**610**	1,300
Consulting and service expenses	**21,622**	16,442
Depreciation charge	**68,999**	58,937
Advertising costs	**24,501**	31,504
Short-term leasing expenses	**3,166**	1,709
Maintenance and consumption expenses for hotel operations	**26,578**	16,510
Other expenses	**54,226**	33,761
	1,304,346	4,390,232

(a) Cost of rendering property management service and others mainly includes cost of maintenance, cleaning and security relating to the provision of property management services.

8. FINANCE COSTS – NET

	Year ended 31 December	
	2021	2020
	HK$'000	*HK$'000*
Interest expenses:		
– Bank borrowings	**132,139**	133,416
– Other borrowings	**861,241**	753,182
Interest and finance charges paid/payable for lease liabilities	**8,143**	8,493
	1,001,523	895,091
Less: amounts capitalised in properties under development at a capitalisation rate of Nil (2020: 7.6%) per annum	**–**	(95,187)
	1,001,523	799,904

9. INCOME TAX (CREDIT)/EXPENSE

The amount of income tax in the consolidated income statement represents:

	Year ended 31 December	
	2021	2020
	HK$'000	*HK$'000*
Current income tax:		
– PRC Enterprise Income Tax ("**EIT**")	**–**	172,203
– PRC Land Appreciation Tax ("**LAT**")	**2,496**	245,561
	2,496	417,764
(Over)/under-provision in prior years:		
– PRC EIT	**(58)**	(68)
– PRC LAT	**(13,339)**	27,845
	(13,397)	27,777
Deferred income tax credit	**(70,175)**	(98,596)
Income tax (credit)/expense	**(81,076)**	346,945

Hong Kong Profits Tax

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits in Hong Kong for the years ended 31 December 2021 and 2020.

EIT

The PRC subsidiaries are subject to EIT at 25% (2020: 25%) during the year ended 31 December 2021.

LAT

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including costs of land and development and construction expenditures, with an exemption provided for property sales of ordinary residential properties （普通標準住房）if their appreciation values do not exceed 20% of the sum of total deductible items. Certain property development projects are subjected to LAT which is calculated based on deemed levying rates of their revenue under the approved taxation method if the specific circumstances as approved by the local tax authority are met and the companies have been de-registered or the approval has exceeded three years whichever is earlier.

10. DIVIDENDS

No dividend was proposed for the years ended 31 December 2021 and 2020.

11. LOSS PER SHARE

Basic loss per share

The calculations of the basic loss per share attributable to owners of the Company are as below:

	Year ended 31 December	
	2021	2020
Loss		
Loss attributable to owners of the Company (HK$'000)	**(2,070,423)**	(1,150,773)
Number of shares		
Weighted average number of ordinary shares in issue (thousands)	**14,879,352**	14,879,352
	HK$ cents	*HK$ cents*
Basic loss per share	**(13.91)**	(7.73)

Diluted loss per share

Since there was no dilutive ordinary shares during the years ended 31 December 2021 and 2020, diluted loss per share is equal to basic loss per share.

12. TRADE, OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2021	2020
	HK$'000	*HK$'000*
Trade receivables	**68,675**	64,807
Less: provision for loss allowance	**(6,965)**	(1,421)
Trade receivables – net *(a)*	**61,710**	63,386
Other receivables *(b)*	**330,978**	298,638
Deposits	**13,751**	18,732
	344,729	317,370
Less: provision for loss allowance *(b)*	**(217,979)**	(169,595)
Other receivables – net	**126,750**	147,775
Prepayments for turnover tax	**95,414**	120,996
	283,874	332,157

As at 31 December 2021 and 2020, the majority of the Group's trade, other receivables and prepayments are denominated in RMB.

As at 31 December 2021, the carrying amounts of trade, other receivables and prepayments approximated their fair values.

The Group generally grants no credit period to its customers on sales of properties, except for certain significant transactions where credit terms or settlement schedules are negotiated on an individual basis.

12. TRADE, OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

(a) The aging analysis of trade receivables before provision for loss allowance based on the date of services provided at the end of reporting period is as follows:

	As at 31 December	
	2021	2020
	HK$'000	*HK$'000*
Within 3 months	**55,781**	57,152
More than 3 months but less than 12 months	**2,954**	2,097
More than 12 months	**9,940**	5,558
	68,675	64,807

Movements on the provision for loss allowance on trade receivables are as follows:

	2021	2020
	HK$'000	*HK$'000*
At 1 January	**(1,421)**	(851)
Provision for the year	**(5,502)**	(570)
Exchange differences	**(42)**	–
At 31 December	**(6,965)**	(1,421)

(b) Movements on the provision for loss allowance on other receivables are as follows:

	2021	2020
	HK$'000	*HK$'000*
At 1 January	**(169,595)**	(131,354)
Provision for the year	**(43,407)**	(30,580)
Exchange differences	**(4,977)**	(7,661)
At 31 December	**(217,979)**	(169,595)

13. PLEDGED BANK DEPOSITS

	As at 31 December	
	2021	2020
	HK$'000	*HK$'000*
Current portion	**221,148**	228,700
Non-current portion	**12,231**	248,624
	233,379	477,324

Pledged bank deposits of HK$233,379,000 (2020: HK$474,189,000) are pledged to banks to secure certain borrowings of the Group. The pledged bank deposits carry interest ranging from 0.30% to 2.00% (2020: 0.30% to 2.28%) per annum.

14. TRADE AND OTHER PAYABLES

	As at 31 December	
	2021	2020
	HK$'000	*HK$'000*
Trade payables	**2,204,313**	2,096,234
Other payables and accruals	**2,466,755**	1,605,223
	4,671,068	3,701,457
Less: non-current portion	**–**	(604,716)
	4,671,068	3,096,741

The aging analysis of trade payables based on date of when the construction costs payable have been verified with the contractors is as follows:

	As at 31 December	
	2021	2020
	HK$'000	*HK$'000*
Within 3 months	**1,355,542**	1,818,038
More than 3 months but less than 12 months	**193,338**	15,721
More than 12 months	**599,999**	98,998
	2,148,879	1,932,757
Retention money	**55,434**	163,477
	2,204,313	2,096,234

The trade payables mainly represent accrued construction costs payable to contractors, which have not been verified with the contractors and have been included within 3 months in the above aging analysis. The amounts will be paid upon the completion of cost verification process between the contractors and the Group.

CHAIRMAN'S STATEMENT

Financial Results

The board of directors (the "**Board**") of Shanghai Zendai Property Limited (the "**Company**" or "**Shanghai Zendai**") hereby announces the annual results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2021 (the "**year**" or "**year under review**").

During the year under review, the Group recorded a turnover of approximately HK$740,993,000, representing a decrease of HK$3,857,710,000 as compared with a turnover of approximately HK$4,598,703,000 for the year ended 31 December 2020. As two of the Group's projects, namely the third phase office building of the "Nanjing Himalayas Center" project and the second phase project Riverside Mansion（濱江閱公館）of "Riverside Thumb Plaza" in Nanjing, are at their closing stages, the turnover recorded a decrease. The turnover of the Group for the year was mainly attributed to:

- revenue recognition of the third phase office building of the "Nanjing Himalayas Center" project
- revenue recognition of the third phase project "Multiflora Garden" of "Zendai Garden-Riverside Town" in Haimen
- hotel operation, rental and property management income

Loss attributable to shareholders of the Company (the "**Shareholders**") during the year under review was approximately HK$2,070,423,000 as compared to the loss of approximately HK$1,150,773,000 for the year ended 31 December 2020. Basic loss per share of the Company (the "**Share**") during the year was HK$13.91 cents (basic loss per Share for 2020: HK$7.73 cents). The Group recorded an increase in loss, mainly attributable to the gross loss (gross profit was recorded last year), significant impairment of property, plant and equipment, increase in fair value loss of investment properties and financing costs recorded during the year.

Business Review

Shanghai Zendai developed a domestic business presence with Shanghai as the centre and the Yangtze River Delta as the core sector, radiating nationwide by relying on its complete construction, operation and management capabilities and the independent teams responsible for planning and development, investment promotion programming, operation and property management.

With the development and operation for multiple types of properties including residential, office buildings and complexes, Shanghai Zendai is committed to providing cities with a better living space and high-quality commercial operation services. Shanghai Zendai has developed a product series with the core brands of Himalayas Center, Thumb Plaza and Mandarin Palace, and has created more than 40 industry classics including Shanghai Himalayas Center, Shanghai Mandarin Palace, Nanjing Himalayas Center, Nanjing Thumb Plaza and Nanjing Mandarin Palace.

In 2021, China's economy entered a period of deep adjustment under the strong influence of policies. Under the policy themes of "houses are built to be inhabited, not for speculation", "anti-monopoly", "anti-capital disorderly expansion" and "common prosperity", all walks of life are making adjustments in response to the policy. The adjustment of the industry itself and the cross influence of the adjustment of different industries have become the issues that enterprises have to face on the road of development.

For the real estate industry, regulation policies have been introduced intensively over the real estate market in mainland China. In addition to conventional regulation tools such as purchase restrictions, loan restrictions and sales restrictions, a series of new policies such as financing quota control, optimization of land auction rules, and pre-sale fund supervision have been successively introduced. Since the second half of the year, the number of cities with first- and second-hand housing prices falling has hit a new high, and the real estate market has cooled significantly. The real estate market in mainland China has entered a stage of adjustment. Affected by the epidemic, and the policies of "double reduction" and "anti-monopoly", the commercial leasing market also continued to slump. There has been a significant increase in the number of tenants in education and training categories who have withdrawn their leases, and the repeated outbreak of the COVID-19 epidemic has restricted the flow and gathering of people, all of which have had a significant impact on commercial leasing.

Under the influence of various unfavorable factors in the external environment, stabilizing the fundamentals and overcoming the crisis have become the key tasks of the Group's development. In the face of many internal and external challenges, the Group proactively manages and controls its liabilities and strives to optimize its capital structure. The Group continued to strengthen the commercial operation capabilities of core projects and enhance the standard of property management and operation to further enhance the efficiency of asset operation and the ability to operate light assets. By strengthening cash flow management, the Group actively responded to environmental difficulties and substantially achieved steady progress in the development and operation of various projects. Development details of each business segment are set out below:

Property Development Projects

Nanjing "Himalayas Center"

Nanjing Himalayas Center was designed by Ma Yansong, who is a world-renowned architect. It is another humanistic and artistic peak created by the Group following Shanghai Himalayas Center. The project comprises five business mode, including experience-based shopping malls, intercontinental hotels, commercial buildings, hotel apartments and commercial complex with a site area of approximately 93,526 square metres and an expected total gross floor area of approximately 619,462 square metres. The project is being developed in three phases. As at 31 December 2021, the majority of the first and second phase projects have been sold, and the pre-sale of the third phase project started in the first half of 2018.

		During the reporting period					Cumulative amount		
Items	**Saleable area**	**Sold area**	**Contract value**		**Transfer of operating revenue**		**Sold area**	**Contract value**	
	(Square metres)	*(Square metres)*	*(RMB'000)*	*(HK$'000)*	*(RMB'000)*	*(HK$'000)*	*(Square metres)*	*(RMB'000)*	*(HK$'000)*
The first phase of the Nanjing "Himalayas Center"	132,380	181	2,273	2,780	–	–	119,927	2,073,584	2,498,293
The second phase of the Nanjing "Himalayas Center"	144,847	158	4,310	5,193	–	–	123,153	2,541,285	3,061,789
The third phase of the Nanjing "Himalayas Center"	69,441	3,346	32,477	39,129	164,178	197,805	69,134	1,361,639	1,640,529
Total	**346,668**	**3,685**	**39,060**	**47,102**	**164,178**	**197,805**	**312,214**	**5,976,508**	**7,200,611**

"Riverside Thumb Plaza" in Nanjing

"Riverside Thumb Plaza" in Nanjing is the flagship complex of Gulou Riverside CBD built by the Group based on in-depth exploration of the characteristics of Nanjing and Riverside CBD. The project comprises apartments, office buildings and commercial space. The project is being developed in four phases.

The first phase of the project is located at the west of Rehe Road and the north of Zhongshan Bei Road, Gulou District, Nanjing, Jiangsu Province, the PRC, with a site area of approximately 13,220 square metres and a total saleable area of 85,487 square metres. As at 31 December 2021, the majority of the project had been sold.

The second phase of the project is located at the west of Rehe Road and the north of Zhongshan Bei Road, Gulou District, Nanjing, with a site area of approximately 26,318 square metres and a total saleable area of 166,395 square metres.

The third phase of the project is located at the east of Jiangbian Road and the north of Jianning Road, Gulou District, Nanjing, with a site area of approximately 15,566 square metres. The land with a gross floor area of approximately 126,995 square metres is planned to be developed into an integrated complex comprising office buildings, commercial space and apartments. Construction of the project has been commenced in June 2018 and the pre-sale started in October 2019.

		During the reporting period					Cumulative amount		
Items	**Saleable area**	**Sold area**	**Contract value**		**Transfer of operating revenue**		**Sold area**	**Contract value**	
	(Square metres)	*(Square metres)*	*(RMB'000)*	*(HK$'000)*	*(RMB'000)*	*(HK$'000)*	*(Square metres)*	*(RMB'000)*	*(HK$'000)*
The first phase of "Riverside Thumb Plaza" in Nanjing	85,487	71	613	739	–	–	84,183	2,123,541	2,558,483
The second phase of "Riverside Thumb Plaza" in Nanjing	166,395	701	12,469	15,023	7,265	8,753	164,289	4,936,793	5,947,943
The third phase of "Riverside Thumb Plaza" in Nanjing	126,995	72	2,729	3,288	–	–	43,567	1,636,440	1,971,614
Total	**378,877**	**844**	**15,811**	**19,050**	**7,265**	**8,753**	**292,039**	**8,696,774**	**10,478,040**

The fourth phase of the project is located at the west of Rehe Road and the north of Zhongshan Bei Road, Gulou District, Nanjing. The land with a site area of approximately 15,234 square metres is planned to be developed into office buildings and commercial space with a gross floor area of approximately 102,549 square metres, including 79,455 square metres of office buildings and 23,094 square metres of commercial space. The construction of the project has been commenced in January 2019.

"Zendai Garden-Riverside Town" in Haimen

The "Zendai Garden-Riverside Town" project in Haimen, Jiangsu Province comprises two parcels of land, with a total site area of 1,389,021 square metres.

The first parcel of land is to be developed in two parts.

"Dong Zhou Mansion", the first part of the first parcel, is being developed in two phases with Phase I offering a total of 52 detached villas which were all sold. Phase II of the "Dong Zhou Mansion" is planned to be developed into 94 detached villas with a total gross floor area of approximately 82,202 square metres. The construction of the project has been commenced in February 2014 but has been suspended due to changes in market conditions in the early stage.

"Multiflora Garden", the second part of the first parcel of land, is being developed in three phases into an integrated residential area comprising low density town houses. Phases I and II offer a total of 212 units with a saleable area of approximately 57,232 square metres which were all sold. Phase III has a saleable area of approximately 91,817 square metres, and is still on sale.

The second parcel of land is being developed into residential properties and ancillary commercial space in phases.

The Phase I, Qinghua Garden Ecological Houses, occupies a site area of approximately 42,070 square metres with a saleable area of approximately 56,169 square metres and is still on sale.

The Phase II, Shui Qing Mu Hua Garden, with a site area of 157,717 square metres, is being developed in two phases into high-rise, small high-rise residential properties and ancillary commercial space with a saleable area of approximately 273,780 square metres. The first phase offers a saleable area of 81,360 square metres and is still on sale. The second phase offers a saleable area of 192,420 square metres.

The Phase III, Spanish Exotic Street, with a site area of 760 square metres, has been developed into a commercial plaza with a saleable area of 1,164 square metres.

The Phase IV, "Thumb Plaza" with a site area of 18,919 square metres, has been developed into a commercial plaza with a total gross floor area of 45,514 square metres.

In addition, the project has yet to develop residential land covering a site area of 370,664 square metres and a gross floor area of 638,460 square metres, and 7,998 square metres of educational land, 31,266 square metres of medical land, 18,067 square metres of commercial land, and 6,933 square metres of hotel land. In the future, the Group will continue to develop and build high-end improved residential products covering a full product line of high-rise, bungalows, stacked villass, townhouses and other products. Relying on various commercial, medical, education and other living facilities, the project will form a high-quality residential community in the region.

		During the reporting period						Cumulative amount		
Items	**Saleable area**	**Sold area**	**Contract value**		**Transfer of operating revenue**		**Sold area**	**Contract value**	
	(Square metres)	*(Square metres)*	*(RMB'000)*	*(HK$'000)*	*(RMB'000)*	*(HK$'000)*	*(Square metres)*	*(RMB'000)*	*(HK$'000)*
The first parcel of land	231,251	8,104	56,988	68,660	57,218	68,937	86,479	521,487	628,298
The second parcel of land	329,949	2,841	18,921	22,796	15,189	18,300	133,892	608,871	733,580
Total	**561,200**	**10,945**	**75,909**	**91,456**	**72,407**	**87,237**	**220,371**	**1,130,358**	**1,361,878**

Other Property Development Projects

Zendai Nantong Yicheng Thumb Plaza

Zendai Nantong Yicheng Thumb Plaza has a total site area of 281,912 square metres. Due to its prime location, the project has been included in the "Key Cultural Industry Projects in Nantong City" and "Key Development Projects in Chongchuan District". The project occupies a total gross floor area of approximately 279,076 square metres (including car-parking space and ancillary facilities of 77,143 square metres). Construction of the project is divided into three phases.

The first phase named Phase 1 of Old Town, with a commercial area of approximately 38,737 square metres. For details of relevant operation please refer to the "Operations of Commercial Properties and Hotels Business" section of this announcement.

The second phase is an ancillary residential project with commercial space with a total gross floor area of approximately 74,528 square metres, the majority of which has been sold.

The third phase occupies a total area of approximately 147,688 square metres (with an underground area of 53,150 square metres), comprising Phase 2 of Old Town with commercial area of 60,979 square metres (including an underground area of 21,000 square metres) and Old Town, New Port, with a commercial area of approximately 14,967 square metres and a residential area of approximately 71,742 square metres (including an underground area of 32,150 square metres). The Old Town, New Port commenced construction in May 2014 and started to sale in September 2016.

			Cumulative amount	
Items	**Saleable area**	**Sold area**	**Contract value**	
	(Square metres)	*(Square metres)*	*(RMB'000)*	*(HK$'000)*
The second phase of Nantong Yicheng Thumb Plaza	74,528	71,585	848,855	1,022,717
The third phase of Nantong Yicheng Thumb Plaza	188,688	40,715	683,353	823,317
Total	**263,216**	**112,300**	**1,532,208**	**1,846,034**

Project in Chengmai County, Hainan Province

The Group owns 60% equity interest in a parcel of land in Chengmai County, Hainan Province with a site area of 1,309,563 square metres which is still in the planning stage.

Operations of Commercial Properties and Hotels Business

Adhering to the commercial operation brands such as "Zhengda Thumb Plaza" and "Himalaya Center", the Group continued to strengthen its business management capabilities for enhancing its business brand value. In the context of the impact of the COVID-19 epidemic and policies, the Group actively adjusted its business plan, and strengthened investment attraction and project promotion, which ensured the vitality and popularity of project operations.

As of the end of the reporting period, the new commercial area operated by the Group amounted to approximately 44,315 square metres on a cumulative basis.

During the year under review, Nanjing Himalaya Center was opened as a commercial complex. As another iconic commercial property project developed by Shanghai Zhendai in the core area of the Yangtze River Delta, the centre received a total of more than 1.3 million of visitors in the first three months of operation.

During the year, the operating revenue from commercial property and hotel operations in total amounted to approximately RMB397,356,000 (equivalent to approximately HK$478,741,000). During the Year, approximately 79% of the commercial space was leased in average, and the average occupancy rate of the hotel was approximately 54%. Details of the operation of each commercial property and hotel project during the year ended 31 December 2021 are as follows:

Project name	**City**	**Interest Attributable to the Group**	**Leasable area**	**Occupancy rate in 2021**	**Revenue in 2021**	
			(Square metres)		*(RMB'000)*	*(HK$'000)*
Shanghai "Zendai Thumb Plaza"	Shanghai	100%	44,860	99%	104,435	125,825
Shanghai Himalayas Center*	Shanghai	45%	28,499	45%	31,160	37,543
Qingdao "Zendai Thumb Plaza"	Qingdao	100%	46,545	84%	27,728	33,407
Zendai Nantong Yicheng Thumb Plaza	Nantong	100%	38,737	77%	6,666	8,031
Yangzhou Commercial Project	Yangzhou	100%	15,974	92%	6,716	8,091
Nanjing "Himalayas Center"	Nanjing	100%	44,315	72%	4,444	5,354
Total			**218,930**	**79%**	**181,149**	**218,251**

Project name	**City**	**Business model**	**Floor area**	**Number of guest room**	**Occupancy rate in 2021**	**Revenue in 2021**	
			(Square metres)	*(Room)*		*(RMB'000)*	*(HK$'000)*
Grand Mercure Shanghai Century Park	Shanghai	Cooperation	31,530	361	54%	68,870	82,976
Jumeirah Himalayas Hotel Shanghai*	Shanghai	Cooperation	60,452	393	46%	108,487	130,707
Himalayas Qingdao Hotel	Qingdao	Proprietary	27,673	208	70%	38,850	46,807
Total			**119,655**	**962**	**54%**	**216,207**	**260,490**

* Properties that are held by an associate of the Group, Shanghai Zendai Himalayas Company Ltd.*（上海証大喜瑪拉雅有限公司）.

Property Management Service

Thanks to its development of nearly 21 years, the Group has extended its business presence to 10 large and medium-sized cities under its service philosophy of “keep pace with the times, serve the best, focus on quality, and create impressions”. The projects under management cover a wide range of properties such as high-end business plazas, grade-A office buildings, top-tier villa areas, high-end residences and urban complexes. During the reporting period, Shanghai Zendai managed more than 30 projects with a total area of over 3 million square metres.

During the reporting period, area under management of Shanghai Zendai Property Management Co., Ltd., a subsidiary of the Group, was 3,282,706 square metres, with operating revenue of RMB105,027,000 (equivalent to approximately HK$126,539,000).

Shanghai Zendai Property Management Co., Ltd.* (上海証大物業管理有限公司)	**Floor area**	**Revenue during the reporting period**	
	(Square metres)	*(RMB'000)*	*(HK$'000)*
Shanghai Headquarters	1,218,072	53,509	64,468
Kunshan Branch	109,558	3,126	3,766
Nanjing Branch	1,190,319	36,328	43,769
Nanning Branch	398,378	1,995	2,404
Qingdao Branch	183,556	4,187	5,045
Qingpu Branch	137,823	5,677	6,840
Yantai Branch	45,000	205	247
Total	**3,282,706**	**105,027**	**126,539**

PROSPECTS AND FUTURE PLANS

The Group overcame difficulties and made progress in 2021, a year of change. Up to now, policies tend to be stabilised, and it has become a policy consensus to prudently introduce contractive policies and encourage all walks of life to make steady progress. Although there will still be challenges to economic development amid many uncertainties at home and abroad in 2022, the trend of stable performance with good momentum for growth will be increasingly obvious. For the development of the industry and enterprises, there will be new development opportunities brought forth by the economic transformation and adjustment, despite various pressures.

Going forward, the Group will adhere to the development strategy of "focusing on core cities and strengthening operational capability", accurately grasp the releasing pace of market demand, concentrate various favorable resources to grow more sophisticated and stronger and enhance the brand value. In terms of regional layout, the Group will insist on deepening its regional and city cultivation, and on the basis of ensuring continuous optimisation of its capital structure, the Group will continue to optimise its assets deployment and land reserve structure, establish exemplary projects in cities and promote the implementation of more quality projects. At the same time, the Group will continue to focus on exploring a new channel of light asset development with the team-based development, operation and management services as the core added value. The Group will systematically promote the transformation of the management team and upgrade the management mechanism to improve the "Dual Protections". With the aim at "Profit Model Benchmarking Against Innovation" and "Brand Image Rebranding and Renewal", the Group will strengthen commercial management to improve the income level of commercial properties, and will grasp new opportunities in property management development to establish property management service brand. The Group will strive to integrate quality resources in multiple dimensions to explore new efficiency highlights, thus improving our operational innovation and market competitiveness in an all-round way.

The Group will always adhere to "building" and "operation" as two major brand strategy pillars, and strive to provide the city with a beautiful living space and high-quality commercial operation services. The Group will continue to improve its operation and management to achieve stable and high-quality development of the Group in an era of management incentives in a sustainable manner. In the future, the Group will continue to enhance its commercialisation capabilities under new consumption and new scenarios, and fully discover the brand value of its existing projects. At the same time, the Group will deepen its core business deployment, focus on core cities and city clusters, strengthen market cycle judgment, explore market opportunities and strengthen business cooperation, so as to maintain balanced and high-quality development of the Group's various businesses and become a comprehensive urban service provider with competitive advantages and strong capabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operation

The Group continued to record losses for the year ended 31 December 2021, mainly due to lower turnover which was insufficient to cover fees and expenses.

During the year, the projects are all at their closing stages, and the areas of the property to be delivered to purchasers have decreased, resulting in a shrinking turnover. Meanwhile, due to the significant impairment of properties under development, completed properties held-for-sale and property, plant and equipment, the increase in fair value loss of investment properties and financing costs, the losses recorded by the Group increased as compared to last year.

Liquidity, Financial Resources, Capital Structure and Gearing

As at 31 December 2021, the Group had a financial position with net liabilities value of approximately HK$1,792 million (31 December 2020: net assets value of approximately HK$305 million). Net current liabilities (including asset classified as held-for-sale) amounted to approximately HK$7,467 million (31 December 2020: approximately HK$3,331 million) with current ratio decreasing from 0.68 times at 31 December 2020 to approximately 0.47 times at 31 December 2021. The capital structure of the Group consists of borrowings (including current and non-current borrowings as shown in the consolidated balance sheet), net of cash and bank balances, and equity attributable to owners of the Company. As at 31 December 2021, the Group had consolidated borrowings of approximately HK$6,976 million, of which HK$6,328 million was repayable within one year and HK$648 million was repayable more than one year. As at 31 December 2021, borrowings of the amount of HK$6,567 million (31 December 2020: HK$5,785 million) bear interest at fixed interest rates ranging from 3.85% to 14.99% per annum (31 December 2020: ranging from 4.77% to 18.15% per annum). As at 31 December 2021, the Group's cash and bank balances and pledged bank deposits were approximately HK$549 million (31 December 2020: HK$708 million). The gearing ratio of the Group decreasing from 92 times at 31 December 2020 to -3.3 times at 31 December 2021 (basis: net debt, which is defined as total amounts of borrowings, amounts due to minority owners of subsidiaries and lease liabilities less cash and bank balances and pledged bank deposits, divided by equity attributable to owners of the Company).

MITIGATION MEASURES AND UNCERTAINTIES RELATED TO GOING CONCERN

Pursuant to code provision C.1.3 of the CG Code, the Directors acknowledge their responsibilities for preparing the financial statements, which give a true and fair view of the Group. The Directors are aware that as disclosed in note 2.1 to the consolidated financial statements in this announcement, material uncertainties exist which cast significant doubt on the Group's ability to continue as a going concern.

In order to meet its financial obligations as and when they fall due within the next twelve months and improve the Group's current ratio, the directors of the Company have been undertaking a number of measures to improve the Group's liquidity and financial position, and to remediate certain delayed repayments to financial institutions, which include:

(a) the Group will continue its ongoing efforts to convince the lenders of the Defaulted Borrowings and Cross-Defaulted Borrowings not to take any actions against the Group for immediate payment of the principals and interest payables of these borrowings. Based on latest communications with these lenders, there is no indication that these parties have any current intention to take further action against the Group to demand immediate payment. Also, the Group will endeavor to negotiate with the Financial Institution for a mutually acceptable resolution over the Nanjing Defaulted Borrowing and to withdraw the Order from the Court;

(b) the Group has been actively negotiating with certain financial institutions and identifying various options for restructuring the Group's existing borrowings (including the repayment and extension of the Defaulted Borrowings and Cross-Defaulted Borrowings), and financing the continuing construction of properties under development;

(c) the Group is also seeking for the potential investors who are interested in co-development or purchase of the Group's projects; and

(d) the Group will also continue to take active measures to control administrative costs and contain capital expenditures; and to seek other alternative financing to fund the settlement of its existing financial obligations and future operating expenditure.

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

(a) successful negotiations with the lenders of the Defaulted Borrowings and Cross-Defaulted Borrowings, despite the worsening consolidated financial position of the Group as at 31 December 2021 and consolidated financial performance of the Group for the year then ended and, such that these lenders will not take any actions against the Group to exercise their rights to demand immediate payment of the principals and interest payables of these borrowings before the Group is able to secure additional new sources of funding and restructure its existing borrowings, including repayment and extension of the Defaulted Borrowings and Cross-Defaulted Borrowings;

(b) successfully and timely securing new financing from the financial institutions with which the Group is actively negotiating to fund the aforesaid restructuring of its existing borrowings as well as the continued financing of the construction of properties. Securing new financing depends on (1) the current regulatory environment and the improvement strength of policy adjustment; (2) whether the lenders of existing borrowings are agreeable to the terms and conditions of the financing and refinancing agreements; and (3) the Group's ability to continuously comply with these terms and conditions;

(c) successfully accelerating the construction as well as pre-sale and sale of its properties under development; including meeting all of the necessary conditions to launch the pre-sale, and to make these pre-sales at the expected sale prices and in accordance with the timelines projected by management in the Cash Flow Projections; and

(d) the Group's ability to generate operating cash flows and obtain additional sources of financing other than those mentioned above, to meet the Group's ongoing funding needs as well as successfully controlling administrative costs and capital expenditure.

The policy environment has obviously improved in mainland China where the central government has clearly stated that it will actively introduce policies that are favorable to the market and cautiously introduce contraction policies. For real estate enterprises, it is necessary to research and propose efficient and effective risk prevention and mitigation response plan in a timely manner, and propose supporting measures for the transformation to a new development model. In January 2022, the Group successfully obtained an additional loan of RMB328 million, which relieved the Group's liquidity pressure in stages. The Directors have reviewed the Group's cash flow projections. The Directors are of the opinion that, taking into account the above mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2021 and it is appropriate to prepare the consolidated financial statements on a going concern basis.

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

* *capitalised terms used in this section shall have the same meanings as those defined in note 2.1 to the consolidated financial statements in this announcement.*

Segment Information

Sales of properties

The turnover of this segment for the year was approximately HK$307,025,000 (2020: HK$4,207,815,000). The decrease was primarily due to the decrease in the areas of the property to be delivered to purchasers.

Property rental, management and agency services

The turnover of this segment for the year was approximately HK$340,328,000 (2020: HK$318,740,000). The increase was due to containment of COVID-19 in the PRC which resulted in increase in malls activities and rental income.

Hotel operations

The turnover of this segment for the year was HK$93,640,000 (2020: HK$72,148,000). The increase was due to the substantial increase in occupancy rate as a result of containment of COVID-19 in the PRC.

FOREIGN CURRENCY AND INTEREST RATES EXPOSURES AND HEDGING

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. The Group's cash and cash equivalents are also exposed to such foreign currency risk. Cash and cash equivalents held by the Group as at 31 December 2021 were mainly denominated in RMB and HK$. Borrowings of the Group as at 31 December 2021 were all denominated in RMB. The Group currently does not use any financial instruments to hedge against its exposure to currency risk. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rate.

The Group's cash flow interest rate risk arises from long-term borrowings with prevailing market interest rates. Such risk is partly offset by cash held at prevailing market interest rates. The Group's fair value interest rate risk relates primarily to its fixed rate borrowings and payables and pledged bank deposits. The Group currently does not utilize any financial instruments to hedge its exposure to interest rate risk. However, management will consider hedging significant interest rate exposure should the need arise.

EMPLOYEES

As at 31 December 2021, the Group employed approximately 910 employees (2020: 926 employees) in Hong Kong and the PRC. They were remunerated with basic salary and bonuses according to the nature of the job and market conditions. Other staff benefits include a mandatory provident fund scheme, local municipal government retirement scheme, training scheme, insurance and medical insurance and share option scheme.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save as disclosed below and elsewhere in this announcement, there were no material acquisitions and disposals of subsidiaries, associates and joint ventures by the Company during the year under review:

(a) On 12 August and 24 August 2015, the Group entered into an equity transfer agreement and a supplementary agreement respectively (collectively, the "**Agreements**") to acquire the equity interest of 6 companies which hold land parcels (the "**Land Parcels**") in Gulou District, Nanjing (the "**Acquisitions**"). The aggregate site area of the Land Parcels was approximately 110,489 square metres and the total consideration for the Acquisitions was approximately RMB4,513,609,000 (equivalent to approximately HK$5,389,384,000). Details of the Acquisitions were disclosed in the announcement of the Company dated 25 August 2015.

    As a result of the regulatory land plan adjustment to the district where the Land Parcels are located since late 2015, the Land Parcels are also subject to land plan adjustment. As at the date of this announcement, 4 out of 13 land title certificates of the Land Parcels have been obtained and delivered to the Group and the parties to the Agreements have been making efforts to proceed the completion of the Acquisitions as soon as possible.

(b) On 2 August 2021, Haimen Zendai Creative Investment Development Co., Ltd.*（海門証大創意投資發展有限公司）("**Zendai Creative**"), an indirect wholly-owned subsidiary of the Company, received an executed version of the land resumption agreement from Nantong Haimen People's Government Haimen Subdistrict Office*（南通市海門區人民政府海門街道辦事處）(the "**Local Authority**"), pursuant to which Zendai Creative agreed to surrender the industrial lands held by it with a total area of 133,336 square metres, at a consideration of a compensation of approximately RMB106,168,000 (equivalent to approximately HK$129,853,000) payable by the Local Authority to Zendai Creative. Details of the transaction were set out in the announcement of the Company dated 2 August 2021.

PLEDGE OF ASSETS

As at the end of reporting period, the carrying amounts of following assets of the Group were pledged to secure certain borrowings and loans:

	2021	2020
	HK$'000	*HK$'000*
Property, plant and equipment	**665,710**	966,769
Investment properties	**4,883,299**	4,887,416
Properties under development and completed properties held-for-sale	**1,711,585**	2,258,415
Pledged bank deposits	**233,379**	474,189
	7,493,973	8,586,789

As at 31 December 2021, certain equity interests of the subsidiaries of the Group were pledged to secure certain borrowings granted to the Group.

CONTINGENT LIABILITIES

As at 31 December 2021, the Group provided guarantees to the extent of approximately HK$982,559,000 (2020: HK$1,219,919,000) to banks in respect of mortgage loans provided by the banks to customers for the purchase of the developed properties of the Group, net of mortgages received and included in receipts in advance from customers. These guarantees provided by the Group to the banks would be released upon receiving the property title certificate of the respective properties by the banks from the customers as a pledge for security to the mortgage loans granted.

In the opinion of the Directors, the credit risk exposure of these guarantee contracts is insignificant at initial recognition and at the end of the reporting period.

LITIGATION

(1) In September 2019, the Company signed a repayment agreement with a third-party company, under which the parties agreed that the Company shall return payment and related interests to the third-party company in installments in a total amount of approximately RMB165,000,000 (equivalent to approximately HK$198,000,000). As at the date of this announcement, the remaining balance of RMB48,000,000 (equivalent to approximately HK$58,000,000) has not been repaid when due. The third-party company applied to the Shenzhen Court of International Arbitration for arbitration. On 17 May 2021, the arbitration court ordered the Company to return the outstanding overdue amounts, liquidated damages and arbitration fees. As at 31 December 2021, the outstanding overdue amounts, liquidated damages and arbitration fees were approximately RMB70,757,000 (equivalent to HK$86,542,000). The Company is still negotiating and communicating proactively with the third-party company on the repayment plan.

(2) In 2018, an indirect wholly-owned subsidiary of the Company, Nanjing Lifang Real Estate Co., Ltd.* （南京立方置業有限公司）(the "**Defendant Subsidiary**") entered into a "Trust Loan Contract" with a financial institution (the "**Financial Institution**") and obtained multiple installment loans. As at the date of this announcement, the remaining balance of RMB180,250,000 (equivalent to approximately HK$220,462,000) has not been repaid when due. On 22 July 2021, the Group received a summons issued by the Intermediate People's Court of Lanzhou*（甘肅省蘭州市中級人民法院）("**Lanzhou Court**"), in which the Financial Institution requested the repayment of the principal amount, interests, penalty interests and compound interests amounting to approximately RMB210,000,000 (equivalent to approximately HK$252,000,000) in total. In early March 2022, the Group received and was informed of the enforcement order (the "**Order**") from the Lanzhou Court against the Defendant Subsidiary and other subsidiaries. Details of the Order were disclosed in the Company's announcement dated 8 March 2022. The Company will pay close attention to the proceed of the Order and communicate proactively to solve the above case.

CORPORATE GOVERNANCE

The Company has adopted the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules (the "**CG Code**") as its own code of corporate governance and has taken careful measures to ensure that the provisions have been duly complied with from time to time. The Board is of the opinion that the Company has met the code provisions in the CG Code during the year except the deviations as stipulated below.

Under the code provision E1.2 of the CG Code*(note)*, the chairman of the Board should attend the AGM. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this his duly appointed delegate, to attend. Due to the new coronavirus pandemic and in light of the regulations introduced by the government in Hong Kong, neither the chairman of the audit committee nor his representative attended the AGM. The auditors of the Company were also in attendance at the AGM.

Note: A new CG Code came into effect on 1 January 2022. As the period under review in this announcement is for the year ended 31 December 2021, the CG Code described in this announcement is the CG Code in effect during the year ended 31 December 2021.

The Company's annual results for the year ended 31 December 2021 has been reviewed by the audit committee of the Company (the "**Audit Committee**").

The Audit Committee has reviewed and agreed with the views and concerns of the independent auditor with respect to the disclaimer opinion issued in relation to the consolidated financial statements of the Group for the year ended 31 December 2021. The Audit Committee noted that the Board has undertaken or in the progress of implementing measures to improve the Group's liquidity and financial position. The Audit Committee has reviewed and agreed with the Board's position and has discussed with the independent auditor.

SCOPE OF WORK OF PKF HONG KONG LIMITED

The figures in respect of the Group's consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet and related notes thereto for the year ended 31 December 2021 as set out above in this preliminary announcement have been agreed by the Group's auditor, PKF Hong Kong Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PKF Hong Kong Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PKF Hong Kong Limited on this preliminary announcement.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The below paragraphs set out an extract of the report by PKF Hong Kong Limited, the auditor of the Company, regarding the consolidated financial statements of the Group for the year ended 31 December 2021:

Disclaimer of Opinion

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

Basis for Disclaimer of Opinion

Multiple Uncertainties Relating to Going Concern

The Group reported a net loss of HK$2,082 million during the year ended 31 December 2021. As at 31 December 2021, the Group's total deficit attributable to owners of the Company amounted to HK$2,019 million and its current liabilities exceeded its current assets (including asset classified as held-for-sale) by HK$7,467 million. At the same date, the Group's total borrowings amounted to HK$6,976 million (including the current portion of HK$6,328 million) and its total cash and bank balances amounted to HK$315 million. During the year ended 31 December 2021, the Group was unable to repay borrowings from several financial institutions and lenders according to the repayment schedule (the "**Lenders of Defaulted Borrowings**") with total principal amounts of HK$4,601 million (the "**Defaulted Borrowings**") and related interest payables of HK$857 million. The Defaulted Borrowings included borrowings from a shareholder of the Company and other companies with which the shareholder is associated (the "**Shareholder and Associated Parties**") of HK$3,143 million and interest payables of HK$716 million since the Group was unable to repay in accordance with the repayment schedule stated in the debt restructuring agreement (the "**Debt Restructuring Agreement**") entered into with the Shareholder and Associated Parties on 31 December 2020. Such non-repayments are collectively referred to as the ("**Default Events**"). As a result, the entire outstanding principal and interest payables of these borrowings of HK$5,458 million, would be immediately repayable if requested by the financial institutions, the Shareholder and Associated Parties. Defaulted Borrowings of HK$1,629 million, all with original contractual repayment dates after 31 December 2022, were classified as current liabilities as at 31 December 2021. The Default Events triggered cross-defaults of other borrowings of the Group (the "**Cross-Defaulted Borrowings**") with aggregated principal amounts of HK$738 million and related interest payables of HK$1.6 million as at 31 December 2021. These amounts, including borrowings of HK$501 million with original contractual repayment dates beyond 31 December 2022, were classified under current liabilities as at 31 December 2021 as they are due upon demand if requested by the respective lenders. These conditions, together with other matters described in Note 2.1 to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

Management of the Company has been undertaking a number of plans and measures to improve the Group's liquidity and financial position and to restructure the existing borrowings, which are set out in Note 2.1 to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these plans and measures, which are subject to multiple uncertainties, including (a) successful negotiations with the lenders of the Defaulted Borrowings and Cross-Defaulted Borrowings, despite the worsening consolidated financial position of the Group as at 31 December 2021 and consolidated financial performance of the Group for the year then ended and, such that these lenders will not take any actions against the Group to exercise their rights to demand immediate payment of the principals and interest payables of these borrowings before the Group is able to secure additional new sources of funding and restructure its existing borrowings, including repayment and extension of the Defaulted Borrowings and Cross-Defaulted Borrowings; (b) successfully and timely securing new financing from the financial institutions with which the Group is actively negotiating to fund the aforesaid restructuring of its existing borrowings as well as the continued financing of the construction of properties. Securing new financing depends on (1) the current regulatory environment, and the improvement strength of policy adjustment; (2) whether the lenders of existing borrowings are agreeable to the terms and conditions of the financing and refinancing agreements; and (3) the Group's ability to continuously comply with these terms and conditions; (c) successfully accelerating the construction as well as pre-sale and sale of its properties under development; including meeting all of the necessary conditions to launch the pre-sale, and to make these pre-sales at the expected sale prices and in accordance with the timelines projected by management in the cash flow projections; and (d) the Group's ability to generate operating cash flows and obtain additional sources of financing other than those mentioned above, to meet the Group's ongoing funding needs as well as successfully controlling administrative costs and capital expenditure.

As a result of these multiple uncertainties, the potential interaction of these uncertainties and the possible cumulative effect thereof, we were unable to form an opinion as to whether the going concern basis of preparation is appropriate.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct for dealing in the securities of the Company by the Directors. Having made specific enquiry of all the Directors, all of them have confirmed that they have complied with the required standard set out in the Model Code during the year ended 31 December 2021.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.zendaiproperty.com). The annual report of the Company for the year ended 31 December 2021 containing the information required by the Listing Rules will be dispatched to the shareholders and made available on the same websites in due course.

By order of the Board
Shanghai Zendai Property Limited
Huang Yuhui
Chairman

Hong Kong, 29 March 2022

As at the date of this announcement, the executive Directors are Mr. Huang Yuhui, Mr. Wang Letian, Mr. He Haiyang and Ms. Li Zhen. The non-executive Directors are Ms. Wang Zheng, Mr. Ma Yun and Mr. Wu Junao. The independent non-executive Directors are Dr. Guan Huanfei, Mr. Chen Shuang, Mr. Cao Hailiang, Dr. Lin Xinzhu and Mr. Wang Yuzhou.

* *For identification purpose only*