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新明中国控股
XINMING CHINA

Xinming China Holdings Limited
新明中國控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2699)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

ANNUAL RESULTS HIGHLIGHTS

- Revenue of the Group amounted to approximately RMB101.8 million, representing a decrease of approximately 20.8% as compared with last year.
- Gross profit of the Group amounted to approximately RMB77.6 million, representing an increase of approximately 26.1% as compared with last year.
- Loss attributable to the owners of the parent company was approximately RMB863.9 million.
- Basic loss per share was approximately RMB0.46.
- The Board did not recommend the payment of final dividend for the year ended 31 December 2021.

FINAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Xinming China Holdings Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the financial year ended 31 December 2021 ("**Year under Review**") which was prepared in accordance with relevant requirements under the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), together with comparative figures for the corresponding period in 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2021

	Note	**2021** *RMB'000*	2020 *RMB'000*
Revenue	4	**101,833**	128,537
Cost of sales		**(24,214)**	(66,977)
Gross profit		**77,619**	61,560
Other income and gains	5	**279,894**	3,435
Selling and distribution costs		**(19,592)**	(18,533)
Administrative expenses		**(41,476)**	(48,134)
Other expenses		**(421,367)**	(1,051,238)
Net loss on de-consolidation of a subsidiary	18	**(640,056)**	—
Changes in fair value of investment properties		**(2,000)**	(22,900)
Changes in fair value of convertible bonds		**8,092**	20,363
Finance costs	6	**(83,053)**	(973)
Loss before income tax	6	**(841,939)**	(1,056,420)
Income tax credit (expenses)	7	**10,833**	(59,484)
Loss for the year and total comprehensive loss for the year		**(831,106)**	(1,115,904)
(Loss) Profit for the year and total comprehensive (loss) profit for the year attributable to:			
Owners of the Company		**(863,935)**	(1,000,756)
Non-controlling interests		**32,829**	(115,148)
		(831,106)	(1,115,904)
Loss per share attributable to owners of the Company	9		
Basic and Diluted (RMB)		**(0.460)**	(0.533)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Note	2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment		**746**	4,009
Investment properties	10	**2,988,000**	3,296,000
Deferred tax assets		**76,087**	86,199
		3,064,833	3,386,208
Current assets			
Properties under development	11	**850,985**	1,390,487
Completed properties held for sale	12	**1,140,728**	1,429,376
Trade receivables	13	**33,515**	24,541
Prepayments, other receivables and other assets	14	**113,068**	183,797
Restricted deposits		**326**	2,573
Cash and cash equivalents		**20,219**	5,249
		2,158,841	3,036,023
Current liabilities			
Trade payables	15	**322,213**	374,613
Other payables and accruals		**1,279,694**	1,358,450
Contract liabilities		**432,901**	212,072
Interest-bearing bank and other borrowings	16	**1,561,250**	1,873,909
Tax payable		**881,915**	905,520
Convertible bonds	17	**244,512**	252,604
		4,722,485	4,977,168
Net current liabilities		**(2,563,644)**	(1,941,145)
Total assets less current liabilities		**501,189**	1,445,063
Non-current liabilities			
Deferred tax liabilities		**478,470**	581,013
NET ASSETS		**22,719**	864,050

	2021	2020
	RMB'000	*RMB'000*
EQUITY		
Issued capital	**14,880**	14,880
Reserves	**5,638**	869,573
	20,518	884,453
Non-controlling interests	**2,201**	(20,403)
TOTAL EQUITY	**22,719**	864,050

NOTES

1. GENERAL INFORMATION

Xinming China Holdings Limited (the "Company") was incorporated in the Cayman Islands on 16 January 2014 as an exempted company with limited liability under the Companies Law, Chapter 22 of the Cayman Islands. In the opinion of the directors of the Company, the ultimate holding company is Xinxing Company Limited and the ultimate controlling shareholder is Mr. Chen Chengshou (the "Controlling Shareholder"). The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the Company's registered office is located at Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in investment holding, properties development and properties leasing.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Going concern

The Group incurred a net loss of approximately RMB831,106,000 for the year ended 31 December 2021. At 31 December 2021, the Group's current liabilities exceeded its current assets by approximately RMB2,563,644,000.

At 31 December 2021, the Group's borrowings of approximately RMB1,561,250,000 and convertible bonds of approximately RMB244,512,000 were overdue pursuant to the relevant borrowing agreements.

All of the above conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

In view of these circumstances, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain measures have been taken to mitigate the liquidity pressure and to improve its financial position which include, but are not limited to, the following:

(i) the Group has been actively negotiating with a number of creditors and lenders for renewal and extension of interest-bearing borrowings and credit facilities;

(ii) in addition, the Group is also negotiating with various financial institutions and potential lenders/investors and identifying various options for financing the Group's working capital and commitments in the foreseeable future;

(iii) the Group has accelerated the pre-sale and sale of its properties under development and completed properties;

(iv) the Group has implemented measures to speed up the collection of outstanding sales proceeds; and

(v) the Group will continue to take active measures to control administrative costs through various channels including human resources optimisation and management remuneration adjustments and reduction of capital expenditures.

Based on the latest information available, the directors of the Company in of the opinion 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 of the Group will be able to implement the abovementioned plans and measures. Whether the Group will be able to continue as a going concern will depend upon the Group's ability to generate adequate financial and operating cash flows through the following:

(i) negotiating with the Group's existing lenders such that no action will be taken by the relevant lenders to demand immediate repayment of the borrowings with interest payments in default;

(ii) negotiating with various financial institutions on the renewal of or extension for repayment of outstanding borrowings, including those with overdue principals and interests;

(iii) negotiating with various financial institutions and potential lenders/investors to identify various options for additionally financing the Group's working capital and commitments in the foreseeable future;

(iv) accelerating the pre-sale and sale of properties under development and completed properties and speeding up the collection of outstanding sales proceeds, and controlling costs and capital expenditure so as to generate adequate net cash inflows;

(v) actively accelerating the de-stocking of the Group's properties; and

(vi) actively procuring and negotiating the preliminary terms with large property development enterprises for the sale of individual property development project or whole commercial property at a price deemed appropriate.

All amounts have been rounded to the nearest thousand, unless otherwise indicated.

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2020 consolidated financial statements except for the adoption of the following new/revised IFRSs that are relevant to the Group's operation and effective from the current year.

Adoption of new/revised IFRSs

The Group has applied, for the first time, the following new/revised IFRSs:

Amendments to IAS 39, IFRSs 4, 7, 9 and 16	Interest Rate Benchmark Reform — Phase 2

Amendments to IAS 39, IFRSs 4, 7, 9 and 16: Interest Rate Benchmark Reform — Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the "Reform"). The amendments complement those issued in November 2019 and relate to:

- changes to contractual cash flows — a company will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;

- hedge accounting — a company will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and

- disclosures — a company will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

The adoption of the above amendments does not have any significant impact on the consolidated financial statements.

3. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) the properties development segment engages in the development and sale of properties;

(b) the properties leasing segment engages in leasing out properties for their rental income potential and/or for capital appreciation; and

(c) the others segment engages in investment holding.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profits or loss, which is a measure or adjusted profit or loss before income tax.

No analysis of the Group's assets and liabilities by operating segment is disclosed as it is not regularly provided to the chief operating decision-maker for review.

Intersegment sales and transfers (if any) are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Year ended 31 December 2021

	Property development *RMB'000*	**Property leasing** *RMB'000*	**Others** *RMB'000*	**Consolidated** *RMB'000*
Segment revenue				
Sales to external customers	**41,589**	**60,244**	**—**	**101,833**
Segment results	**(619,342)**	**(257,875)**	**35,278**	**(841,939)**
Loss before income tax				**(841,939)**
Other segment information				
Additions to property, plant and equipment	**20**	**—**	**—**	**20**
Bank interest income	**34**	**150**	**1**	**185**
Changes in fair value of convertible bonds	**—**	**—**	**8,092**	**8,092**
Changes in fair value of investment properties	**—**	**(2,000)**	**—**	**(2,000)**
Depreciation of property, plant and equipment	**68**	**2**	**22**	**92**
Finance costs	**76,875**	**—**	**6,178**	**83,053**
Impairment of completed properties held for sale	**8,350**	**—**	**—**	**8,350**
Impairment of properties under development	**12,271**	**—**	**—**	**12,271**
Impairment of trade receivables, net	**—**	**510**	**—**	**510**
Impairment of financial assets included in prepayments, other receivables and other assets, net	**1,998**	**—**	**—**	**1,998**
Interest penalties	**312,052**	**—**	**80,789**	**392,841**
Net gain on settlement of overdue interest-bearing borrowings	**276,279**	**—**	**—**	**276,279**
Net loss on de-consolidation of a subsidiary	**466,296**	**270,075**	**(96,315)**	**640,056**

Year ended 31 December 2020

	Property development *RMB'000*	Property leasing *RMB'000*	Others *RMB'000*	Consolidated *RMB'000*
Segment revenue				
Sales to external customers	69,769	58,768	—	128,537
Segment results	(892,232)	(20,903)	(143,285)	(1,056,420)
Loss before income tax				(1,056,420)
Other segment information				
Additions to property, plant and equipment	29	—	—	29
Bank interest income	16	116	4	136
Changes in fair value of convertible bonds	—	—	20,363	20,363
Changes in fair value of investment properties	—	(22,900)	—	(22,900)
Depreciation of property, plant and equipment	444	2	60	506
Depreciation of right-of-use assets	—	197	295	492
Finance costs (excluding interest on lease liabilities)	953	—	—	953
Loss on termination of lease	—	—	45	45
Impairment of completed properties held for sale	132,303	—	—	132,303
Impairment of properties under development	319,926	—	—	319,926
Impairment of trade receivables, net	—	324	—	324
Impairment of financial assets included in prepayments, other receivables and other assets, net	73,820	642	76,513	150,975
Provision for litigations and claims	40,000	—	—	40,000
Loss on settlement of dispute	66,160	—	—	66,160
Interest penalties	227,185	28,993	48,372	304,550

Geographical information

Since the Group solely operates business in the PRC and almost all of the Group's non-current assets are located in the PRC, geographical segment information in accordance with IFRS 8 Operating Segments is not presented.

Information about major customers

None of the customers individually contributed 10% or more of the Group's revenue for the years ended 31 December 2021 and 2020.

4. REVENUE

	2021	2020
	RMB'000	*RMB'000*
Revenue from contracts with customers within IFRS 15		
Sales of properties	**41,589**	69,769
Revenue from other sources		
Gross rental income from investment property operating leases		
— other lease payments, including fixed payments	**60,244**	58,768
	101,833	128,537

(a) Disaggregated revenue information

In addition to the information shown in segment disclosures, the revenue from contracts with customers within IFRS 15 is disaggregated as follows:

	2021	2020
	RMB'000	*RMB'000*
Geographical region:		
— The PRC	**41,589**	69,769
Timing of revenue recognition:		
— at a point in time	**41,589**	69,769
Type of transaction price:		
— fixed price	**41,589**	69,769

The amount of revenue recognised for the year ended 31 December 2021 that was included in the contract liabilities at the beginning of the year is approximately RMB41,589,000 (2020: RMB32,990,000).

(b) Performance obligations

Information about the Group's performance obligations in respect of sales of properties is summarised below:

The performance obligation is satisfied when customers obtain the physical possession or the legal title of the completed properties and the Group has right to payment and the collection of the consideration is probable.

5. OTHER INCOME AND GAINS

	2021	2020
	RMB'000	*RMB'000*
Other income		
Bank interest income	**185**	136
Government grants	**21**	445
Others	**849**	305
	1,055	886
Gains		
Net gain on settlement of overdue interest-bearing borrowings *(Note)*	**276,279**	—
Exchange gain, net	**2,541**	2,513
Other gain, net	**19**	36
	278,839	2,549
	279,894	3,435

Note:

During the year ended 31 December 2021, the Group and its borrowers entered into settlement agreements in relation to certain overdue interest-bearing borrowings which resulted in net increase in principal of approximately RMB9,341,000 and net decrease of interest and penalty payments of approximately RMB285,620,000.

6. LOSS BEFORE INCOME TAX

This is stated after charging (crediting):

	2021	2020
	RMB'000	*RMB'000*
Finance costs		
Interest on interest-bearing bank and other borrowings	**94,085**	191,438
Interest on lease liabilities	**—**	20
Interest expense arising from revenue contracts	**1,176**	882
Total interest expenses	**95,261**	192,340
Less: Interest capitalised	**(12,208)**	(191,367)
Total finance costs	**83,053**	973

This is stated after charging (crediting):

	2021	2020
	RMB'000	*RMB'000*
Staff costs (excluding directors' emoluments)		
Salaries, allowances and benefits-in-kind	**18,160**	16,645
Contribution to defined contribution plans	**2,540**	2,042
	20,700	18,687
Other items		
Auditor's remuneration		
— Audit services	**1,576**	1,516
— Non-audit services	**207**	—
Cost of properties sold	**13,460**	53,454
Cost of leasing properties	**10,754**	13,523
Depreciation of property, plant and equipment	**92**	506
Depreciation of right-of-use assets	**—**	492
Gain on disposal of property, plant and equipment, net	**(19)**	(36)
Impairment of financial assets, net (included in "other expenses")		
— Impairment of trade receivables, net	**510**	324
— Impairment of financial assets included in prepayments, other receivables and other assets, net	**1,998**	150,975
	2,508	151,299
Impairment of properties under development (included in "other expenses")	**12,271**	319,926
Impairment of completed properties held for sale (included in "other expenses")	**8,350**	132,303
Interest penalties (included in "other expenses")	**392,841**	304,550
Lease payments not included in the measurement of lease liabilities	**423**	857
Loss on settlement of dispute (included in "other expenses")	**—**	66,160
Provision for litigations and claims (included in "other expenses")	**—**	40,000

7. INCOME TAX

	2021	2020
	RMB'000	*RMB'000*
Current tax		
PRC Enterprise Income Tax — current year	**—**	—
Land appreciation tax ("LAT")	**3,463**	4,657
	3,463	4,657
Deferred tax		
Origination and reversal of temporary differences	**(14,296)**	54,827
Total income tax (credit) expenses for the year	**(10,833)**	59,484

The Group is subject to income tax on an entity based on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operated. Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "BVI"), the Group's entities incorporated in the Cayman Islands and the BVI are not subject to any income tax.

The Group's subsidiaries incorporated in Hong Kong are not liable for income tax as they did not have any assessable income arising in Hong Kong during the year ended 31 December 2021 and 2020.

The Group's entities established in the PRC are subject to PRC Enterprise Income Tax at a statutory rate of 25% the years ended 31 December 2021 and 2020.

Taxes on profits assessable elsewhere have been calculated at the tax rates prevailing in the jurisdictions in which the Group operates.

According to the requirements of the Provisional Regulations of the PRC on LAT effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective from 27 January 1995, all income from the sale or transfer of state-owned leasehold interest on land, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for property sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

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

8. DIVIDENDS

The directors of the Company do not recommend the payment of a dividend for the years ended 31 December 2021 and 2020.

9. LOSS PER SHARE

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

	2021	2020
	RMB'000	*RMB'000*
Loss:		
Loss attributable to owners of the Company, used in basic and diluted loss per share calculation	**(863,935)**	(1,000,756)

	2021	2020
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic and dilutive loss per share	**1,878,622,000**	1,878,622,000

Diluted loss per share is same as basic loss per share as there were no potential ordinary shares outstanding during the year ended 31 December 2021.

The computation of diluted loss per share does not assume the exercise of the outstanding share options since the assumed exercise would result in decrease in loss per share for the year ended 31 December 2020.

10. INVESTMENT PROPERTIES

	RMB'000
Fair value	
At 1 January 2020	3,318,900
Changes in fair value	(22,900)
At 31 December 2020 and 1 January 2021	3,296,000
De-consolidation of a subsidiary *(Note 18)*	(306,000)
Changes in fair value	(2,000)
At 31 December 2021	**2,988,000**

The Group's investment properties consist of commercial properties completed in the PRC. The Group's investment properties were revalued on 31 December 2021 based on valuations performed by independent professionally qualified valuers at approximately RMB2,988,000,000 (2020: RMB3,296,000,000). For each financial reporting period, the Group's senior management may decide, to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's senior management have discussions with the valuer on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

At 31 December 2021, the Group's investment properties with aggregate values of approximately RMB2,988,000,000 (2020: RMB3,296,000,000) were pledged to secure interest-bearing bank and other borrowings granted to the Group (Note 16).

Fair value hierarchy

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

	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement for commercial properties:				
At 31 December 2021	**—**	**—**	**2,988,000**	**2,988,000**
At 31 December 2020	—	—	3,296,000	3,296,000

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

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

Valuation techniques	Significant unobservable inputs	Range (weighted average) 2021	2020
Discounted cash flow method	Market daily rental rate (RMB per square meter)	**1.60–3.30**	1.50–3.20
	Term yield (%)	**4.75–5.50**	4.75–5.50
	Reversionary yield (%)	**5.25–6.00**	5.25–6.00

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related reletting, redevelopment or refurbishment. The appropriate duration is driven by market behaviour that is a characteristic of the class of property. The periodic cash flow is estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance costs, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

A significant increase (decrease) in the estimated rental value and the market rent growth rate per annum in isolation would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the discount rate in isolation would result in a significant decrease (increase) in the fair value of the investment properties. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and the discount rate.

11. PROPERTIES UNDER DEVELOPMENT

	2021	2020
	RMB'000	*RMB'000*
At the beginning of the reporting period	**1,390,487**	1,341,803
Additions	**132,443**	368,610
De-consolidation of a subsidiary *(Note 18)*	**(659,674)**	—
Impairment	**(12,271)**	(319,926)
At the end of the reporting period	**850,985**	1,390,487

At 31 December, 2021, no properties under development have been pledged to secure interest-bearing bank and other borrowings granted to the Group. At 31 December 2020, certain of the Group's properties under development with an aggregate carrying amount of approximately RMB650,503,000 have been pledged to secure interest-bearing bank and other borrowings granted to the Group *(Note 16)*.

The movements in impairment of properties under development are as follows:

	2021	2020
	RMB'000	*RMB'000*
At the beginning of the reporting period	**319,926**	—
Additions	**12,271**	319,926
De-consolidation of a subsidiary	**(66,223)**	—
At the end of the reporting period	**265,974**	319,926

Included in the above impairment of properties under development at 31 December 2021 is a provision for the impaired properties under development of approximately RMB265,974,000 (2020: RMB319,926,000) with a carrying amount before provision of approximately RMB1,116,959,000 (2020: RMB1,710,413,000).

At the end of the reporting period, approximately RMB435,922,000 (2020: RMB1,345,258,000) of the properties under development is expected to be completed after more than one year.

12. COMPLETED PROPERTIES HELD FOR SALE

	2021	2020
	RMB'000	*RMB'000*
At the beginning of the reporting period	**1,429,376**	1,574,542
Additions	**4,636**	40,591
Transferred to cost of properties sold	**(13,460)**	(53,454)
De-consolidation of a subsidiary *(Note 18)*	**(271,474)**	—
Impairment	**(8,350)**	(132,303)
At the end of the reporting period	**1,140,728**	1,429,376

At 31 December 2021, certain of the Group's completed properties held for sale with an aggregate carrying amount of approximately RMB609,749,000 (2020: RMB982,181,000) have been pledged to secure interest-bearing bank and other borrowings granted to the Group (Note 16).

The movements in impairment of completed properties held for sale are as follows:

	2021	2020
	RMB'000	*RMB'000*
At the beginning of the reporting period	**173,522**	41,547
Additions	**8,350**	132,303
Impairment loss realised to cost of properties sold	**—**	(328)
De-consolidation of a subsidiary	**(18,310)**	—
At the end of the reporting period	**163,562**	173,522

Included in the above impairment of completed properties held for sale at 31 December 2021 is a provision for the impaired completed properties held for sale of approximately RMB163,562,000 (2020: RMB173,522,000) with a carrying amount before provision of approximately RMB813,461,000 (2020: RMB1,232,119,000).

13. TRADE RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Trade receivables	**57,790**	48,405
Less: Allowance for impairment	**(24,275)**	(23,864)
	33,515	24,541

Trade receivables represent rentals receivable from tenants which are normally payable on demand and sales income receivables from customers which are payable in accordance with the terms of the related sales and purchase agreements. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

Trade receivables are unsecured and non-interest-bearing.

An ageing analysis of the trade receivables at the end of the reporting period, based on the invoice date, and net of loss allowance, is as follows:

	2021	2020
	RMB'000	*RMB'000*
Within 1 year	**33,515**	24,541

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

	2021	2020
	RMB'000	*RMB'000*
At the beginning of the reporting period	**23,864**	23,540
De-consolidation of a subsidiary	**(99)**	—
Increase in allowance, net	**510**	324
At the end of the reporting period	**24,275**	23,864

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

At 31 December 2021	**Expected credit loss rate** *%*	**Gross carrying amount** ***RMB'000***	**Expected credit losses** ***RMB'000***
Past due			
Within 1 year	**26.82**	**45,800**	**12,285**
More than 1 year	**100.00**	**11,990**	**11,990**
	42.00	**57,790**	**24,275**

At 31 December 2020	Expected credit loss rate *%*	Gross carrying amount *RMB'000*	Expected credit losses *RMB'000*
Past due			
Within 1 year	32.42	36,316	11,775
More than 1 year	100.00	12,089	12,089
	49.30	48,405	23,864

14. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2021	2020
	RMB'000	*RMB'000*
Prepayments	**5,408**	4,208
Other tax recoverable	**3,209**	15,125
Deposits and other receivables	**215,235**	324,957
	223,852	344,290
Less: Allowance for impairment	**(110,784)**	(160,493)
	113,068	183,797

Deposits and other receivables mainly represent deposits with suppliers. In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The average loss rate applied for where there were no comparable companies at 31 December 2021 was 51.5% (2020: 50.5%).

The movements in allowance for impairment are as follows:

	2021	2020
	RMB'000	*RMB'000*
At the beginning of the reporting period	**160,493**	9,522
Impairment loss recognised	**—**	171,781
Increase in impairment	**1,998**	—
Written off of impairment loss	**—**	(20,810)
De-consolidation of a subsidiary	**(51,707)**	—
At the end of the reporting period	**110,784**	160,493

The significant decrease in allowance for impairment for the year ended 31 December 2021 is due to decrease in balance of the financial assets (before net of loss allowance for impairment) as a result of de-consolidation of a subsidiary.

The significant increase in allowance for impairment for the year ended 31 December 2020 is due to the prolonged weak investment sentiments in the commercial property market in the PRC and the Group's delay in project development caused by COVID-19, which adversely affect relationship with the Group's business partner and suppliers.

15. TRADE PAYABLES

An aging analysis of the outstanding trade payables the end of the reporting period, based on the invoice date, is as follows:

	2021	2020
	RMB'000	*RMB'000*
Less than one year	**239**	33,155
Over one year	**321,974**	341,458
	322,213	374,613

The trade payables are unsecured and non-interest-bearing.

16. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2021			2020		
	Effective interest rate	**Maturity**		Effective interest rate	Maturity	
	%		***RMB'000***	*%*		*RMB'000*
Current						
Current portion of interest-bearing borrowings, secured	**6.80–11.50**	**On demand or within one year**	**1,561,250**	6.80–11.67	On demand or within one year	1,873,909

	2021	2020
	RMB'000	*RMB'000*
Analysed into:		
Interest-bearing borrowings repayable within one year	**1,561,250**	1,873,909

At 31 December 2021, the Group's borrowings amounting approximately RMB1,561,250,000 (2020: RMB910,817,000) were overdue pursuant to the relevant agreements which constituted events of defaults. At 31 December 2020, such defaults resulted in cross-default of certain borrowings other than those mentioned above, amounting to a principal amount of approximately RMB311,879,000.

In connection with the default and cross-default (if applicable), the Group was subject to penalties of approximately RMB535,499,000 (2020: RMB407,106,000) which were included in the other payables and accruals at 31 December 2021.

During the year ended 31 December 2021, the creditors' right of certain interest-bearing borrowings of the Group amounting approximately RMB454,893,000 and RMB500,000,000 (2020: RMB1,117,190,000) as stipulated in the relevant loan agreements have ultimately assigned by the relevant banks in the PRC to another bank and an asset management company (2020: an asset management company) in the PRC, respectively.

The Group's borrowings are secured by the pledges of the following assets 31 December 2021 and 2020 as follows:

(i) At 31 December 2021, the Group's borrowings of approximately RMB493,000,000 (2020: RMB500,000,000) were secured by the 100% equity interest in 台州溫商時代置業有限公司 (Taizhou Wenshang Times Property Limited*) ("Wenshang Times"), a subsidiary of the Company.

At 31 December 2021, the Group's borrowings of approximately RMB1,368,000,000 (2020: RMB1,677,589,000) were secured by the Group's investment properties with aggregate carrying values of approximately RMB2,988,000,000 (2020: RMB3,296,000,000).

A residential land under properties under development held by 山東興盟置業有限公司 (Shandong Xingmeng Property Limited) ("Shangdong Xingmeng") was pledged for the Group's borrowing of RMB500,000,000 as an additional collateral during the year ended 31 December 2021.

(ii) At 31 December 2021, the Group's borrowings of approximately RMB193,250,000 (2020: RMB196,320,000) were secured by completed properties held for sale Hangzhou Xinming, a subsidiary of the Company with carrying amount of approximately RMB229,000,000 (2020: RMB233,000,000).

(iii) At 31 December 2021, the Group's borrowings of approximately RMB493,000,000 (2020: RMB500,000,000) were jointly guaranteed by (i) the Controlling Shareholder, Mr. Chen Chengshou, (ii) the non-executive director, Ms. Gao Qiaoqin, (iii) a subsidiary of the Company and (iv) Xinming Group Limited, a related party of the Group.

At 31 December 2021, the Group's borrowings of approximately RMB913,000,000 (2020: RMB910,817,000) were jointly guaranteed by (i) the Controlling Shareholder, Mr. Chen Chengshou, (ii) the non-executive director, Ms. Gao Qiaoqin, and (iii) a subsidiary of the Company.

At 31 December 2021, the Group's borrowings of approximately RMB455,000,000 (2020: RMB454,893,000) were jointly guaranteed by (i) the Controlling Shareholder, Mr. Chen Chengshou, (ii) the non-executive director, Ms. Gao Qiaoqin, (iii) Xinming Group Limited, a related party of the Group, and (iv) Miss Chen Xi and Mr. Chen Junshi, the daughter and the son of the Controlling Shareholder, Mr. Chen Chengshou and (v) a subsidiary of the Company.

17. CONVERTIBLE BONDS

On 1 June 2018, the Company issued convertible bonds in the aggregate principal amount of HK$300,000,000 (equivalent to approximately RMB252,604,000) (the "Convertible Bonds") at the price of 100% of their principal amount. The Convertible Bonds were redeemable at the option of the bondholders at a price of HK$1.39 per bond on 1 June 2020. The convertible bonds bore interest at the rate of 6.5% plus 1% handling fee per annum (the "Coupon Rate") and were payable in arrears every six months.

The convertible bonds were jointly guaranteed by the Controlling Shareholder, Mr. Chen Chengshou, and the non-executive director, Ms. Gao Qiaoqin, pursuant to a deed of guarantee, and secured by Xinxing Company Limited by 940,000,000 shares of the Company held by Xinxing Company Limited, a company controlled by Mr. Chen Chengshou.

The Convertible Bonds were matured on 31 May 2020 and the outstanding principal amount was not yet settled up to 31 December 2021.

The Convertible Bonds were recognised as financial liabilities designated upon initial recognition as at fair value through profit or loss.

	Convertible bonds *RMB'000*
At 1 January 2020	272,967
Change in fair value	(20,363)
At 31 December 2020	252,604
Change in fair value	(8,092)
At 31 December 2021	**244,512**

At 31 December 2021 and 2020, the Group's Convertible Bonds were valued by management of the Group by using discounted cash flow method with the following key assumptions:

Discount rate	Coupon Rate

The fair value of the Convertible Bonds was categorised into level 3 fair value hierarchy as defined in IFRS 13, Fair Value Measurement. The significant unobservable input into this valuation approach is the discount rate. An increase in the discount rate used in isolation would result in a decrease in the fair value measurement of the Convertible Bonds.

18. LOSS ON LIQUIDATION OF A SUBSIDIARY

On 27 December 2021, the Chongqing No.5 Intermediate People's Court made a judgement pursuant to a liquidation petition dated 20 October 2021 (the "Judgement") filed by a creditor of 重慶新明置業股份有限公司 (Chongqing Xinming Property Company Limited) ("Chongqing Xinming") against Chongqing Xinming, an indirect non-wholly owned subsidiary of the Company for the appointment of a liquidator. As a result of the Judgement, Chongqing Xinming ceased to be controlled by the Company with effect from 27 December 2021. Accordingly, a net loss on de-consolidation of a subsidiary of approximately RMB640,056,000 was charged to profit or loss during the year ended 31 December 2021.

Details of net loss on de-consolidation of a subsidiary are summarised as follows:

	RMB'000
Property, plant and equipment	171
Investment properties	306,000
Properties under development	659,674
Completed properties held for sale	271,474
Trade receivables	312
Prepayments, other receivables and other assets	80,790
Cash and cash equivalents	413
Trade payables	(53,603)
Other payables and accruals	(626,006)
Interest-bearing bank and other borrowings	(315,000)
Tax payable	(25,999)
Contract liabilities	(23,820)
Deferred tax liabilities	(69,910)
Net assets at date of de-consolidation	204,496
Non-controlling interests	(10,225)
	194,271
Amount due from Chongqing Xinming	536,239
Amount due to Chongqing Xinming	(90,454)
Net loss on de-consolidation of Chongqing Xinming	**640,056**
Net cash outflow arising from de-consolidation of Chongqing Xinming	**(413)**

EXTRACT FROM DRAFT INDEPENDENT AUDITOR'S REPORT

The following is an extract of the draft independent auditor's report on the Company's draft consolidated financial statements 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 significance of the matter described in the "Basis for Disclaimer of Opinion" section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the 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 material uncertainties relating to going concern

As set out in note 2 to the consolidated financial statements, the Group incurred a net loss of approximately RMB831,106,000 for the year ended 31 December 2021. At 31 December 2021, the Group's current liabilities exceeded its current assets by approximately RMB2,563,644,000. In addition, at 31 December 2021, the Group's borrowings of approximately RMB1,561,250,000 and the convertible bonds issued by the Group amounting approximately RMB244,512,000 were overdue pursuant to the borrowing agreements which constituted events of defaults. These conditions, together with other matters disclosed in note 2 to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

The directors of the Company have been undertaking measures to improve the Group's liquidity and financial position, which are set out in note 2 to the consolidated financial statements. The validity of the going concern assumption on which the consolidated financial statements have been prepared depends on the outcome of these measures, which are subject to multiple material uncertainties, including (i) successfully negotiating with the Group's existing lenders such that no action will be taken by the relevant lenders to demand immediate repayment of the borrowings with interest payments in default; (ii) successfully negotiating with various financial institutions on the renewal of or extension for repayment of outstanding borrowings, including those with overdue principals and interests; (iii) successfully negotiating with various financial institutions and potential lenders/investors to identify various options for additionally financing the Group's working capital and commitments in the foreseeable future; (iv) successfully accelerating the pre-sale and sale of properties under development and completed properties and speeding up the collection of outstanding sales proceeds, and controlling costs and capital expenditure so as to generate adequate net cash inflows; and (v) successfully procuring and negotiating the preliminary terms with large property development enterprises for the sale of individual property development project at a price deemed appropriate.

Accordingly, we were unable to obtain sufficient appropriate audit evidence about the appropriateness of the use of going concern basis of accounting in the preparation of the consolidated financial statements. Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the carrying values 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.

Details of the Audit Modification and the Management's Position, View and Assessment on the Relevant Audit Modification

In view of the detailed conditions set out in the note 2 to the consolidated financial statement for the year ended 31 December 2021 in this announcement, the auditor is of the view that, there's significant uncertainties that may cast significant doubt regarding the Group's ability to continue as a going concern. The Group's ability to continue as a going concern is subject to the Group's ability to generate sufficient financial and operating cash flows. As at 31 December 2021, the Group's certain borrowing amounted to approximately RMB1,561,250,000 and convertible bonds amounted to approximately RMB244,512,000 were overdue in accordance with repayment schedules pursuant to the borrowing agreements. In view of these circumstances, in assessing whether the Group will have sufficient financial resources to continue as a going concern, the management of the Group ("the Management") has taken into full consideration of the future liquidity and performance of the Group and its available sources of finance. To mitigate the liquidity pressure and improve the cash flow position of the Group, the management has adopted and will continue to implement various measures mentioned in this announcement. Therefore, the Directors are of the opinion that it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2021 on a going concern basis.

The Action Plan in Response to the Audit Modification of the Group and the Impact of the Audit Modification on the Financial Position of the Company

In response to the uncertainties that may cast doubt regarding the Group's ability to continue as a going concern and for the purpose of the removal of the Audit Modification, the Company has adopted and intends to continue the implementation of the following measures, including but not limited to:

(i) continuously negotiating with various financial institutions on the renewal of or extension for repayment of outstanding borrowings, including those with overdue principals and interests;

The management has been continuously negotiating with the Group's existing lenders on the renewal of or extension for repayment of outstanding borrowings such that no action will be taken by the relevant lenders to demand immediate repayment of the borrowings with interest payments in default, including those with cross-default terms and hope to extend the due date and the repayment schedules of the outstanding borrowing. As of 31 December 2021, the outstanding amount of the total principal is RMB1,561.3 million, and the overdue the outstanding amount of the total interests approximately RMB243 million. According to the recent negotiation with various financial institutions, the management is informed that there's no additional interest penalty.

(ii) continuously negotiating with various financial institutions and potential lenders/ investors to identify various opportunities for additionally financing the Group's working capital and commitments in the foreseeable future;

As of the date of this announcement, the Company negotiated with current and other banks and financial institutions using the lands held by the Group as guarantees on the additional financing.

(iii) accelerating the pre-sale and sale of properties under development and completed properties, such as Shandong Project and controlling costs and containing capital expenditure so as to generate adequate net cash inflows for the Group

The pre-sale of the phase 1 and phase 2 of Shandong Project were commenced separately in January 2021 and May 2021, the pre-sale of the phase 3 of the Shandong project has been commenced in January 2022. Majority of the net proceeds from Shandong project has been and will be used for the repayment of the outstanding borrowing.

(iv) *actively procuring and formulating the preliminary terms with large property developer to sale individual property development project or whole commercial property at an appropriate price*

The Company has been negotiating with certain potential purchaser regarding the sale of the whole Shanghai property development project. The management estimated that most of the net proceeds from the Shanghai Project will be used for the repayment of the outstanding borrowing. The sale of the Shanghai Project might constitute a transaction of the Company subject to announcement pursuant to Chapter 14 of the Listing Rules and subject to the relevant requirements under the Listing Rules.

(v) *actively accelerate the de-stocking of its properties*

The Company sells the residential property in Shandong and the whole or portion of commercial properties in Taizhou, Hangzhou and Shanghai as a package, with a view to accelerating the recovery of working capital to improve its liability and financial gearing conditions.

Removal of the Audit Modification

Under the influence of the negative property market debt crisis in 2021, the nationwide sale of the residential and commercial properties has been severely and adversely affected. Therefore, the Group failed to implement its previous plans effectively, including accelerating the sale of its properties under development or completed properties as expected or the sale of the Chongqing Project to repay the borrowings during the year ended 31 December 2021. However, in view of the controlled pandemic and the improved investment sentiment, domestic economy is expected to recover in 2022 and the property market will see the sign of recovery accordingly. In the best case scenario, assuming (i) the Company could successfully sell the whole or portion of commercial properties in Taizhou, Hangzhou and Shanghai as a package; (ii) the Company is able to successfully extend the repayment schedules of existing borrowings; and (iii) financial institutions are willing to waive penalty after repayment of overdue principal and/or interest, it will be able to fully repay all overdue interests and principal.

Even if the Company could not sell the whole or portion of commercial properties in Taizhou, Hangzhou and Shanghai as a package, assuming (i) the Company is able to sell its residential properties in Shandong and commercial properties in Taizhou, Hangzhou and Shanghai to individual customers; (ii) the Company is able to sell whole of commercial properties in Shanghai as a package; (iii) the Company is able to successfully extend the repayment schedules of existing borrowings; and (iv) financial institutions are willing to waive penalty after repayment of overdue principal and/or interest, it will still be able to fully repay the overdue interest of and part of the overdue principal of the borrowings.

Based on the discussions with financial institutions, the Management is confident that after repayment or waive of overdue interests, the financial institutions will be willing to extend the current repayment schedule of outstanding borrowings. Therefore, the Directors are of the view that the action plan of the Group is reasonable and adequate to resolve the Audit Modification. Having taken into consideration of the progress update of the aforesaid action plan and relevant measures of the Company, the Directors believe that the auditor's report for the following year will remove the Audit Modification.

Audit Committee's View on the Audit Modification

The Audit Committee has been closely communicating with the Management and the Auditor on the Audit Modification. The Management has reported regularly to the Audit Committee on the measures taken to improve the conditions of the Group's cash flow and their progress during the year. The Board and the Audit Committee have taken into account of the following actions taken by the Management prior to publication of the unaudited consolidated financial statements of the Company for the year ended 31 December 2021, including (i) renewal or extension of outstanding borrowings; (ii) additional financing; (iii) accelerating the pre-sale and sale of properties under development and completed properties; (iv) selling properties as a whole; and (v) developing properties through joint efforts. The management also provides explanation to the audit committee, Part of the reasons that the Company failed to remove the Audit Modification for the year ended 31 December 2021 as planned are as follows: (i) due to the "three red lines" policies in 2021, various local governments continues implementing the housing control and tightening of credit facilities, affecting the sold total GFA and the sale of residential properties in China and the bank loan policy, resulting in the loan extension. The growth of the sold total GFA and the sale of commercial properties maintained in 2021 but is less than expected. and (ii) therefore, the Group failed to accelerate the pre-sale and sale of the properties under development and completed properties.

According to the aforesaid factors and having taken into consideration of the overdue interest of the outstanding loans and the amount of the principal. The Board and the Audit Committee understood that the action plan was still ongoing as at the date of approval of the financial statements and the Company will need time for completing the action plan, in particular the disposal of investment properties which will lead to the Group receiving substantial amount of proceeds and will mitigate the Group's liquidity pressure and address the Audit Modification.

Based on the above, the Audit Committee believes the Management has used its best endeavors to act in accordance with its previous plan in order to address the Audit Modifications and the Audit Committee continues to support the Management's point of view and have been meeting regularly with the Management for monitoring the progress of its actions taken to address the Audit Modifications.

Given (i) the total equity of the Group was approximately RMB22.7 million as at 31 December 2021 and the value of the investment properties owned by the Group amounted to approximately RMB2,988.0 million as at 31 December 2021; and (ii) residential property market has rebounded in 2022 and the pre-sale and sale of residential properties of the Shandong Project is ongoing, the Audit Committee agreed with the Management that despite the previous plan failed to adequately address the Audit Modification, the Company's revised action plan is reasonable and adequate to resolve the Audit Modification.

The Audit Committee is also of the view that the Management should continue to act in the best interests of the Shareholders in implementing the actions and measures set out in the action plan with the intention of mitigating the Group's liquidity pressure and removing the Audit Modification.

The Company will publish further announcement disclosing any developments and updates on (a) the Company's negotiations with banks and financial institutions; (b) the progress of the pre-sale and sale of properties under development and completed properties; and (c) the disposal of the residential properties in Shandong and whole or portion of commercial properties in Taizhou, Hangzhou and Shanghai as a package.

MANAGEMENT DISCUSSION AND ANALYSIS

(including financial review)

INDUSTRY REVIEW AND OPERATION MANAGEMENT

Looking back on the PRC real estate market in 2021, according to the data published by the National Bureau of Statistics, the sales area of commodity properties was 1,794.33 million sq.m., representing an increase of 1.9% as compared to the same period last year, and the sales of commodity properties was approximately RMB18,193 billion, up by 4.8%. Against the backdrop of continuously strengthened housing regulation by the Central Government, the bank loan policies have resulted in loan extension and re-tightening of financing channels.

During the Year under Review, the Group determined to improve the going concern issue of the Company with practical actions by attempting various methods and actively and closely following the strategic main line of assets revitalization and liabilities reduction. The Company focused on the residential property development of Shandong Project, and completed the second and third phases of presale, with the amount of presale for the year reaching approximately RMB244.7 million. Meanwhile, the Company will continue to actively negotiate with various financial institutions to extend the repayment date or refinance its outstanding borrowings, and will proactively seek various feasible options in assets revitalization in the future, including but not limited to change of property use and sale of property in its overall strategy.

BUSINESS REVIEW

During the Year under Review, the Group recorded property sales of approximately RMB41.6 million, representing a decrease of approximately RMB28.2 million or approximately 40.4% as compared to approximately RMB69.8 million in 2020. Total GFA delivered during the Year under Review was approximately 1,823 sq.m., which approximated to the level recorded in 2020. Property sales remained the major revenue source of the Group, but the amount of sales declined during the Year under Review as affected by weak investment sentiments and suspension on merchandising due to the COVID-19 pandemic, representing approximately 40.8% of the Group's total revenue. The decrease in the overall property sales during the Year under Review was mainly due to the prolonged weak investment sentiments in the commercial property market impacted by the COVID-19 pandemic. At the same time, local governments continued to implement housing regulation as a result of the promulgation of the policies on the three limits, various real estate enterprises were eager to cash in through price reduction and sales promotion which intensified the competition. In this regard, the Group has actively made business adjustments and explored the use of each project, including but not limited to change of property use and adoption of strategy of sale of property in its entirety to speed up the cash-out. Such measures, however, have not yet contributed to the Group's revenue for the Year under Review.

Loss attributable to the shareholders of the Company amounted to approximately RMB863.9 million, representing a decrease of loss of approximately RMB136.9 million from the loss attributable to the shareholders of approximately RMB1,000.8 million in 2020, mainly due to a decrease in other expenses. Loss per share was approximately RMB0.460 (2020: loss per share amounted to approximately RMB0.533).

During the Year under Review, the Board did not recommend payment of a final dividend for the year ended 31 December 2021.

As at 31 December 2021, total assets of the Group amounted to approximately RMB5,223.6 million (31 December 2020: approximately RMB6,422.2 million); total liabilities were approximately RMB5,201.0 million (31 December 2020: approximately RMB5,558.2 million); total equity was approximately RMB22.7 million (31 December 2020: approximately RMB864.1 million); and net assets per share were approximately RMB0.01 (31 December 2020: approximately RMB0.46).

PROPERTY DEVELOPMENT

As at 31 December 2021, the Group's property portfolio consisted of 15 property development projects with an aggregate GFA of approximately 539,623 sq.m. developed and under various stages of development in various cities in the PRC.

PROPERTY SALES

During the Year under Review, the Group recorded property sales of approximately RMB41.6 million, representing a decrease of approximately RMB28.2 million or approximately 40.4% as compared to approximately RMB69.8 million in 2020. Total GFA of property sales delivered during the Year under Review was approximately 1,823 sq.m. which was similar to that of 2020. Property sales remained the major revenue source of the Group, representing approximately 40.8% of the Group's total revenue but the amount of sales declined throughout the year as affected by weak investment sentiment and suspension on sales of properties due to the COVID-19 pandemic. Overall property sales decreased during the Year under Review was mainly due to the prolonged weak investment sentiments in the commercial property market caused by the COVID-19 pandemic and continuously strengthened housing regulation by the local governments, as well as the intensified business competition as a result of various real estate enterprises' adopting price-cut promotions as a result of the promulgation of the policies on the three limits. In this regard, the Group has actively made business adjustments and explored the use of each project, including but not limited to change of use and sale of property. Such measures, however, have not yet contributed to the Group's revenue for the Year under Review.

The following table summarizes the property projects of the Group sold during the Year under Review:

Project	**Location**	**GFA sold** *(sq.m.)*	**Income** *(RMB in million)*	**Average selling price** *(RMB/ sq.m.)*
Taizhou Xinming Peninsular				
Phase 1	Taizhou	—	—	—
Phase 2 — Stage 1		—	—	—
Phase 2 — Stage 2	Taizhou	—	—	—
Xinming Lijiang Garden	Taizhou	—	—	—
Wenshang Times • Xinming Household Decorations and Fittings City	Taizhou	—	—	—
Shanghai Xinming Children's World	Shanghai	1,429	40.5	28,342
Hangzhou Xinming • Children's World	Hangzhou	70	0.5	7,143
Chongqing Xinming • China South-western City Phase 1	Chongqing	—	—	—
Xingmeng International Commercial City	Tengzhou	324	0.6	1,852
Total		1,823	41.6	22,820

PROPERTY LEASING

The Group carries out property leasing business through leasing its commercial properties held for investment and leasing the sold commercial properties leased back from third parties by the Group. As at 31 December 2021, the actual area leased out was approximately 136,273.82 sq.m., representing approximately 90.2% (exclude Chongqing investment properties) of the Group's total investment properties held-for-lease and the sold commercial properties leased back from third parties purchasers.

During the Year under Review, the rental income was approximately RMB60.2 million, representing an increase of approximately RMB1.4 million or 2.4% as compared to approximately RMB58.8 million in 2020.

The following table summarizes the commercial properties held by the Group for investment during the Year under Review:

	As at 31 December 2021				
	Total GFA	**Leasable area**	**Leased area**	**Average occupancy rate**	**Rental income for the year ended 31 December 2021**
	(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(%)*	*RMB (million)*
Commercial investment properties for rental purpose					
(1) No. 1990, East Ring Boulevard, Jiaojiang District, Taizhou City	67,239.46	64,450.00	56,716.00	88.0%	27.3
(2) No. 8, North Section, Taizhou Boulevard, Jiaojiang District, Taizhou City	101,163.31	62,163.36	60,920.09	98.0%	9.7
(3) China South-western City, No. 229, Five Star Avenue, Dazu District, Chongqing(Note 1)	N/A	N/A	N/A	N/A	15.5
(4) No. 1990, East Ring Boulevard, Jiaojiang District, Taizhou City	44,414.71	24,536.47	18,637.73	76.0%	7.7

Note: All properties were located in the PRC, and were held under medium term lease.

Note 1: Chongqing project was de-consolidated during the Year under Review.

LAND RESERVES

As at 31 December 2021, the Group's property portfolio consisted of 15 property development projects located in a number of cities throughout China. These projects were at various stages of development, with total GFA amounting to approximately 539,623 sq.m., of which approximately 374,388 sq.m. was completed, approximately 127,228 sq.m. was under development, and approximately 38,007 sq.m. was held for future development.

The following table summarizes the Group's land reserves by geographical location as at 31 December 2021:

Location	Saleable GFA in remaining unsold/GFA held for investment *(sq.m.)*	GFA under development *(sq.m.)*	Planned GFA for future development *(sq.m.)*	Total land reserve *(sq.m.)*	Proportion to the total land reserve *(%)*
Taizhou	193,527	—	—	193,527	35.9
Shanghai	94,785	—	—	94,785	17.6
Tengzhou	53,284	127,228	38,007	218,519	40.5
Hangzhou	32,792	—	—	32,792	6.0
Total	374,388	127,228	38,007	539,623	100.0

PROSPECTS

Looking ahead to 2022, it is expected that with the effective implementation of pandemic prevention and control measures by the PRC government, a series of measures would guard against the epidemic and contain further spread of the virus. As domestic economy continues to stabilize, China is anticipated to rank first in the world in terms of GDP growth rate. While promoting the high-quality development, the PRC has also noted that it is required to maintain stable and healthy development of the real estate market by reinforcing the concept that "housing is for living in and not for speculation". With the deepened adjustment of policies, changes in China's demographic structure, the increase in urbanization rate, and fluctuations in economic growth, China would definitely enter into indepth a modification period with quality improvement and development slow down when the weak property enterprises are phasing out and the strong ones remain in the market. The coming year will still be highly challenging for the Group. The Group will actively accelerate its de-stocking of completed properties while exploring various feasibility in assets revitalization, including but not limited to change of property use and sale of property in its entirety. Furthermore, the Group will negotiate with different financial institutions in respect of its outstanding borrowings, with a view to improving its liability and financial gearing conditions.

FINANCIAL REVIEW

Revenue

The Group's revenue is primarily generated from property sales and property leasing services, which contributed approximately 40.8% and 59.2%, respectively, to the revenue during the Year under Review of approximately RMB101.8 million. Property sales, the major revenue source of the Group, decreased by approximately RMB28.2 million from approximately RMB69.8 million in the same period of last year, mainly due to the prolonged weak investment sentiments in the commercial property market and suspension on sales of property caused by the COVID-19 pandemic and continuously strengthened housing regulation by the local governments. Property leasing recorded an increase of approximately RMB1.4 million as compared to approximately RMB58.8 million in the same period of last year.

Cost of sales

During the Year under Review, the Group's cost of sales was approximately RMB24.2 million, representing a decrease of approximately RMB42.8 million or 63.9% as compared to approximately RMB67.0 million in the same period of last year. Such decrease was primarily attributable to the decrease of the delivered properties sales during the Year under Review.

Gross profit

During the Year under Review, the gross profit amounted to approximately RMB77.6 million, representing an increase of approximately RMB16.0 million or approximately 26.0% as compared to approximately RMB61.6 million last year. The gross profit margin was approximately 76.2%, representing an increase of approximately 28.3% as compared to approximately 47.9% last year, mainly due to the increase in proportion of revenue from property leasing with relatively high gross profit margin as compared to that of last year.

Other income and gains

Other income and gains during the Year under Review amounted to approximately RMB279.9 million, representing a significant increase of approximately RMB276.5 million or approximately 81.3 times as compared to approximately RMB3.4 million in the same period of last year, mainly due to the reversal of the outstanding principal, interests and penalties as a result of the overdue interest-bearing borrowings settlement agreements signed by the Group and the borrowers, details of which set out in note 5 to this announcement.

Distribution and administrative expenses

During the Year under Review, the selling and administrative expenses amounted to approximately RMB61.1 million, representing a decrease of approximately RMB5.6 million or approximately 8.4% as compared to approximately RMB66.7 million in the same period of last year, mainly due to a decrease in administrative expenses by approximately RMB6.7 million as compared to the same period of last year through streamlining the manpower of the Group .

Other expenses

Other expenses during the Year under Review were approximately RMB421.4 million, representing a substantial decrease of approximately RMB629.8 million or approximately 59.9% as compared to approximately RMB1,051.2 million in the same period of last year, mainly due to that (i) the market of properties under development and completed properties held for sale were adversely affected by the COVID-19 pandemic and domestic commercial properties market during the Year under Review and an impairment provisions of approximately RMB20.6 million were made under the impact of the expected decrease of realizable value; (ii) a liquidated damages on borrowings of approximately RMB392.8 million during the period. Breakdown of other expenses are set out below:

	2021	2020
	RMB'000	*RMB'000*
Bank charges	**17**	94
Penalty expenses	**3,983**	16,022
Other finance costs	**—**	1
Provision for impairment of properties under development and completed properties held for sale	**20,621**	452,229
Liquidated damages on borrowings	**392,841**	304,550
Loss on disposal of property, plant and equipment	**—**	61
Impairment losses on financial assets, net	**2,508**	151,295
Provision for commercial contract compensation	**—**	106,160
Others	**1,397**	20,826
Total	**421,367**	1,051,238

Change in fair value of investment properties

During the Year under Review, the loss on change in fair value of investment properties amounted to approximately RMB2.0 million, representing a decrease of approximately RMB20.9 million as compared to that of approximately RMB22.9 million in the same period of last year. The fair value of investment properties continuously decreased as compared to that of last year as affected by COVID-19 pandemic and adverse market factors.

Finance costs

During the Year under Review, the net interest expenses amounted to approximately RMB83.1 million, representing a significant increase of approximately RMB83.0 million, mainly due to the decrease of capitalised interest as compared to approximately RMB0.1 million in the same period of last year.

Operating loss

During the Year under Review, the operating loss amounted to approximately RMB841.9 million, representing a decrease of loss of approximately RMB214.5 million or approximately 20.3% as compared to the operating loss of approximately RMB1,056.4 million in the same period of last year which was mainly due to a significant decrease in other expenses.

Income tax credit/expense

During the Year under Review, the income tax credit amounted to approximately RMB10.8 million, representing a decrease of approximately RMB70.3 million as compared to income tax expenses of approximately RMB59.5 million in the same period of last year, mainly due to change on deferred tax movement.

Loss attributable to the shareholders

During the Year under Review, the loss attributable to the shareholders amounted to approximately RMB863.9 million, representing a decrease of loss of approximately RMB136.9 million as compared to the loss of approximately RMB1,000.8 million in the same period of last year. The basic loss per share was approximately RMB0.460 (2020: loss per share of approximately RMB0.533).

Cash flows

As at 31 December 2021, cash and bank deposits of the Group, including restricted cash, were approximately RMB20.5 million in aggregate (31 December 2020: approximately RMB7.8 million), representing an increase of approximately RMB12.7 million or approximately 162.8%. The increase was due to the increase in the operating cash inflows.

Pursuant to the exclusive management and operation agreement entered into between the Company's certain commercial properties with third party purchasers, the Company is required to pay certain percentages of the selling prices of the properties to the purchasers regardless whether such properties were rented out by the Company or they were generating rental income.

The Company is not obliged to pay any agreed fees for the period from 1 July 2019 to 30 June 2024 under all existing exclusive management and operation agreements.

During the period from 1 January 2021 to 31 December 2021, the Group's maximum net cash outflow was approximately RMB0 million in 2021 (maximum net cash outflow in 2020: approximately RMB0 million). In addition, the Group did not enter into any new exclusive management and operation agreements with any purchasers during the Year under Review.

Borrowings

As at 31 December 2021, the total borrowings of the Group were approximately RMB1,561.3 million, representing a decrease of approximately RMB312.6 million as compared to approximately RMB1,873.9 million as at 31 December 2020.

The borrowings on demand and repayable within one year of the Group were approximately RMB1,561.3 million, representing a decrease of approximately RMB312.6 million as compared to approximately RMB1,873.9 million as at 31 December 2020. There were no borrowings repayable after one year in the Year under Review, which was in line with that of last year.

Trade receivables, prepayments, other receivables and other assets

As at 31 December 2021, the sum of trade receivables, prepayments, other receivables and other assets of the Group was approximately RMB146.6 million, representing a significant decrease of approximately RMB61.7 million as compared to approximately RMB208.3 million as at 31 December 2020, mainly due to the decrease in prepayments and other receivables caused by the exclusion of Chongqing Project Company in the consolidated financial statements due to its bankruptcy proceedings during the period.

Trade payables, contract liabilities and other payables and accruals

As at 31 December 2021, the sum of trade payables, contract liabilities, other payables and accruals of the Group was approximately RMB2,034.8 million, representing an increase of approximately RMB89.7 million as compared to approximately RMB1,945.1 million as at 31 December 2020. The increase was mainly due to the improvement in the Group's own operating condition to increase in contract liabilities of pre-sales values in Tengzhou residential project of approximately RMB220.8 million. In contrast, the decrease in other payables and accruals was caused by the exclusion of Chongqing Project Company in the consolidated financial statements due to its bankruptcy proceedings during the period.

Assets and liabilities

As at 31 December 2021, the total assets of the Group were approximately RMB5,223.6 million, representing a decrease of approximately RMB1,198.6 million as compared to approximately RMB6,422.2 million as at 31 December 2020. The total current assets were approximately RMB2,158.8 million, representing approximately 41.3% (31 December 2020: approximately 47.3%) of the total assets, with a decrease of approximately RMB877.2 million as compared to approximately RMB3,036.0 million as at 31 December 2020. The total non-current assets were approximately RMB3,064.8 million, representing approximately 58.7% (31 December 2020: approximately 52.7%) of the total assets, with a decrease of approximately RMB321.4 million as compared to approximately RMB3,386.2 million as at 31 December 2020.

As at 31 December 2021, the total liabilities of the Group were approximately RMB5,201.0 million, representing a decrease of approximately RMB357.2 million as compared to approximately RMB5,558.2 million as at 31 December 2020, which was mainly due to the improvement in the Group's own operating condition, the increase in pre-sales values in Tengzhou residential project and a relative increase in contract liabilities. The total current liabilities were approximately RMB4,722.5 million, representing approximately 90.8% (31 December 2020: approximately 89.5%) of the total liabilities, with a decrease of approximately RMB254.7 million as compared to approximately RMB4,977.2 million as at 31 December 2020. The total non-current liabilities were approximately RMB478.5 million, representing approximately 9.2% (31 December 2020: approximately 10.5%) of the total liabilities, with a decrease of approximately RMB102.5 million as compared to approximately RMB581.0 million as at 31 December 2020.

As at 31 December 2021, the net current liabilities of the Group were approximately RMB2,563.6 million, representing an increase of approximately RMB622.5 million as compared to the net current liabilities of approximately RMB1,941.1 million as at 31 December 2020.

Current ratio

As at 31 December 2021, the current ratio of the Group, being the ratio of the current assets divided by the current liabilities, was 0.46:1 (31 December 2020: 0.61:1).

Gearing ratio

As at 31 December 2021, the gearing ratio of the Group was calculated based on net debt divided by the sum of total equity and net debt. The Group's net debt consists of interest-bearing bank and other borrowings and convertible bonds, less cash and cash equivalents. Total equity includes equity attributable to owners of the parent and non-controlling interests. The gearing ratio of the Group was 98.7% (31 December 2020: 71.1%).

Convertible bonds

Pursuant to the general mandate, on 1 June 2018, the Group issued convertible bonds in amount of HK$300 million for a term of two years. The bonds bear interest at a rate of 6.5% plus 1% handling fee per annum, and the interest is payable in arrears every half year. The bonds can be converted into shares at the conversion price of HK$1.39 per conversion share at any time prior to and after the issue date and up to the close of business on the business day immediately preceding the maturity date. For details, please refer to the Company's announcement dated 15 May 2018. The conversion bonds matured on 31 May 2020.

The Company was informed that Messrs. Lai Kar Yan and Ho Kwok Leung Glen, both of Deloitte Touche Tohmatsu, were appointed on 18 November 2020 by Chance Talent as joint and several receivers (the "**Receivers**"). Accordingly, the power of management of the director(s) of Xinxing Company Limited over the Charged Shares have been suspended and the Company will not register any transfer of the Charged Shares without prior written consent of the Receivers.

The principal amount of HK$300 million and interests have not been settled as of the date of this announcement.

Significant investments

During the Year under Review, the Group has no significant investment.

Material acquisitions and disposals of subsidiaries

During the Year under Review, the Group has no material acquisitions or disposals of any subsidiaries.

Guarantees on mortgage facilities

As at 31 December 2021, the Group provided guarantees over the mortgage loans of certain purchasers of approximately RMB103.3 million (31 December 2020: approximately RMB16.1 million).

Assets guarantees

As at 31 December 2021, the Group has pledged or restricted deposits in the bank deposits of RMB0.3 million (31 December 2020: approximately RMB2.6 million). In addition, partial other borrowings of the Group were secured by the Group's certain properties under development, completed properties held for sale, investment properties and the equity interests in certain subsidiaries of the Group, and jointly guaranteed by the Controlling Shareholder of the Group, Mr. Chen Chengshou ("Mr. Chen"), Mr. Chen's children and the non-executive Director, Ms. Gao Qiaoqin, the Group's related company, Xinming Group Limited, and other minority shareholders of certain subsidiaries of the Group free of charge.

Capital expenditure

During the Year under Review, the Group's total capital expenditure was approximately RMB0 million (31 December 2020: approximately RMB0 million).

Capital commitments

As at 31 December 2021, the capital commitments related to activities of properties under development were approximately RMB286.2 million (31 December 2020: approximately RMB387.8 million).

Exposure to exchange rate fluctuations

The Group operates mainly in Renminbi, and certain bank deposits of the Group are denominated in Hong Kong dollars. Save for disclosed above, the Group was not exposed to any material exchange rate fluctuation risk and did not enter into foreign currency hedging policies. However, the Group will monitor closely the foreign exchange risk and may, as the case may be and depending on the trend of foreign currencies, consider to apply significant foreign currency hedging policies in the future.

Employees and remuneration policy

As at 31 December 2021, the Group has a total of 58 employees (31 December 2020: a total of 70 employees). The Group promoted the upgrading of talents, cultivated and recruited excellent talents with sales and management experience, improved the allocation system of remuneration linked to performance and maintained harmonious labor relations. The remuneration of employees of the Group will be based on their performance, experience and the prevailing market remuneration. Moreover, the Group has also adopted a share option scheme and a share award scheme.

Contingent liabilities

As at 31 December 2021, the Company had guarantees in respect of mortgage facilities granted to purchasers of the Group's properties of approximately RMB103.3 million (31 December 2020: approximately RMB16.1 million).

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

During the Year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Board is of opinion that the Company had adopted, applied and complied with the code provisions as set out in the Corporate Governance Code (version up to 31 December 2021) (the "CG Code") contained in Appendix 14 to the Listing Rules since the Listing Date.

Upon review of the corporate governance practice of the Company, the Board believed that the Company has applied the principles in the CG Code and complied with the code provisions of the CG Code during the Year under Review. None of the Directors was aware of any information that would reasonably indicate that the Company was during the Year under Review non-compliance with the code provisions of the CG Code, except for the deviation as follows:

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Chen is the chairman and the chief executive officer of the Company ("CEO"). The Group therefore does not separate the roles of the chairman and the CEO. The Board considered that Mr. Chen had in-depth knowledge and experience in the property investment and development industry and was the most appropriate person to manage the Group. Vesting the roles of both chairman and CEO in Mr. Chen has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The

Board will continue to review and consider splitting the roles of chairman and CEO of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

Furthermore, the Board will adopt the new CG Code (version with effective from 1 January 2022), the requirement under which shall apply to the Company's corporate governance code in the forthcoming financial year ending 31 December 2022. The Board will continue to review and enhance its corporate governance practice of the Company to ensure compliance with the new CG Code and align with the latest developments.

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 own code of conduct of dealings in securities of the Company by the Directors. Upon specific enquiries of all the Directors, each of them has confirmed that they complied with the required standards set out in the Model Code during the Year under Review.

REVIEW OF ANNUAL RESULTS

The audit committee of the Company (the "Audit Committee") consists of three independent non-executive Directors, namely Mr. Khor Khie Liem Alex (being the chairman of the Audit Committee), Mr. Lau Wai Leung Alfred and Mr. Chiu Kung Chak. The Company's consolidated annual results and financial report for the Year under Review have been reviewed by the Audit Committee.

SCOPE OF WORK OF MAZARS CPA LIMITED

The figures in respect of the consolidated statement of profit or loss and other comprehensive income, and the consolidated statement of financial position of the Group and the related notes thereto for the Year under Review as set out in this preliminary announcement have been agreed by the Company's auditor, Mazars CPA Limited ("**Mazars**"), Certified Public Accountants, to the amounts set out in the draft consolidated financial statements of the Group for the year ended 31 December 2021. The work performed by Mazars in this respect did not constitute an audit, review or other 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 HKICPA and consequently no assurance has been expressed by the Company's auditor on this announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT ON WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This preliminary annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.xinm.com.cn. The 2021 annual report will be dispatched to shareholders in due course and will be available on the above websites in due course.

By order of the Board
Xinming China Holdings Limited
Chen Chengshou
Chairman and Chief Executive Officer

Hangzhou, the PRC
30 March 2022

As at the date of this announcement, the executive Directors are Mr. Chen Chengshou, Mr. Feng Cizhao and Mr. Pu Wei; the non-executive Directors are Ms. Gao Qiaoqin, Mr. Choi Clifford Wai Hong and Mr. Zhou Zhencun; and the independent non-executive Directors are Mr. Khor Khie Liem Alex, Mr. Chiu Kung Chak and Mr. Lau Wai Leung, Alfred.

If there is any discrepancy between the English version and the Chinese translation, the English version shall prevail.

* *For identification purposes only*