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 2022

ANNUAL RESULTS HIGHLIGHTS

- Revenue of the Group amounted to approximately RMB35.2 million, representing a decrease of approximately 65.4% as compared with last year.
- Gross profit of the Group amounted to approximately RMB20.0 million, representing a decrease of approximately 74.2% as compared with last year.
- Loss attributable to the owners of the parent company was approximately RMB2,250.4 million.
- Basic loss per share attributable to owners of the Company was approximately RMB1.198.
- The Board did not recommend the payment of final dividend for the year ended 31 December 2022.

FINAL RESULTS

The board (the "Board") of directors (the "Directors") of Xinming China Holdings Limited (the "Company") hereby announces the consolidated results of the Company and its subsidiaries (collectively, the "Group") for the financial year ended 31 December 2022 ("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 2021.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Revenue	4	**35,198**	101,833
Cost of sales		**(15,187)**	(24,214)
Gross profit		**20,011**	77,619
Other income and gains and losses	5	**(22,738)**	279,894
Selling and distribution costs		**(13,206)**	(19,592)
Administrative expenses		**(55,634)**	(41,476)
Other expenses		**(623,727)**	(421,367)
Loss on court-ordered sale of completed properties held for sale	6	**(280,788)**	–
Net loss on de-consolidation of a subsidiary	16	**–**	(640,056)
Loss on court-ordered sale of an investment property	10	**(686,597)**	–
Changes in fair value of investment properties	10	**(1,082,900)**	(2,000)
Changes in fair value of convertible bonds		**–**	8,092
Finance costs	6	**(84,044)**	(83,053)
Loss before income tax	6	**(2,829,623)**	(841,939)
Income tax credit	7	**440,019**	10,833
Loss for the year and total comprehensive loss for the year		**(2,389,604)**	(831,106)
(Loss) profit for the year and total comprehensive (loss) profit for the year attributable to:			
Owners of the Company		**(2,250,428)**	(863,935)
Non-controlling interests		**(139,176)**	32,829
		(2,389,604)	(831,106)
Loss per share attributable to owners of the Company	9		
Basic and Diluted *(RMB)*		**(1.198)**	(0.460)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Notes	**2022** **RMB'000**	2021 *RMB'000*
Non-current assets			
Property, plant and equipment		**698**	746
Investment properties	10	**936,100**	2,988,000
Deferred tax assets		**202,268**	76,087
		1,139,066	3,064,833
Current assets			
Properties under development		**709,464**	850,985
Completed properties held for sale		**712,804**	1,140,728
Trade receivables	11	**1,245**	33,515
Prepayments, other receivables and other assets	12	**56,291**	113,068
Restricted deposits		**522**	326
Cash and cash equivalents		**7,434**	20,219
		1,487,760	2,158,841
Current liabilities			
Trade payables	13	**340,017**	322,213
Other payables and accruals		**1,449,765**	1,279,694
Contract liabilities		**619,895**	432,901
Interest-bearing bank and other borrowings	14	**1,279,755**	1,561,250
Tax payable		**872,084**	881,915
Convertible bonds	15	**268,848**	244,512
		4,830,364	4,722,485
Net current liabilities		**(3,342,604)**	(2,563,644)
Total assets less current liabilities		**(2,203,538)**	501,189
Non-current liabilities			
Deferred tax liabilities		**163,347**	478,470
NET (LIABILITIES)/ASSETS		**(2,366,885)**	22,719

	2022	2021
	RMB'000	*RMB'000*
EQUITY		
Issued capital	**14,880**	14,880
Reserves	**(2,244,790)**	5,638
	(2,229,910)	20,518
Non-controlling interests	**(136,975)**	2,201
TOTAL EQUITY (DEFICIT)/SURPLUS	**(2,366,885)**	22,719

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 RMB2,389,604,000 for the year ended 31 December 2022. At 31 December 2022, the Group incurred an equity deficit of approximately RMB2,366,885,000, and its current liabilities exceeded its current assets by approximately RMB3,342,604,000.

At 31 December 2022, the Group's borrowings of approximately RMB1,279,755,000 and convertible bonds of approximately RMB268,848,000 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) 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 borrowings. As of the date of this announcement, other than the ongoing court auction in respect of certain properties held by Hangzhou Xinming, there is no other court proceedings relating to the outstanding borrowings of the Group.

(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 sale of the phase 3 of Shandong Project was completed. The pre-sale of the phase 4 of Shandong residential project has commenced since September 2023. 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.

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 2021 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

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

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendment to IFRS 16	Covid-19-related Rent Concessions beyond 30 June 2021
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018–2020

The application of the amendments to IFRSs and the Committee's agenda decision(s) in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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 2022

	Property development *RMB'000*	**Property leasing** *RMB'000*	**Others** *RMB'000*	**Consolidated** *RMB'000*
Segment revenue				
Sales to external customers	**6,065**	**29,133**	**–**	**35,198**
Segment results	**(1,495,795)**	**(1,205,860)**	**(127,968)**	**(2,829,623)**
Loss before income tax				**(2,829,623)**
Other segment information				
Bank interest income	**1**	**51**	**1**	**53**
Changes in fair value of investment properties	**–**	**(1,082,900)**	**–**	**(1,082,900)**
Depreciation of property, plant and equipment	**46**	**1**	**1**	**48**
Finance costs	**76,755**	**–**	**7,289**	**84,044**
Impairment of completed properties held for sale	**207,254**	**–**	**–**	**207,254**
Impairment of properties under development	**81,844**	**–**	**–**	**81,844**
Impairment of trade receivables, net	**–**	**2,848**	**–**	**2,848**
Impairment of financial assets included in prepayments, other receivables and other assets, net	**19,657**	**–**	**–**	**19,657**
Interest penalties	**229,176**	**–**	**82,948**	**312,124**

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

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 2022 and 2021.

4. REVENUE

	2022	2021
	RMB'000	*RMB'000*
Revenue from contracts with customers within IFRS 15		
Sales of properties	**6,065**	41,589
Revenue from other sources		
Gross rental income from investment property operating leases		
– other lease payments, including fixed payments	**29,133**	60,244
	35,198	101,833

(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:

	2022	2021
	RMB'000	*RMB'000*
Geographical region:		
– The PRC	**6,065**	41,589
Timing of revenue recognition:		
– at a point in time	**6,065**	41,589
Type of transaction price:		
– fixed price	**6,065**	41,589

The amount of revenue recognised for the year ended 31 December 2022 that was included in the contract liabilities at the beginning of the year is approximately RMB6,065,000 (2021: RMB41,589,000).

(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 AND LOSSES

	2022	2021
	RMB'000	*RMB'000*
Other income		
Bank interest income	**53**	185
Government grants	**35**	21
Others	**88**	849
	176	1,055
Gains and losses		
Net gain on settlement of overdue interest-bearing borrowings *(Note)*	**–**	276,279
Exchange (loss) gain, net	**(23,138)**	2,541
Other gain, net	**224**	19
	(22,914)	278,839
	(22,738)	279,894

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):

	2022	2021
	RMB'000	*RMB'000*
Finance costs		
Interest on interest-bearing bank and other borrowings	**101,368**	94,085
Interest expense arising from revenue contracts	**–**	1,176
Total interest expenses	**101,368**	95,261
Less: Interest capitalised	**(17,324)**	(12,208)
Total finance costs	**84,044**	83,053

This is stated after charging (crediting):

	2022	2021
	RMB'000	*RMB'000*
Staff costs (excluding directors' emoluments)		
Salaries, allowances and benefits-in-kind	**14,292**	18,160
Contribution to defined contribution plans	**2,154**	2,540
	16,446	20,700
Other items		
Auditor's remuneration		
– Audit services	**1,638**	1,576
– Non-audit services	**–**	207
Cost of properties sold	**10,416**	13,460
Cost of leasing properties	**4,771**	10,754
Depreciation of property, plant and equipment	**48**	92
Gain on disposal of property, plant and equipment, net	**–**	(19)
Impairment of financial assets, net (included in "other expenses")		
– Impairment of trade receivables, net	**2,848**	510
– Impairment of financial assets included in prepayments, other receivables and other assets, net	**19,657**	1,998
	22,505	2,508
Loss on court-ordered sale of completed properties held for sale *(Notes)*	**280,788**	–
Impairment of properties under development (included in "other expenses")	**81,844**	12,271
Impairment of completed properties held for sale (included in "other expenses")	**207,254**	8,350
Interest penalties (included in "other expenses")	**312,124**	392,841
Lease payments not included in the measurement of lease liabilities	**410**	423

Notes:

(a) In August 2022, Zhejiang Wenzhou Intermediate People's Court (浙江省溫州市中級人民法院) has enforced an order to auction and sell the land use right held by Hangzhou Xinming Property Investment Limited (杭州新明置業投資有限公司) ("Hangzhou Xinming"), in respect of the 20 immovable properties located at Tower 2, Xinming Commercial Centre, Gongshu District, Hangzhou City, the PRC and Xiaohe Road, Gongshu District, Hangzhou City, the PRC which are classified as completed properties held for sale with carrying amount of approximately RMB35,924,000 since Hangzhou Xinming was unable to repay the overdue borrowings with principal amount of approximately RMB193,250,000 plus interests and penalty owed to Zhejiang Zheshang Asset Management Company Limited* (浙江省浙商資產管理有限公司) ("Zhejiang Zheshang").

During the year ended 31 December 2022, an auction in respect of the said land use right of Hangzhou Xinming has taken place and the said land use right had been sold in the said auction.

For further details, please refer to the announcements of the Company dated 12 August 2022 and 18 October 2022.

(b) On the application of Huarong Asset Management Co., Ltd. Shanghai Branch* (中國華融資產管理股份有限公司上海市分公司) ("Huarong Asset"), an online auction is ordered to be held on 5 December 2022. The completed properties held for sale located at Taizhou Property have been marked with an aggregate reserve price of approximately RMB99.54 million. If the aforesaid properties were to be sold, the auction proceeds of Taizhou Property are expected to be used for satisfaction of the Group's borrowing owed to Huarong Asset.

On 8 December 2022, the 578 completed properties held for sale in Taizhou Property have been sold for an amount of RMB99.54 million which is same as the aggregate reserve price. The auction proceeds are used for the satisfaction of the borrowing owed to Huarong Asset.

For the details, please refer to the announcements of the Company dated 13 June 2022, 18 October 2022, 2 December 2022 and 29 December 2022.

7. INCOME TAX CREDIT

	2022	2021
	RMB'000	*RMB'000*
Current tax		
PRC Enterprise Income Tax – current year	**–**	–
Land appreciation tax ("LAT")	**1,516**	3,463
	1,516	3,463
Deferred tax		
Origination and reversal of temporary differences	**(441,535)**	(14,296)
Total income tax credit for the year	**(440,019)**	(10,833)

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 2022 and 2021.

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 2022 and 2021.

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 2022 and 2021.

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:

	2022	2021
	RMB'000	*RMB'000*
Loss:		
Loss attributable to owners of the Company, used in basic and diluted loss per share calculation	**(2,250,428)**	(863,935)

	2022	2021
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 2022.

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 2021.

10. INVESTMENT PROPERTIES

	RMB'000
Fair value	
At 1 January 2021	3,296,000
Court-ordered sale of property	(306,000)
Changes in fair value	(2,000)
At 31 December 2021 and 1 January 2022	2,988,000
Changes in fair value	(1,082,900)
Disposal upon court-ordered sale *(Note)*	(969,000)
At 31 December 2022	**936,100**

Note: In January 2022, 浙江省浙商資產管理有限公司 (Zhejiang Zheshang Asset Management Company Limited*) ("**Zhejiang Zheshang**") has filed an enforcement notice applying to 浙江省溫州市中級人民法院 (Zhejiang Wenzhou Intermediate People's Court*) (the "**Wenzhou Court**") for an enforcement order to auction and sell the entire ownership of the investment property held by Wenshang Times located at Wenshang Times Red Star Macalline Household Products Market, No. 1990 Donghuan Road, Jiaojiang District, Taizhou City, Zhejiang Province, The PRC (the "**Taizhou Properties**") since Wenshang Times was unable to repay the overdue borrowings with principal amount of RMB493,000,000 together with interest and penalty payments not less than RMB95 million to Zhejiang Zheshang (the "**Total Outstanding Sum**").

On 13 May 2022, the Wenzhou Court proceeded to hold an initial auction. On 31 May 2022, Wenshang Times received an auction confirmation (the "**Auction Confirmation**") issued by the Wenzhou Court. Under the Auction Confirmation, the entire ownership of the Taizhou Properties has been auctioned off to an independent third party at the auction price of RMB282,410,000 to repay the Total Outstanding Sum.

At 31 December 2021, the Taizhou Properties were stated at fair value of RMB969,000,000 and accordingly the loss on court-ordered sale of approximately RMB686,597,000 was charged to profit or loss for the six months ended 30 June 2022.

Details of above are set out in the Company's announcement dated 31 May 2022.

The Group's investment properties consist of commercial properties completed in the PRC. The Group's investment properties were revalued on 31 December 2022 based on valuations performed by independent professionally qualified valuers at approximately RMB936,100,000 (2021: RMB2,988,000,000). 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 2022, the Group's investment properties with aggregate values of approximately RMB936,100,000 (2021: RMB2,988,000,000) were pledged to secure interest-bearing bank and other borrowings granted to the Group (Note 14).

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 2022	**–**	**–**	**936,100**	**936,100**
At 31 December 2021	–	–	2,988,000	2,988,000

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:

2022

Valuation techniques	**Significant unobservable inputs**	**Range (weighted average)**
Direct comparison method	Unit rate per gross floor area *(RMB per square meter)*	**5,378–6,699**

A significant increase (decrease) in the estimated unit rate per gross floor area would result in a significant increase (decrease) in the fair value of the investment properties.

2021

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

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. TRADE RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**28,368**	57,790
Less: Allowance for impairment	**(27,123)**	(24,275)
	1,245	33,515

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:

	2022	2021
	RMB'000	*RMB'000*
Within 1 year	**1,245**	33,515

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

	2022	2021
	RMB'000	*RMB'000*
At the beginning of the reporting period	**24,275**	23,864
De-consolidation of a subsidiary	**–**	(99)
Increase in allowance, net	**2,848**	510
At the end of the reporting period	**27,123**	24,275

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 2022	**Expected credit loss rate**	**Gross carrying amount**	**Expected credit losses**
	%	***RMB'000***	***RMB'000***
Past due			
Within 1 year	**44.49**	**2,243**	**998**
More than 1 year	**100.00**	**26,125**	**26,125**
	95.61	**28,368**	**27,123**

At 31 December 2021	Expected credit loss rate	Gross carrying amount	Expected credit losses
	%	*RMB'000*	*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

12. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2022	2021
	RMB'000	*RMB'000*
Prepayments	**4,150**	5,408
Other tax recoverable	**3,209**	3,209
Deposits and other receivables	**179,373**	215,235
	186,732	223,852
Less: Allowance for impairment	**(130,441)**	(110,784)
	56,291	113,068

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 2022 was 72.7% (2021: 51.5%).

The movements in allowance for impairment are as follows:

	2022	2021
	RMB'000	*RMB'000*
At the beginning of the reporting period	**110,784**	160,493
Increase in impairment	**19,657**	1,998
De-consolidation of a subsidiary	**–**	(51,707)
At the end of the reporting period	**130,441**	110,784

The significant increase in allowance for impairment for the year ended 31 December 2022 is due to the Group's delay in project development, which adversely affect relationship with the Group's business partner and suppliers, and the continued downturn in investment sentiment in the PRC commercial property market.

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

13. TRADE PAYABLES

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

	2022	2021
	RMB'000	*RMB'000*
Less than one year	**17,804**	239
Over one year	**322,213**	321,974
	340,017	322,213

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

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2022			2021		
	Effective interest rate %	**Maturity**	***RMB'000***	Effective interest rate %	Maturity	*RMB'000*
Current						
Current portion of interest-bearing borrowings, secured	**6.90–12.00**	**On demand or within one year**	**1,279,755**	6.80–11.50	On demand or within one year	1,561,250

	2022	2021
	RMB'000	*RMB'000*
Analysed into:		
Interest-bearing borrowings repayable within one year	**1,279,755**	1,561,250

At 31 December 2022, the Group's borrowings amounting approximately RMB1,279,755,000 (2021: RMB1,561,250,000) were overdue pursuant to the relevant agreements which constituted events of defaults.

In connection with the default and cross-default (if applicable), the Group was subject to penalties of approximately RMB860,901,000 (2021: RMB535,499,000) which were included in the other payables and accruals at 31 December 2022.

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 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 in the PRC, respectively.

The Group's borrowings are secured by the pledges of the following assets 31 December 2022 and 2021 as follows:

(i) At 31 December 2022, the Group's borrowings of approximately RMB239,897,009 (2021: RMB493,000,000) 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 2022, the Group's borrowings of approximately RMB1,114,897,009 (2021: RMB1,368,000,000) were secured by the Group's investment properties with aggregate carrying values of approximately RMB936,100,000 (2021: RMB2,988,000,000).

(ii) At 31 December 2022, the Group's borrowings of approximately RMB164,858,329 (2021: RMB193,250,000) were secured by completed properties held for sale Hangzhou Xinming, a subsidiary of the Company with carrying amount of approximately RMB88,300,000 (2021: RMB229,000,000).

(iii) At 31 December 2022, the Group's borrowings of approximately RMB239,897,009 (2021: RMB493,000,000) 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 2022, the Group's borrowings of approximately RMB824,755,338 (2021: RMB913,000,000) 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 2022, the Group's borrowings of approximately RMB455,000,000 (2021: RMB455,000,000) 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.

15. 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 2022.

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 2021	252,604
Change in fair value	(8,092)
At 31 December 2021	244,512
Exchange difference	24,336
At 31 December 2022	**268,848**

At 31 December 2022 and 2021, 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.

16. 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 2022.

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 RMB2,389,604,000 for the year ended 31 December 2022. As at 31 December 2022, the Group's current liabilities exceeded its current assets by approximately RMB3,342,604,000. In addition, as at 31 December 2022, the Group's outstanding borrowings of approximately RMB1,279,755,000 and the convertible bonds issued by the Group amounting approximately RMB268,848,000 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 Management has 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.

Other Matters

The consolidated financial statements of the Group for the year ended 31 December 2021, were audited by another auditor who expressed a disclaimer of opinion on those statements on 30 March 2022.

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 2022 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 2022, the Group's certain borrowings amounted to approximately RMB1,279,755,000 and convertible bonds amounted to approximately RMB268,848,000 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 2022 on a going concern basis.

Despite the fact that the Group had net current liabilities and net liabilities of approximately RMB3,342.6 million and RMB2,366.9 million respectively as of 31 December 2022, the Company had net assets of approximately RMB250.2 million, while the remaining net liabilities of the Group (excluding the Company) are contributed from subsidiaries in the Group, which no corporate guarantees were provided by the Company for all the debts owed by said subsidiaries or other members of the Group.

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 actions 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 borrowings. As of 31 December 2022, the outstanding amount of the total principal is RMB1,279.8 million and the overdue outstanding amount of the total interests is approximately RMB356.8 million. According to the recent negotiations with various financial institutions and current market situations, the Management considers that after repayment or waive of overdue interests, the financial institutions will be willing to extend the current repayment schedule of outstanding borrowings and waive the penalty interest.

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 borrowings. As of 31 December 2022, the outstanding amount of the total principal is RMB1,279.8 million, and the overdue the outstanding amount of the total interests is approximately RMB356.8 million. As of the date of this announcement, other than the ongoing court auction in respect of certain properties held by Hangzhou Xinming, there is no other court proceedings relating to the outstanding borrowings of the Group.

(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 sale of phase 3 of Shandong Project was completed. The pre-sale of the phase 4 of Shandong residential project has commenced since September 2023. Majority of the net proceeds from the Shandong Project has been and will be used for the repayment of the outstanding borrowings.

(iv) actively procuring and formulating the preliminary terms with large property developers to sell individual property development projects or whole commercial properties 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 borrowings. 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 by selling the residential property in Shandong and the whole or portion of commercial properties in Taizhou and Shanghai as a package, with a view to accelerating the recovery of working capital to improve its liability and financial gearing conditions.

Under the influence of the negative property market debt crisis in 2022, 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 2022. However, in view of the global economic downturn, intensifying geopolitical deterioration and the drag on China's overall economic recovery, it is expected that the global economy is expected to rebound after the United States initiates its interest rate cuts in the fourth quarter of 2024, thereby benefiting China's domestic economy, which will stabilise and move upwards in 2025. The property market will see signs of recovery accordingly. In the best case scenario, assuming (i) the Company could successfully sell the whole or portion of commercial properties in Taizhou 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 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, the Company will be able to fully repay the overdue interest and 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 and waive the penalty interest. 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 Group will have sufficient working capital to prepare the Group's consolidated financial statements on a going concern basis.

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 2022, 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 of the Company and its potential investors. 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 2022 are as follows: the total GFA and residential properties for sale in the PRC in 2022 have been sluggish since the gradual relaxation of the domestic epidemic control policy in 2022 until the end of the year. In addition, pre-sale of GFA and sales of commercial properties in 2022 were largely lower than expected due to the impact of the continued tightening of housing credit facilities by the PRC government and the deferral of bank loans as a result of the bank lending policy; and 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 value of the investment properties owned by the Group amounted to approximately RMB936.1 million as at 31 December 2022; and (ii) residential property market is expected to rebound in 2025 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(s) 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 and Shanghai as a package.

MANAGEMENT DISCUSSION AND ANALYSIS

(including financial review)

INDUSTRY REVIEW AND OPERATION MANAGEMENT

Looking back at the year 2022, the real estate industry experienced the most difficult year, with the real estate market in the doldrums, real estate enterprises under pressure, and a number of real estate enterprises defaulting on their debts or negotiating extensions. The downward pressure on China's macro-economy, the recurrence of epidemics in various places, the suspension of many real estate projects and other unanticipated factors, coupled with the weakening of medium- and long-term demand for housing, posed unprecedented challenges to the real estate industry. Although the central government has adjusted its demand-side and credit policies, the weak income expectations of residents and the wait-and-see sentiment have not yet changed, and the impact of the epidemic will continue for a period of time, so there is pressure on the real estate market.

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 RMB178.6 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 RMB6.1 million, representing a significant decrease of approximately RMB35.5 million or approximately 85.3% as compared to approximately RMB41.6 million in 2021. Total GFA delivered during the Year under Review was approximately 1,848.4 sq.m, representing a slight increase of approximately 25.4 sq.m. as compared with 2021, which was mainly due to the continued impact of the epidemic, leading to suspension of investment promotion strategies. Property sales remained the major business segment 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 17.2% of the Group's total revenue. At the same time, 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 changing property use and selling properties 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 RMB2,250.4 million, representing a significant increase in loss of approximately RMB1,386.5 million from the loss attributable to the shareholders of approximately RMB863.9 million in 2021, mainly due to the significant changes in fair valuation of investment properties of approximately RMB1,082.9 million, the net loss of approximately RMB686.6 million recorded upon the court-ordered disposal of an investment property in Taizhou and the net loss of approximately RMB280.8 million recorded upon the court-ordered sale of completed properties held for sale. Loss per share attributable to owners of the Company was approximately RMB1.198 (2021: loss per share amounted to approximately RMB0.460).

During the Year under Review, the Board did not recommend payment of a final dividend for the year ended 31 December 2022.

As at 31 December 2022, total assets of the Group amounted to approximately RMB2,626.8 million (31 December 2021: approximately RMB5,223.7 million); total liabilities were approximately RMB4,993.7 million (31 December 2021: approximately RMB5,201.0 million); total equity deficit was approximately RMB2,366.9 million (31 December 2021: equity of approximately RMB22.7 million); and net negative assets per share were approximately RMB1.26 (31 December 2021: net assets per share of approximately RMB0.01).

Property development

As at 31 December 2022, the Group's property portfolio consisted of 7 property development projects with an aggregate GFA of approximately 488,000 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 RMB6.1 million, representing a significant decrease of approximately RMB35.5 million or approximately 85.3% as compared to approximately RMB41.6 million in 2021. Total GFA of property sales delivered during the Year under Review was approximately 1,848.4 sq.m., representing a slight increase of approximately 25.4 sq.m. as compared with approximately 1,823 sq.m. in 2021. 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 mainly due to the prolonged weak investment sentiments in the commercial property market 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. 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 summarises the property projects of the Group sold during the Year under Review:

Project	Location	GFA sold	Income	Average selling price
		(sq.m.)	*(RMB in million)*	*(RMB in million)*
By market sale				
Taizhou Xinming Peninsular	Taizhou	589.8	1.7	2,862
Xinming Lijiang Garden	Taizhou	435.8	1.9	4,408
Wenshang Times Times Furniture Expo Centre (Formerly known as "Xinming Apartment")	Taizhou	822.8	2.5	2,984
Xingmeng International Commercial City	Tengzhou	–	–	–
Sub-total		1,848.4	6.1	3,281
By court-ordered sale				
Wenshang Times Xinming Household Decorations and Fittings City	Taizhou	44,414.71	99.5	2,240
Wenshang Times Red Star Macaline Household Products Market	Taizhou	67,239.46	282.4	4,200
Hangzhou Xinming Children's World	Hangzhou	3,098.41	35.9	11,403
Sub-total		114,752.50	417.8	3,641

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 2022, the actual area leased out was approximately 113,767.3 sq.m., representing approximately 75.3% 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 RMB29.1 million, representing a decrease of approximately RMB31.1 million or 51.6% as compared to approximately RMB60.2 million in 2021.

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

	As at 31 December 2022				
	Total GFA *(sq.m.)*	**Leasable area** *(sq.m.)*	**Leased area** *(sq.m.)*	**Average occupancy rate** *(%)*	**Rental income for the year ended 31 December 2022** *(RMB million)*
Commercial investment properties for rental purpose					
No. 8, North Section, Taizhou Boulevard, Jiaojiang District, Taizhou City	101,163.31	62,163.36	58,000.32	98.33%	23.1
No. 1990, East Ring Boulevard, Jiaojiang District, Taizhou City (The property was sold by court order on December 2022)	44,414.71	24,536.47	5,083.00	20.7%	2.1
No. 1990, East Ring Boulevard, Jiaojiang District, Taizhou City (The property was sold by court order on 31 May 2022)	67,239.46	64,450.00	50,684.00	78.6%	3.9

Land reserves

As at 31 December 2022, the Group's property portfolio consisted of 7 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 488,000 sq.m., of which approximately 281,000 sq.m. was completed, approximately 128,000 sq.m. was under development, and approximately 79,000 sq.m. was held for future development.

PROSPECTS

Looking ahead to 2025, with the impact of the epidemic dissipated, it is expected that China's macro-economy will see an overall turnaround. Economic activities will then return to normal order, with various cities relaxing restrictions on purchases and loans, followed by the introduction of "three-arrow" measures such as guaranteeing the delivery of properties, credit, debt issuance and equity financing, which are all favourable to real estate developers. The property market is expected to gradually stabilise and recover, and investment sentiment is expected to rebound.

In the National Economic Programme of the 20th National Congress of the PRC government, the PRC government stated that it is required to maintain stable and healthy development of the real estate market, and adhere to the principle of "housing is for living in and not for speculation". As China's demographic structure gradually increases the rate of urbanisation and the economies of third and fourth tier cities are expected to grow, the development of real estate investment is expected to become the focus of the market.

The Group will actively accelerate its de-stocking of completed properties while exploring the feasibility of assets revitalisation, including but not limited to change of property use and sale of properties 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 17.2% and 82.8%, respectively, to the revenue during the Year under Review of approximately RMB35.2 million. Property sales, the major revenue source of the Group, decreased by approximately RMB35.5 million from approximately RMB41.6 million in the same period of last year, mainly due to the COVID-19 pandemic and prolonged weak investment sentiments in the commercial property market and suspension on sales of residential property. Property leasing recorded a decrease of approximately RMB31.1 million as compared to approximately RMB60.2 million in the same period of last year mainly due to the rent-free preferential policy that the Group proposed to some of the new and existing tenants during the year.

Cost of sales

During the Year under Review, the Group's cost of sales was approximately RMB15.2 million, representing a decrease of approximately RMB9.0 million or 37.3% as compared to approximately RMB24.2 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 RMB20.0 million, representing a significant decrease of approximately RMB57.6 million or 74.2% as compared to approximately RMB77.6 million in the same period of last year.

Other income and gains and losses

Other income and gains losses during the Year under Review amounted to approximately RMB(22.7) million, representing a significant decrease of approximately RMB302.6 million as compared to a gain of approximately RMB279.9 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 Group entering into settlement agreements with borrowers in relation to overdue interest-bearing loans last year.

Selling and administrative expenses

During the Year under Review, the selling and administrative expenses amounted to approximately RMB68.8 million, representing an increase of approximately RMB7.8 million or approximately 12.7% as compared to approximately RMB61.1 million in the same period of last year, mainly due to the short term addition of the Group's manpower and administrative costs.

Other expenses

Other expenses during the Year under Review were approximately RMB623.7 million, representing a substantial increase of approximately RMB202.3 million or approximately 48.0% as compared to approximately RMB421.4 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 RMB289.1 million were made under the impact of the expected decrease of realizable value; (ii) a liquidated damages on borrowings of approximately RMB312.1 million during the period. Breakdown of other expenses are set out below:

	2022 ***RMB'000***	2021 *RMB'000*
Bank charges	**–**	17
Penalty expenses	**–**	3,983
Provision for impairment of properties under development and completed properties held for sale	**289,098**	20,621
Liquidated damages on borrowings	**312,124**	392,841
Impairment losses on trade receivables and financial assets, net	**22,505**	2,508
Others	**–**	1,397
Total	**623,727**	421,367

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 RMB1,082.9 million, representing a significant increase of approximately RMB1,080.9 million as compared to that of approximately RMB2.0 million in the same period of last year. The fair value of investment properties decreased significantly as compared to that of last year as it was mainly affected by COVID-19 pandemic and adverse market factors.

Finance costs

During the Year under Review, the finance costs amounted to approximately RMB84.0 million, representing an increase of approximately RMB1.0 million as compared to that of approximately RMB83.1 million in the same period of last year, mainly due to the increase in capitalised interest.

Operating loss

During the Year under Review, the operating loss amounted to approximately RMB2,829.6 million, representing an significant increase of loss of approximately RMB1,987.7 million or approximately 2.36 times as compared to the operating loss of approximately RMB841.9 million in the same period of last year which was mainly due to changes in fair value of investment properties and a loss on court-ordered sale of completed properties held for sale and an investment property.

Income tax credit/expense

During the Year under Review, the income tax credit amounted to approximately RMB440.0 million, representing an significant increase of approximately RMB429.2 million as compared to income tax credit of approximately RMB10.8 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 RMB2,250.4 million, representing an increase of loss of approximately RMB1,386.5 million as compared to the loss of approximately RMB863.9 million in the same period of last year. The basic loss per share was approximately RMB1.198 (2021: loss per share of approximately RMB0.460).

Cash flows

As at 31 December 2022, cash and bank deposits of the Group, including restricted cash, were approximately RMB8.0 million in aggregate (31 December 2021: approximately RMB20.5 million). 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 from 1 January 2022 on were of out all existing exclusive management and operation agreements are expired.

During the period from 1 January 2022 to 31 December 2022, the Group's maximum net cash outflow was approximately RMB0 million in 2022 (maximum net cash outflow in 2021: 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 2022, the total borrowings of the Group were approximately RMB1,279.8 million, representing a decrease of approximately RMB281.5 million as compared to approximately RMB1,561.3 million as at 31 December 2021, as an investment property in Taizhou was ordered by the court to be sold at a low auctioned price and the net proceeds were used to repay part of the loan.

The borrowings on demand and repayable within one year of the Group were approximately RMB1,279.8 million, representing a decrease of approximately RMB281.5 million as compared to approximately RMB1,561.3 million as at 31 December 2021. 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 2022, the sum of trade receivables, prepayments, other receivables and other assets of the Group was approximately RMB57.5 million, representing a decrease of approximately RMB89.0 million as compared to approximately RMB146.6 million as at 31 December 2021, mainly due to the decrease in deposits with suppliers and a decrease of trade receivables.

Trade payables, contract liabilities and other payables and accruals

As at 31 December 2022, the sum of trade payables, contract liabilities, other payables and accruals of the Group was approximately RMB2,409.7 million, representing an increase of approximately RMB374.9 million as compared to approximately RMB2,034.8 million as at 31 December 2021. 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 RMB178.6 million and the increase in other payables and accruals was caused by the accrual of interest and penalties on interest owed.

Assets and liabilities

As at 31 December 2022, the total assets of the Group were approximately RMB2,626.8 million, representing a decrease of approximately RMB2,596.9 million as compared to approximately RMB5,223.7 million as at 31 December 2021. The total current assets were approximately RMB1,487.8 million, representing approximately 56.6% (31 December 2021: approximately 41.3%) of the total assets, with a decrease of approximately RMB671.1 million as compared to approximately RMB2,158.8 million as at 31 December 2021. The total non-current assets were approximately RMB1,139.1 million, representing approximately 43.4% (31 December 2021: approximately 58.7%) of the total assets, with a decrease of approximately RMB1,925.8 million as compared to approximately RMB3,064.8 million as at 31 December 2021.

As at 31 December 2022, the total liabilities of the Group were approximately RMB4,993.7 million, representing a decrease of approximately RMB207.2 million as compared to approximately RMB5,201.0 million as at 31 December 2021, which was due to among other things the decrease of deferred tax liabilities. The total current liabilities were approximately RMB4,830.4 million, representing approximately 96.7% (31 December 2021: approximately 90.8%) of the total liabilities, with an increase of approximately RMB107.9 million as compared to approximately RMB4,722.5 million as at 31 December 2021. The total non-current liabilities were approximately RMB163.3 million, representing approximately 3.3% (31 December 2021: approximately 9.2%) of the total liabilities, with a decrease of approximately RMB315.1 million as compared to approximately RMB478.5 million as at 31 December 2021.

As at 31 December 2022, the net current liabilities of the Group were approximately RMB3,342.6 million, representing an increase of approximately RMB779.0 million as compared to the net current liabilities of approximately RMB2,563.6 million as at 31 December 2021.

Current ratio

As at 31 December 2022, the current ratio of the Group, being the ratio of the current assets divided by the current liabilities, was 0.31:1 (31 December 2021: 0.46:1).

Gearing ratio

As at 31 December 2022, 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 (186.5)% (31 December 2021: 98.7%).

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 2022, the Group provided guarantees over the mortgage loans of certain purchasers of approximately RMB237.0 million (31 December 2021: approximately RMB103.3 million).

Assets guarantees

As at 31 December 2022, the Group has pledged or restricted deposits in the bank deposits of RMB0.5 million (31 December 2021: approximately RMB0.3 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 2021: approximately RMB0 million).

Capital commitments

As at 31 December 2022, the capital commitments related to activities of properties under development were approximately RMB5.4 million (31 December 2021: approximately RMB286.2 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 2022, the Group has a total of 50 employees (31 December 2021: a total of 58 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 2022, the Company had guarantees in respect of mortgage facilities granted to purchasers of the Group's properties of approximately RMB237.0 million (31 December 2021: approximately RMB103.3 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

Upon review of the corporate governance practice of the Company, the Board believed that the Company has applied the principles in the Corporate Governance Code ("CG Code") set out in Appendix C1 to the Listing Rules 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 the then code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. 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.

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 C3 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 five independent non-executive Directors, namely Mr. Khor Khie Liem Alex (being the chairman of the Audit Committee), Mr. Lau Wai Leung Alfred, Mr. Chiu Kung Chak, Ms. Huang Chunlian and Ms. Lee Yin Man. 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 GLOBAL LINK 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, Global Link CPA Limited ("Global Link"), Certified Public Accountants, to the amounts set out in the draft consolidated financial statements of the Group for the year ended 31 December 2022. The work performed by Global Link 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 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 2022 annual report will be dispatched to shareholders in due course and will be available on the above websites in due course.

CONTINUED SUSPENSION OF TRADING

Reference is made to the announcement of the Company dated 23 June 2023, whereby the Company received a letter from the Stock Exchange setting out the guidance for the resumption of trading in the shares of the Company on the Stock Exchange.

Trading in the shares of the Company on the Stock Exchange will remain suspended until further announcement by the Company. Shareholders and potential investors should exercise caution when dealing in shares of the Company.

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

Hangzhou, the PRC
20 September 2024

As at the date of this announcement, the executive Directors are Mr. Chen Chengshou, Mr. Feng Cizhao, Mr. Cao Zhiqiang and Mr. Zhou Fenli; 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, Mr. Lau Wai Leung, Alfred, Ms. Huang Chunlian and Ms. Lee Yin Man.

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

* *For identification purposes only*