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中国三迪

CHINA SANDI

CHINA SANDI HOLDINGS LIMITED

中國三迪控股有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 910)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

The board (the “Board”) of directors (the “Directors”) of China Sandi Holdings Limited (the “Company”, together with its subsidiaries collectively, the “Group”) announces the audited consolidated final results of the Company for the year ended 31 December 2021 (the “Year”) together with the comparative figures for the year ended 31 December 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	<i>Notes</i>	2021 RMB'000	2020 RMB'000
Revenue			
Goods and services	4	2,783,154	3,107,266
Rental of investment properties	4	144,400	117,822
Total revenue		2,927,554	3,225,088
Cost of sales and services		(2,113,085)	(2,084,160)
Gross profit		814,469	1,140,928
Other income	6	6,718	3,253
Other gains and losses	7	33,596	74,043
Recovery of trade receivables written-off		8,141	—
Change in fair value of investment properties		9,499	18,161
Change in fair value upon transfer from inventories of properties to investment properties		—	82,858
Change in fair value of derivative component of convertible bond		121,832	48,339
Selling and marketing expenses		(218,415)	(195,825)
Administrative expenses		(213,980)	(213,563)
Finance costs	8	(178,165)	(103,065)
Profit before tax	9	383,695	855,129
Income tax expense	10	(178,277)	(314,226)
Profit for the year		205,418	540,903

	<i>Note</i>	2021 RMB'000	2020 RMB'000
Other comprehensive (expense) income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(6,696)	4,807
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Change in fair value of right-of-use assets and properties under development upon transfer to investment properties		–	401,960
Deferred tax arising on change in fair value of right-of-use assets and properties under development upon transfer to investment properties		–	(100,490)
Total comprehensive income for the year		<u>198,722</u>	<u>847,180</u>
Profit for the year attributable to:			
– Owners of the Company		169,707	420,503
– Non-controlling interests		<u>35,711</u>	<u>120,400</u>
		<u>205,418</u>	<u>540,903</u>
Total comprehensive income attributable to:			
– Owners of the Company		163,011	726,780
– Non-controlling interests		<u>35,711</u>	<u>120,400</u>
		<u>198,722</u>	<u>847,180</u>
EARNINGS PER SHARE			
Basic (RMB cents)	<i>12</i>	<u>3.34</u>	<u>8.27</u>
Diluted (RMB cents)	<i>12</i>	<u>0.96</u>	<u>5.81</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2021

	<i>Notes</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		62,106	67,145
Right-of-use assets		–	860,304
Investment properties		10,564,740	8,681,440
Properties under development		–	230,568
Deferred tax assets		56,373	29,231
		<u>10,683,219</u>	<u>9,868,688</u>
Current assets			
Inventories of properties		15,993,608	13,900,453
Contract costs		121,063	72,008
Trade and other receivables and prepayments	<i>13</i>	924,345	853,696
Deposits for land use rights for properties under development for sale		105,689	613,944
Prepaid income tax		187,526	116,332
Amounts due from related companies		311,644	547,106
Amounts due from non-controlling shareholders of subsidiaries		559,586	96,594
Restricted/pledged bank deposits		509,164	201,570
Bank balances and cash		592,854	838,036
		<u>19,305,479</u>	<u>17,239,739</u>
Current liabilities			
Trade and other payables and accruals	<i>14</i>	2,396,604	2,297,906
Lease liabilities		–	774
Contract liabilities		10,271,377	7,634,981
Income tax payable		444,089	323,464
Amounts due to related companies		730,337	673,392
Amounts due to non-controlling shareholders of subsidiaries		–	72,802
Amount due to ultimate controlling shareholder		99,626	99,626
Bank and other borrowings – due within one year	<i>15</i>	1,798,570	2,958,230
		<u>15,740,603</u>	<u>14,061,175</u>

	<i>Note</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Net current assets		<u>3,564,876</u>	<u>3,178,564</u>
Total assets less current liabilities		<u><u>14,248,095</u></u>	<u><u>13,047,252</u></u>
Capital and reserves			
Share capital		42,890	42,881
Reserves		<u>4,793,162</u>	<u>4,629,926</u>
Equity attributable to owners of the Company		4,836,052	4,672,807
Non-controlling interests		<u>269,609</u>	<u>233,898</u>
Total equity		<u><u>5,105,661</u></u>	<u><u>4,906,705</u></u>
Non-current liabilities			
Lease liabilities		–	86
Amount due to a related company		443,750	275,000
Debt component of convertible bond		344,973	333,112
Derivative component of convertible bond		102,071	230,798
Promissory note		455,357	460,809
Deferred tax liabilities		1,389,621	1,369,007
Bank and other borrowings – due after one year	<i>15</i>	<u>6,406,662</u>	<u>5,471,735</u>
		<u>9,142,434</u>	<u>8,140,547</u>
		<u><u>14,248,095</u></u>	<u><u>13,047,252</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1. GENERAL INFORMATION

The Company is a public limited company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Its parent and ultimate parent company is United Century International Limited (incorporated in the British Virgin Islands (“BVI”). The ultimate controlling party is Mr. Guo Jiadi. The address of registered office and principal place of business of the Company are located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and Room 2008, 20th Floor, 118 Connaught Road West, Hong Kong respectively.

The consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Company.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and financial instruments that are measured at fair values at the end of the reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

3. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Concessions
Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the “Committee”) of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

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

Impacts on application of the agenda decision of the Committee – Cost necessary to sell inventories (HKAS 2 Inventories)

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

The Group’s accounting policy prior to the Committee’s agenda decision was to determine the net realisable value of inventories taking into consideration incremental costs only. Upon application of the Committee’s agenda decision, the Group changed its accounting policy to determine the net realisable value of inventories taking into consideration both incremental costs and other selling and marketing expenses necessary to make the sale. The new accounting policy has been applied retrospectively.

The application of the Committee’s agenda decision has had no material impact on the Group’s financial positions and performance.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRS 16	Covid-16-Related Rent Concessions beyond 30 June 2021 ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ²

¹ Effective for annual periods beginning on or after 1 April 2021.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after 1 January 2023.

⁴ Effective for annual periods beginning on or after a date to be determined.

4. REVENUE

Disaggregation of revenue

Segments	For the year ended 31 December 2021		
	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Total <i>RMB'000</i>
Types of goods or service			
Sales of properties	2,767,676	–	2,767,676
Property management and related fee income	–	15,478	15,478
Revenue from contracts with customers	2,767,676	15,478	2,783,154
Rental income	–	144,400	144,400
	<u>2,767,676</u>	<u>159,878</u>	<u>2,927,554</u>
Geographical market			
Mainland China	<u>2,767,676</u>	<u>159,878</u>	<u>2,927,554</u>
Timing of revenue recognition			
At a point in time	2,767,676	–	2,767,676
Over time	–	15,478	15,478
	<u>2,767,676</u>	<u>15,478</u>	<u>2,783,154</u>

Set out below is the reconciliation of revenue from contracts with customers with the amounts disclosed in the segment information:

Segments	For the year ended 31 December 2021		
	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue disclosed in segment information			
External customer	2,767,676	159,878	2,927,554
Less: rental income	–	(144,400)	(144,400)
Revenue from contracts with customers	<u>2,767,676</u>	<u>15,478</u>	<u>2,783,154</u>

Segments	For the year ended 31 December 2020		
	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Total <i>RMB'000</i>
Types of goods or service			
Sales of properties	3,096,792	–	3,096,792
Property management and related fee income	–	10,474	10,474
Revenue from contracts with customers	3,096,792	10,474	3,107,266
Rental income	–	117,822	117,822
	<u>3,096,792</u>	<u>128,296</u>	<u>3,225,088</u>
Geographical market			
Mainland China	<u>3,096,792</u>	<u>128,296</u>	<u>3,225,088</u>
Timing of revenue recognition			
At a point in time	3,096,792	–	3,096,792
Over time	–	10,474	10,474
	<u>3,096,792</u>	<u>10,474</u>	<u>3,107,266</u>

Set out below is the reconciliation of revenue from contracts with customers with the amounts disclosed in the segment information:

Segments	For the year ended 31 December 2020		
	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue disclosed in segment information			
External customers	3,096,792	128,296	3,225,088
Less: rental income	–	(117,822)	(117,822)
Revenue from contracts with customers	<u>3,096,792</u>	<u>10,474</u>	<u>3,107,266</u>

The Group receives 30%-100% of the contract value from customers when they sign the sale and purchase agreement (the customers who use mortgage loans provided by the banks and the remaining amount of the total contract value will be paid to the Group from the banks once the customers meet the requirements of the banks) while construction work of properties is still ongoing. These advance payment of 30%-100% of the contract value from customers resulted in contract liabilities being recognised throughout the property construction period until sales of properties is recognised. The Group receives full payment from the customers before physical delivery of the completed property.

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

For property management and related services to the tenants of the Group's investment properties, the Group agrees the fixed rate for services with the customers upfront. As the tenant simultaneously receives and consumes the benefits provided by the Group's performance, the revenue is recognised over time when the performance obligations are satisfied. Monthly payment of the transaction is invoiced to the customers in advance each month.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2021 and 2020 and the expected timing of recognising revenue are as follows:

	Sales of properties	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
– Within one year	6,702,782	3,168,671
– More than one year but not more than two years	3,010,558	4,273,314
– More than two years but not more than five years	1,882,594	690,903
	11,595,934	8,132,888

Operating leases

	Rental income	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Lease payments that are fixed	133,372	110,953
Variable lease payments that do not depend on an index or a rate	11,028	6,869
	144,400	117,822

5. SEGMENT INFORMATION

Information regularly reported to the Group’s chief executive officer (the chief operating decision maker (“CODM”)) for the purposes of resource allocation and assessment of segment performance focuses on the type of goods and services delivered or provided. The Group’s reportable and operating segments under HKFRS 8 “Operating Segments” are as follows:

Property development – development and sale of properties

Property investment – lease of investment properties and provision of property management service

Segment revenues and results

The following is an analysis of the Group’s revenue and results by reportable and operating segments:

For the year ended 31 December 2021

Segments	Property development <i>RMB’000</i>	Property investment <i>RMB’000</i>	Total <i>RMB’000</i>
Segment revenue			
External revenue	<u>2,767,676</u>	<u>159,878</u>	<u>2,927,554</u>
Segment profit	<u>152,231</u>	<u>154,108</u>	306,339
Other income			60
Other gains and losses			31,201
Change in fair value of financial assets at fair value through profit or loss (“FVTPL”)			2,587
Change in fair value of derivative component of convertible bond			121,832
Unallocated corporate expenses			(6,584)
Finance costs			<u>(71,740)</u>
Profit before tax			<u>383,695</u>

For the year ended 31 December 2020

Segments	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue			
External revenue	3,096,792	128,296	3,225,088
Segment profit	<u>601,948</u>	<u>239,543</u>	841,491
Other income			536
Other gains and losses			51,430
Change in fair value of derivative component of convertible bond			48,339
Unallocated corporate expenses			(13,599)
Finance costs			<u>(73,068)</u>
Profit before tax			<u>855,129</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the profit earned by each segment without allocation of part of other income, part of other gains and losses, change in fair value of financial assets at FVTPL, change in fair value of derivative component of convertible bond, unallocated corporate expenses and part of finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

Segment assets

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Property development	19,311,816	18,334,057
Property investment	<u>10,671,468</u>	<u>8,737,115</u>
Total segment assets	29,983,284	27,071,172
Unallocated assets:		
Restricted/pledged bank deposits	–	51
Bank balances and cash	2,508	23,743
Unallocated corporate assets	<u>2,906</u>	<u>13,461</u>
Consolidated assets	<u>29,988,698</u>	<u>27,108,427</u>

Segment liabilities

	2021 RMB'000	2020 RMB'000
Property development	21,672,314	18,785,017
Property investment	2,243,191	2,297,436
Total segment liabilities	<u>23,915,505</u>	21,082,453
Unallocated liabilities:		
Debt component of convertible bond	344,973	333,112
Derivative component of convertible bond	102,071	230,798
Promissory note	455,357	460,809
Unallocated corporate liabilities	<u>65,131</u>	94,550
Consolidated liabilities	<u><u>24,883,037</u></u>	<u><u>22,201,722</u></u>

For the purposes monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than certain restricted/pledged bank deposits, bank balances and cash and unallocated corporate assets not attributable to respective segment.
- all liabilities are allocated to operating segments other than debt component of convertible bond, derivative component of convertible bond, promissory note and unallocated corporate liabilities not attributable to respective segment.

Other segment information

	For the year ended 31 December 2021				
	Property development RMB'000	Property investment RMB'000	Total reportable segment RMB'000	Unallocated RMB'000	Total RMB'000
<i>Amounts included in the measure of segment profit or loss or segment assets:</i>					
Addition of non-current assets	3,647	799,720	803,367	–	803,367
Bank interest income	3,426	58	3,484	10	3,494
Finance costs	(105,818)	(607)	(106,425)	(71,740)	(178,165)
Depreciation of property, plant and equipment	(8,327)	–	(8,327)	(97)	(8,424)
Depreciation of right-of-use assets	(11,952)	–	(11,952)	(122)	(12,074)
Loss on disposal of an investment property	–	(237)	(237)	–	(237)
Change in fair value of financial assets at FVTPL	–	–	–	2,587	2,587
Change in fair value of investment properties	–	9,499	9,499	–	9,499
Gain (loss) on disposal of property, plant and equipment	5	–	5	(167)	(162)
Gain of early termination of lease	11	–	11	75	86
Recovery of trade receivables written-off	8,141	–	8,141	–	8,141
	<u><u>8,141</u></u>	<u><u>–</u></u>	<u><u>8,141</u></u>	<u><u>–</u></u>	<u><u>8,141</u></u>

For the year ended 31 December 2020

	Property development <i>RMB'000</i>	Property investment <i>RMB'000</i>	Total reportable segment <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
<i>Amounts included in the measure of segment profit or loss or segment assets:</i>					
Addition of non-current assets	113,736	396,237	509,973	–	509,973
Bank interest income	1,444	54	1,498	259	1,757
Finance costs	(27,466)	(2,531)	(29,997)	(73,068)	(103,065)
Depreciation of property, plant and equipment	(9,507)	(252)	(9,759)	(128)	(9,887)
Depreciation of right-of-use assets	(27,929)	–	(27,929)	(1,543)	(29,472)
Gain on disposal of an investment property	–	2,975	2,975	–	2,975
Loss on disposal of financial assets at FVTPL	–	–	–	(4,076)	(4,076)
Gain on disposal of subsidiaries	–	19,638	19,638	–	19,638
Change in fair value of investment properties	–	18,161	18,161	–	18,161
Change in fair value of inventories of properties upon transfer to investment properties	–	82,858	82,858	–	82,858

Geographical information

The following tables set out information about the Group's revenue from external customers by cities in the People's Republic of China (the "PRC"), based on the location at which the properties are sold, properties are invested and services are provided. Information about its non-current assets is analysed by geographical location of assets.

Revenue from external customers:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Nanping	806,097	1,143,270
Xi'an	825,298	681,585
Baoji	547,316	583,763
Jilin	75,479	328,056
Shanghai	561,019	243,144
Yongtai	–	153,876
Fuzhou	112,345	91,394
	<u>2,927,554</u>	<u>3,225,088</u>

Non-current assets:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Fuzhou	4,654,773	4,698,638
Shanghai	3,813,571	3,418,051
Baoji	1,545,340	1,534,233
Xiamen	186,200	—
Hangzhou	205,500	—
Yongtai	184,715	144,495
Xi'an	30,502	30,355
Nanping	2,515	4,645
Jilin	50	4,353
Hong Kong	112	653
Others	3,568	4,034
	<u>10,626,846</u>	<u>9,839,457</u>

Note: Non-current assets excluded deferred tax assets.

Information about major customers

There is no individual customer who contributed over 10% of the total revenue of the Group during the years ended 31 December 2021 and 2020.

6. OTHER INCOME

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Bank interest income	3,494	1,757
Government grants	318	595
Others	2,906	901
	<u>6,718</u>	<u>3,253</u>

During the year ended 31 December 2020, the Group recognised government grants of RMB478,000 in respect of Covid-19-related subsidies, which relates to Employment Support Scheme provided by the Hong Kong government.

7. OTHER GAINS AND LOSSES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Loss on disposal of property, plant and equipment	(162)	–
(Loss) gain on disposal of an investment property	(237)	2,975
Change in fair value of financial assets at FVTPL	2,587	(4,076)
Gain on early termination of lease	86	–
Exchange gain, net	32,459	55,506
Gain on disposals of subsidiaries	–	19,638
Others	(1,137)	–
	<u>33,596</u>	<u>74,043</u>

8. FINANCE COSTS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interests on bank and other borrowings	722,899	462,559
Effective interests on convertible bond	30,471	30,641
Effective interests on promissory note	41,268	42,368
Interests on amount due to a related company	53,310	23,925
Interests on contract liabilities	312,840	336,782
Interests on lease liabilities	9	111
	<u>1,160,797</u>	<u>896,386</u>
Total borrowing costs	1,160,797	896,386
Less: amounts capitalised to inventories of properties	(922,007)	(709,513)
amounts capitalised to properties under development	–	(65,136)
amounts capitalised to investment properties under construction	(60,625)	(18,672)
	<u>178,165</u>	<u>103,065</u>

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 8.17% (2020: 8.41%) per annum to expenditure on qualifying assets.

9. PROFIT BEFORE TAX

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Profit before tax has been arrived at after charging (crediting):		
Auditor's remuneration	1,921	1,849
Directors' emoluments	3,512	3,394
Other staff costs		
Staff salaries and allowances	165,856	143,511
Retirement benefit scheme contributions	10,568	1,436
Equity-settled share-based payments	—	322
	<hr/>	<hr/>
Total other staff costs	176,424	145,269
Less: amounts capitalised to inventories of properties	(47,674)	(20,913)
amounts capitalised to properties under development	—	(975)
amounts capitalised to investment properties under construction	(1,315)	(3,690)
	<hr/>	<hr/>
	127,435	119,691
	<hr/>	<hr/>
Cost of inventories recognised as an expense	2,106,192	2,076,148
Depreciation of property, plant and equipment	8,424	9,887
Depreciation of right-of-use assets	12,074	29,472
Reversal of write-down of inventories of properties (included in cost of sales and services)	—	(247)
Gross rental income from investment properties	(144,400)	(117,822)
Less: direct operating expenses from investment properties that generated rental income during the year	6,893	7,674
	<hr/>	<hr/>
	(137,507)	(110,148)
	<hr/> <hr/>	<hr/> <hr/>

10. INCOME TAX EXPENSE

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current tax:		
Enterprise Income Tax (“EIT”) in the PRC	90,522	127,847
Land Appreciation Tax (“LAT”)	90,311	108,309
	<u>180,833</u>	<u>236,156</u>
Under provision in prior years:		
EIT in the PRC	3,972	2,627
Deferred tax:	(6,528)	75,443
	<u>178,277</u>	<u>314,226</u>

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for both years.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

The provision of LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulation. LAT has been provided at ranges of progressive rate of the appreciation value, with certain allowable exemptions and deductions.

11. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2021, nor has any dividend been proposed since the end of the reporting period (2020: Nil).

12. EARNINGS PER SHARE

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

Earnings figures are calculated as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Profit for the year attributable to owners of the Company	169,707	420,503
Effect of dilutive potential ordinary shares on convertible bond	(108,693)	(53,043)
Earnings for the purpose of diluted earnings per share	<u>61,014</u>	<u>367,460</u>

Number of shares

	2021 '000	2020 '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	5,087,441	5,087,208
Effect of dilutive potential ordinary shares:		
Convertible bond	1,213,592	1,213,592
Share options	22,637	28,215
	<u>6,323,670</u>	<u>6,329,015</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>6,323,670</u>	<u>6,329,015</u>

13. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2021 RMB '000	2020 RMB '000
Trade receivables		
– contracts with customers	11,922	12,329
– rental income (note a)	8,078	21,295
	<u>20,000</u>	<u>33,624</u>
Other receivables (note b)	126,773	138,122
Less: Allowance for credit losses	(73)	(73)
	<u>126,700</u>	<u>138,049</u>
Prepayments (note c)	261,814	268,573
Other refundable deposits	40,228	66,642
Other tax prepayments	475,603	346,808
	<u>924,345</u>	<u>853,696</u>

As at 1 January 2020, trade receivables from contracts with customers amounted to RMB8,766,000.

Notes:

- (a) The Group had pledged trade receivables from rental income of RMB6,987,000 (2020: RMB15,784,000) as at 31 December 2021 to secure bank and other borrowings of the Group.
- (b) The amount mainly represents advance to property construction projects of the relevant independent third parties, which are non-trade related, interest free and repayable on demand.
- (c) The amount mainly represents prepaid construction cost of RMB217,388,000 (2020: RMB224,499,000) for the Group's properties under development for sale.

The Group allows an average credit period of 30 days (2020: 30 days) to its trade customers from date of issuance of the invoices. Trade receivables arise from rental income which is invoiced in advance monthly or quarterly in accordance with the terms of the related rental agreements.

The following is an aged analysis of the Group's trade receivables presented based on the date of the properties delivered and date of demand note for rental income were recognised:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
0 – 30 days	1,750	4,742
31 – 90 days	169	1,058
Over 90 days	18,081	27,824
	20,000	33,624

14. TRADE AND OTHER PAYABLES AND ACCRUALS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade payables (<i>note</i>)	877,928	1,192,263
Other payables	722,638	372,670
Deposits received from tenants	26,296	27,540
Other tax payables	58,756	35,352
Accrued construction costs	710,986	670,081
	2,396,604	2,297,906

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Unbilled		
0 – 30 days	229,481	516,720
0 – 30 days	214,393	161,900
31 – 90 days	64,186	76,053
91 – 365 days	113,129	191,338
Over 1 year	256,739	246,252
	877,928	1,192,263

15. BANK AND OTHER BORROWINGS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Secured bank borrowings	6,531,232	5,713,965
Secured other borrowings	<u>1,674,000</u>	<u>2,716,000</u>
	<u>8,205,232</u>	<u>8,429,965</u>

The carrying amounts of the above borrowings are repayable based on scheduled repayment dates set out in the loan agreements as follows:

	Bank borrowings		Other borrowings	
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within one year	1,668,570	782,230	130,000	2,176,000
More than one year, but not exceeding two years	1,495,700	1,530,235	394,000	200,000
More than two years, but not exceeding five years	2,638,962	2,642,500	1,150,000	340,000
More than five years	<u>728,000</u>	<u>759,000</u>	<u>—</u>	<u>—</u>
	6,531,232	5,713,965	1,674,000	2,716,000
Less: Amounts due within one year shown under current liabilities	<u>(1,668,570)</u>	<u>(782,230)</u>	<u>(130,000)</u>	<u>(2,176,000)</u>
Amounts shown under non-current liabilities	<u>4,862,662</u>	<u>4,931,735</u>	<u>1,544,000</u>	<u>540,000</u>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

- Total revenue for the year ended 31 December 2021 was approximately RMB2,927.6 million, representing a decrease of approximately 9.2% as compared to approximately RMB3,225.1 million for the year ended 31 December 2020.
- Gross profit for the year ended 31 December 2021 was approximately RMB814.5 million, representing a decrease of approximately 28.6% as compared to approximately RMB1,140.9 million for the year ended 31 December 2020.
- Profit for the year ended 31 December 2021 was approximately RMB205.4 million, representing a decrease of approximately 62.0% as compared to approximately RMB540.9 million for the year ended December 2020.
- Profit attributable to owners for the year ended 31 December 2021 was approximately RMB169.7 million, representing a decrease of approximately 59.6% as compared to approximately RMB420.5 million for the year ended 31 December 2020.
- Basic earnings per share was RMB3.34 cents (2020: RMB8.27 cents).
- Contracted sales amount of the Group for the year ended 31 December 2021 amounted to approximately RMB5,473.7 million, representing an increase of approximately 22.5% as compared to approximately RMB4,466.8 million for the year ended 31 December 2020.
- Contracted gross floor area (“GFA”) was approximately 487,388 square meters (“sq.m.”) for the year ended 31 December 2021, representing an increase of approximately 16.5% as compared to approximately 418,359 sq.m. for the year ended 31 December 2020.

DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2021 (2020: Nil).

BUSINESS REVIEW

The Group is principally engaged in property development, and holding of property for investment and rental purpose.

Property development

As at 31 December 2021, the Group had 19 property projects under development which are situated in different cities in the PRC. Key cities include Shanghai, Fuzhou, Xian, Baoji and Hangzhou. The Group primarily focuses on the development of residential properties, as well as residential and commercial complex properties, product types including apartments, offices, retail shops and villas, etc.

Contracted property sales

During the year ended 31 December 2021, the Group achieved contracted sales of approximately RMB5,473.7 million with contracted GFA of approximately 487,388 sq.m., representing an increase of 22.5% in contracted sales and 16.5% in contracted GFA in comparison with the year ended 31 December 2020. The increase in contracted sales was mainly contributed from the new projects launched for pre-sales during the year ended 31 December 2021.

The table below illustrates the contracted sales (stated before the deduction of applicable taxes) achieved by the Group for the year ended 31 December 2021:

Property projects	Type	Contracted sales amount <i>RMB'000</i>	Contracted GFA <i>sq.m.</i>	Average price of contracted sales <i>RMB/sq.m.</i>	Percentage of total contracted sales amount <i>%</i>	Group interest <i>%</i>
Shanghai						
Sandi Manhattan	Commercial	862,508	25,983	31,647	15.8	100
Zhejiang Province						
Sandi Fengdan Yaju	Residential	808,563	53,709	14,630	14.8	100
Shaanxi Province						
Sandi Century New City	Residential/ Commercial	451,681	56,308	7,642	8.3	100
Sandi Jinyunfu	Residential	333,264	48,827	6,825	6.1	51
Sandi Jinyu Bowan	Residential/ Commercial	300,937	56,725	5,305	5.5	51
Sandi Jinyu Gaoxin	Residential/ Commercial	299,455	55,243	5,421	5.5	100

Property projects	Type	Contracted sales amount <i>RMB'000</i>	Contracted GFA <i>sq.m.</i>	Average price of contracted sales <i>RMB/sq.m.</i>	Percentage of total contracted sales amount %	Group interest %
Fujian Province						
Sandi Yungu Fengdan	Residential	422,692	38,788	10,815	7.7	51
Sandi Yasong Fengdan Garden	Residential	377,937	22,645	16,225	6.9	100
Wuyishan Sandi New Times Square	Residential/ Commercial	310,660	21,884	13,755	5.7	60
Sandi Fengdan Yazhu	Residential	265,842	12,030	21,352	4.9	100
Sandi Jinyu Yunjing	Residential/ Commercial	213,088	15,327	13,903	3.8	100
Others	Residential/ Commercial	827,107	79,919	9,559	15.0	
Total		<u>5,473,734</u>	<u>487,388</u>	10,862	<u>100</u>	
Attributable to the Group		<u>4,696,594</u>	<u>397,123</u>			

Notes:

- (i) Contracted sales and the calculation of average selling price are based on the sales revenue before the deduction of business/value-added tax and other surcharges/taxes.
- (ii) Contracted sales and GFA attributable to the car parking spaces are excluded in the contracted GFA and average selling price calculation.

Property under development

The table below summarises the major property development projects of the Group as at 31 December 2021:

Property projects	Expected completion dates	Site area <i>sq.m.</i>	Completed		GFA under development <i>sq.m.</i>	Planned GFA for future development <i>sq.m.</i>	Group's interest %
			Saleable GFA delivered/pre-sold <i>sq.m.</i>	GFA available for sale <i>sq.m.</i>			
Fujian Province							
Sandi Fengdan Yazhu	2022	58,169	–	–	136,815	–	100
Sandi Jiangshan Waterfront	2023	310,176	10,525	–	215,010	40,086	100
Sandi Jinyu Yunjing	2023	29,332	–	–	67,193	–	100
Sandi Jinyu Yunyue	2023	17,386	–	–	15,383	–	100
Sandi Xishanyuan	2023	177,010	–	–	96,449	–	100
Sandi Yasong Fengdan Garden	2023	38,539	–	–	39,825	–	100
Sandi Yungu Fengdan	2022	57,813	–	–	115,772	–	51
Sandi Yunqitai	2023	60,928	–	–	96,879	–	51
Wuyishan Sandi New Times Square	2023	168,669	65,673	13,707	86,761	–	60
Shaanxi Province							
Qujiang Xiangsong Fengdan · Xian Sandi	2022	124,304	240,290	40,035	153,948	–	100
Sandi Bahe Yihao	2024	134,723	–	–	426,176	–	70
Sandi Century New City	2022	169,923	947,531	59,679	135,084	–	100
Sandi Jinyu Bowan	2024	59,789	–	–	99,573	–	51
Sandi Jinyunfu	2022	40,592	–	–	77,331	–	51
Sandi Jinyu Gaoxin	2023	65,157	–	–	178,508	–	100
Sandi Yunding Fengdan	2024	52,870	–	–	130,679	–	100

Property projects	Expected completion dates	Site area <i>sq.m.</i>	Completed		GFA under development <i>sq.m.</i>	Planned GFA for future development <i>sq.m.</i>	Group's interest %
			Saleable GFA delivered/pre-sold <i>sq.m.</i>	GFA available for sale <i>sq.m.</i>			
Shanghai							
Sandi Manhattan	2024	104,251	136,172	81,889	120,280	–	100
Zhejiang Province							
Sandi Fengdan Yaju	2023	27,491	–	–	54,769	–	100
Sandi Yasong Meizhu	2023	<u>37,252</u>	<u>–</u>	<u>–</u>	<u>66,090</u>	<u>–</u>	100
Total		<u>1,734,374</u>	<u>1,400,191</u>	<u>195,310</u>	<u>2,312,525</u>	<u>40,086</u>	
Attributable to the Group		<u>1,519,120</u>	<u>1,373,922</u>	<u>189,827</u>	<u>1,959,086</u>	<u>40,086</u>	

Notes:

- (i) The table above includes properties for which the Group has obtained the relevant land use rights certificate(s) but has not obtained the requisite construction permits or the Group has received the confirmation letter(s) on bidding of granting land use rights but is in progress to obtain the land use right certificate(s). The figures for “GFA available for sale”, “GFA under development” and “Planned GFA for future development” are based on figures provided in the relevant governmental documents, such as the property ownership certificates, the construction work planning permits, the pre-sale permits, the construction land planning permits or the land use rights certificate. The categories of information are based on our internal records.
- (ii) The figures of “Saleable GFA pre-sold” and “GFA available for sale” include saleable GFA of car parks spaces; while figures of “GFA under development” and “Planned GFA for future development” also include non-saleable GFA such as ancillary area.
- (iii) “GFA available for sale”, “GFA under development” and “Planned GFA for future development” are derived from the Group’s internal records and estimates.

The following section provides further details of major ongoing projects of the Group.

Fujian Province

Sandi Yasong Fengdan Garden

Sandi Yasong Fengdan Garden (“Yasong Fengdan”) is a residential project located in Gaoxin District, Nanyu County, Fuzhou City, Fujian Province with a total site area of approximately 38,539 sq.m.. Gaozin District is the fourth commercial district in Fuzhou City and Yasong Fengdan is close to 117 County Road, Qishan Avenue and Gaoxin Avenue, the central area of Gaozin District.

Yasong Fengdan is designed as an intelligent community and planned to be developed into 7 high-rise apartment buildings and 11 low-rise apartment buildings with ancillary facilities, including a supermarket. There is nearly 35% greening area inside the community. The project has been launched for pre-sales in September 2020. The contracted sales amount of approximately RMB710.4 million was recorded during the period from the pre-sales day up to 31 December 2021.

Sandi Jinyu Yunjing

Sandi Jinyu Yunjing (“Jinyu Yunjing”) is the first project of Jinyu series in Longyan City, Fujian Province. It is a privileged quality residential area with a commercial complex project located in Xinluo District, Longyan City with a total site area of approximately 29,332 sq.m..

Jinyu Yunjiung is situated at the intersection of Gongye Road and Xinlu Road, linking to Longyan Bridge. It is in the vicinity of Xinhua Plaza, Minxi Trading Center and Exhibition Center.

Jinyu Yunjiung is planned to be developed into 6 high-rise apartment buildings with ancillary facilities, including a kindergarten and a wet market. There is approximately 30% to 40% greening area inside the community. The project has been launched for pre-sales in February 2021. The contracted sales amount of approximately RMB230.0 million was recorded during the period from the pre-sales day up to 31 December 2021.

Shaanxi Province

Sandi Jinyu Gaoxin

Sandi Jinyu Gaoxin (“Jinyu Gaoxin”) is the third project of Jinyu series in Baoji City, Shaanxi Province. Jinyu series belongs to the privileged quality residential project category which seeks to maximize the green environment and create designs which suit the demand of customers.

Jinyu Gaoxin is located in Gaoxin Development Zone in Baoji City with a total site area of approximately 65,157 sq.m.. It is the first project of the Group in Gaoxin Development Zone and at the central area of the zone which is close to Fang Huang Bridge and Gaoxin Avenue.

Jinyu Gaoxin is planned to be developed into 9 high-rise apartment buildings and 7 houses with ancillary facilities, including a kindergarten. There is nearly 40% greening area inside the community. The project has been launched for pre-sales in August 2019. The contracted sales amount of approximately RMB831.6 million was recorded during the period from the pre-sales day up to 31 December 2021.

Sandi Yunding Fengdan

Sandi Yunding Fengdan (“Yunding Fengdan”) is located in Huazhou Central Residential Zone, Huazhou District, Weinan City, Shaanxi Province with a total site area of approximately 52,870 sq.m.. Huazhou Central Residential Zone is on the west of Huazhou District, which is planned by the government as a residential area in Huazhou District.

Yunding Fengdan is taking advantage of the residential zone with ancillary facilities, such as a hospital and the largest school zone in Huazhou District, which are in the vicinity of the community.

Yunding Fengdan is planned to be developed into 15 residential properties with a commercial complex. There is nearly 35% greening area inside the community. The project has been launched for pre-sales in September 2019. The contracted sales amount of approximately RMB317.2 million was recorded during the period from the pre-sales up to 31 December 2021.

Zhejiang Province

Sandi Fengdan Yaju

Sandi Fengdan Yaju (“Fengdan Yaju”) is located in Qiantang New District, Hangzhou City, Zhejiang Province. Qiantang New District is one of the high-speed developing area in Hangzhou City, which is a “Pudong New Area” of Hangzhou planned by the government.

Fengdan Yaju is 12 kilometers from Hangzhou Xiaoshan Airport. Nearby Fengdan Yaju, there are two metro lines in construction and is planning to have a high-speed railway station. In addition, there are national wetland park, commercial areas, school and hospital nearby Fengdan Yaju.

Fengdan Yaju is a privileged quality project of the Group, and planned to be developed into 6 high-rise apartment buildings and a low-rise apartment building. The project has been launched for pre-sales in August 2021. The contracted sales amount of approximately RMB784.5 million were recorded during the period from the pre-sales day up to 31 December 2021.

Shanghai

Sandi Manhattan

Shanghai Sandi Manhattan project (“Sandi Manhattan”) is a major project of the Group in Shanghai. It is situated in the prime location of Shanghai Songjiang District, Songjiang New Town International Ecology Business District with a site area of approximately 104,251 sq.m.. Sandi Manhattan is a mixed-use development complex, including offices, shopping malls and hotels. Approximately 218,060 sq.m. GFA was completed up to December 2021 of which approximately 87,505 sq.m. GFA are the investment properties of the Group. Hyatt Regency Shanghai Songjiang (“Hyatt Regency”) and Shanghai Sandi Xintiandi (“Sandi Xintiandi”), the projects of Sandi Manhattan, opened in July and December 2021, respectively.

Hyatt Regency, an international 5-star hotel, belongs to one of the major investment properties of the Group in Sandi Manhattan. Hyatt Regency is located at the core area of Songjiang New Town International Ecology Business District and provides privileged services to guests. It provides multi-functional spaces of approximately 1,900 sq.m. and 256 guestrooms, including 18 suites, with floor-to-ceiling views of Wulong Lake, gardens or Ecology Business District skyline.

Sandi Xintiandi is also located at the core area of Songjiang New Town International Ecology Business District. It is the first ecology semi-open commercial complex project, with approximately 170,000 sq.m. GFA. The contracted sales amount of approximately RMB1,354.2 million were recorded during the period from the pre-sales day up to 31 December 2021.

Land bank replenishment

The Group’s strategy is to maintain the sufficiency of land bank portfolio to support the Group’s own development pipeline for the next few years. As at 31 December 2021, the Group had a quality land bank amounting to a total GFA of approximately 2,585,000 sq.m., of which approximately 2,218,000 sq.m. were attributable to the owners of the Company.

The table below summarises the landbank by location as at 31 December 2021:

Landbank by location	Total GFA <i>'000 sq.m.</i>	Attributable GFA <i>'000 sq.m.</i>
Shannxi Province	1,314	1,099
Fujian Province	948	796
Shanghai	202	202
Zhejiang Province	121	121
Total	<u>2,585</u>	<u>2,218</u>

Property Investment

During the year ended 31 December 2021, the Group recognised rental income and property management and related fee income of approximately RMB159.9 million (2020: approximately RMB128.3 million), which was mainly generated by two furniture malls situated in Fuzhou and Baoji. The Group's investment properties also include hotels, kindergarten, commercial and office premises, all of which are all located in the PRC and generated a stable income stream to the Group.

Sets out below were the major investment properties held by the Group as at 31 December 2021:

Location	Existing/ Intended use(s)	Approximate GFA <i>sq.m.</i>	Group's interest %
Completed investment properties			
Fujian Province			
Sandi Furniture Plaza, No. 173 Gongye Road, Yizhou Street, Taijiang District, Fuzhou City	Shopping Mall	113,252	100%
Fuzhou Sandi Chuangfu Square Zone B, Fuxiz Road, Cangshan District, Fuzhou City	Commercial/ Hotel	48,713	100%
Various blocks, Sandi Kaixuan Fengdan, No. 202 Minjiang Avenue, Cangshan District, Fuzhou City	Commercial/ Hotel	13,477	100%
Shaanxi Province			
Red Star Macalline, Block 196 No. 8 Bao Guo Road Jin Tai District, Baoji City	Shopping Mall	63,643	100%
Sandi Plaza, Block 186 No. 8 Bao Guo Road Jin Tai District, Baoji City	Shopping Mall	63,125	100%
Ramada Hotel Block No. 184 No. 8 Bao Guo Road Jintai District, Baoji City	Hotel	15,181	100%
Pesht Boutique, Block No. 25 No. 8 Bao Guo Road Jintai District, Baoji City	Hotel	12,248	100%
Jinjiang Inn, Block No. 18 No. 8 Bao Guo Road Jintai District, Baoji City	Hotel	7,094	100%

Location	Existing/ Intended use(s)	Approximate GFA <i>sq.m.</i>	Group's interest %
Shanghai			
Lot N5, No. 11 Zhongshan Street Neighbourhood, Congjiang District	Commercial/ Hotel	61,434	100%
Lot N11, No. 11 Zhongshan Street Neighbourhood, Songjiang District	Commercial	26,071	100%
Investment properties under construction			
Fujian Province			
Tang Kou, Xi Nan Village, Ge Ling Town, Yongtai County, Fuzhou City	Hotel	89,187	100%
Northwest of Huandao East Road and Jinsan Road, 06 -11 Wutong Gaolin Area, Huli District, Xiamen City	Hotel	39,850	100%
Shanghai			
Lot N6, No. 11 Zhongshan Street Neighbourhood, Songjiang District	Commercial/ Hotel	117,629	100%
Zhejiang Province			
Northwest of Weiliu Road and Jingwu Road, Qiantang New District, Hangzhou City	Residential	16,356	100%
Northeast of Jingsi Road and Changfeng Road, Qiantang New District, Hangzhou City	Residential	8,337	100%

Significant event during the Year

Discloseable transaction – Provision of Guarantees and Mortgages

On 19 November 2021, each of Shanghai Sandi Real Estate Development Co. Ltd, Fuzhou Gaojia Real Estate Development Co. Ltd, Wuyishan Gajia Real Estate Development Co. Ltd and Yongtai Gajia Real Estate Development Co. Ltd (collectively the “Guarantors” and the “Mortgage Providers”), wholly-owned subsidiaries of the Company, entered into (i) a guarantee contract (collectively, the “Guarantee Contracts”) with Xiamen International Bank Co. Ltd., Fuzhou Branch (the “Bank”), pursuant to which each Guarantor agreed to provide joint and several guarantee for the repayment obligations of Fujian Aibang Construction Engineering Co., Ltd (the “Borrower”) in respect of the facility in the maximum amount of RMB260 million made available by the Bank to the Borrower (the “Facility”); and (ii) a mortgage contract for a maximum period of two years, pursuant to which each Mortgage Provider agreed to mortgage certain land, properties and carpark spaces in favour of the Bank as security for the repayment obligations of the Borrower in respect of the Facility.

Further details are set out in the announcement of the Company dated 22 November 2021.

OUTLOOK

In 2021, with series of anti-pandemic measures implemented by the government and the ongoing vaccination schemes, the pandemic is currently under control in the PRC. The economic activities have been fully resumed and further encouraged a stronger and sustainable growth.

Looking ahead, although the economic environment is further recovering and growing in the PRC, it still has to face various challenges, uncertainty and instability. The regulatory policies on the real estate industry, especially the speculations in the second-hand real estate market, are unlikely to be relaxed in the near future. The Group mainly provides privileged quality residential housing, and the People’s Bank of China has cut interest rates and promoted credit easing recently. Therefore, we could seize the opportunity to seek and acquire privileged quality land parcels actively, in order to expand our market share in the real estate market in the PRC, and to drive the diversified development of the Group. Meanwhile, the government’s stabilization policy on the real estate market has played a key role in the development of the domestic economic system. The Group would actively collaborate and take part in the stabilization policy, and be confident to the future economic development in the PRC.

OPERATING RESULTS AND FINANCIAL REVIEW

Revenue

The Group's revenue is primarily derived from property sales, which contributed approximately 94.5% of the revenue for the year ended 31 December 2021. The table below sets forth the breakdown of the Group's revenue by operating segment as indicated:

	For the year ended 31 December 2021		For the year ended 31 December 2020	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Property sales	2,767,676	94.5	3,096,792	96.0
Property investment	159,878	5.5	128,296	4.0
	<u>2,927,554</u>	<u>100</u>	<u>3,225,088</u>	<u>100.0</u>

Revenue from property sales

The Group's revenue from property sales decreased to approximately RMB2,767.7 million for the year ended 31 December 2021 (2020: approximately RMB3,096.8 million).

The table below summarises the revenue from property sales for the year ended 31 December 2021:

Property projects	Type	Sales revenue <i>RMB'000</i>	GFA <i>sq.m.</i>	Average selling price <i>RMB/sq.m.</i>	Percentage of total amount %
Shaanxi Province					
Qujiang Xiangsong Fengdan · Xian Sandi	Residential/Commerical	821,704	56,750	13,378	29.7
Sandi Century New City	Residential/Commerical	503,590	65,579	7,666	18.2
Fujian Province					
Wuyishan Sandi New Times Square	Residential	761,528	63,451	11,907	27.5
Shanghai					
Sandi Manhattan	Commercial	549,354	17,273	30,382	19.8
Others	Residential/Commercial	131,500	15,921	7,155	4.8
Total		<u>2,767,676</u>	<u>218,974</u>	12,130	<u>100.0</u>

Notes:

- i. Sales revenue amount and the calculation of average price are based on the sales revenue after the deduction of business/value-added tax and other surcharges/taxes.
- ii. GFA and sales revenue attributable to the car parking spaces are excluded in the GFA sold and the average selling price calculation.

Revenue from property investment

Revenue from property investment including rental income and property management and related fee income amounted to approximately RMB159.9 million for the year ended 31 December 2021 (2020: approximately RMB128.3 million), which was derived from the Group's investment properties situated in the PRC, including shopping malls, commercial buildings and kindergartens.

Cost of properties sales

The Group's cost of properties sales increased to approximately RMB2,106.2 million for the year ended 31 December 2021 (2020: approximately RMB2,076.1 million). The increase was primarily attributable to the increase in the cost of construction materials during the year ended 31 December 2021 compared with 2020, which led to the increase in the cost of properties sales.

Change in fair value on investment properties and upon transfer to investment properties

For the year ended 31 December 2021, the Group recognised a net fair value gain of approximately RMB9.5 million on its investment properties (2020: approximately RMB18.2 million).

In addition, following a change of purpose of a property during the year ended 31 December 2020, the Group had reclassified the investment property which previously classified as inventories of properties. As a result, an increase in fair value of approximately RMB82.9 million was recognised to the consolidated statement of profit or loss and an increase in fair value of approximately RMB402.0 million was recognised to properties revaluation reserve during the year ended 31 December 2020.

During the year ended 31 December 2021, the Group had reclassified the investment properties which previously classified as properties under development and the relevant right-of-use assets. Since there was insignificant difference of the fair value, no change in fair value upon transfer to investment properties was recognised during the year ended 31 December 2021.

Change in fair value of derivative components of convertible bonds

During the year ended 31 December 2021, the Group recognised a fair value gain of approximately RMB121.8 million (2020: approximately RMB48.3 million) on the derivative components of the convertible bonds with principal amount of HK\$500 million, issued to Primary Partner International Limited ("Primary Partner"), which is wholly-owned by Mr. Guo Jiadi ("Mr. Guo"), on 30 January 2019 as the consideration for acquisition of All Excel Industries Limited. The derivative component of the convertible bonds represented the conversion option to convert into shares of the Company and early redemption option before its maturity date on 30 January 2024, which were classified as derivative financial instrument and measured at fair value with changes in fair value recognised in profit or loss.

Other gains and losses

The Group recognised net other gains of approximately RMB33.6 million for the year ended 31 December 2021 (2020: approximately RMB74.0 million), which was mainly attributed to net exchange gain during the Year as mentioned above.

Gain on disposal of financial assets at FVTPL

During the year ended 31 December 2021, the Group fully disposed of 6,000,000 shares in Town Health International Medical Group Limited (stock code: 3886.HK). There was net realised gain of approximately RMB2.6 million (2020: a net realised losses of approximately RMB4.1 million) during the year ended 31 December 2021.

Selling and marketing expenses

The Group's selling and marketing expenses increased by approximately RMB22.6 million from approximately RMB195.8 million for the year ended 31 December 2020 to approximately RMB218.4 million for the year ended 31 December 2021, which was mainly due to the increase in sales commission recognised during the Year.

Administrative expenses

The Group's administrative expenses increased by approximately RMB0.4 million from approximately RMB213.6 million for the year ended 31 December 2020 to approximately RMB214.0 million for the year ended 31 December 2021.

Finance costs

Finance costs consist of interest expenses on banks and other borrowings, convertible bonds, promissory note, contract liabilities, amounts due to a related company and lease liabilities. The finance costs amounted to approximately RMB178.2 million (2020: approximately RMB103.1 million) for the year ended 31 December 2021. The increase in finance cost was attributable to contract liabilities.

Income tax expense

Income tax expense mainly comprises the PRC enterprise income tax and land appreciation tax amounted to approximately RMB178.3 million for the year ended 31 December 2021 (2020: approximately RMB314.2 million). The substantial decrease was mainly attributable to the decrease in sales of properties recognised during the Year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2021, the Group had bank and other borrowings of approximately RMB8,205.2 million denominated in RMB (31 December 2020: approximately RMB8,429.9 million denominated in RMB) and other debts comprising convertible bonds, promissory note and amounts due to a related company in total amount to approximately RMB1,346.2 million denominated in HK\$ and RMB (31 December 2020: approximately RMB1,299.7 million denominated in HK\$ and RMB). As at 31 December 2021 and 2020, all bank and other borrowings were secured with fixed interest rate. The bank and other borrowings with maturities falling due within one year, in the second year, in the third to the fifth year, over five years amounted to approximately RMB1,798.6 million, RMB1,889.7 million, RMB3,788.9 million and RMB728.0 million, respectively (31 December 2020: approximately RMB2,958.2 million, RMB1,730.2 million, RMB2,982.5 million and RMB759.0 million, respectively). Further details of the bank and other borrowings, are set out in note 15, to the consolidated financial statements in this announcement.

As at 31 December 2021, the Group had cash and cash equivalents of approximately RMB592.9 million (31 December 2020: approximately RMB838.0 million) which were mainly denominated in HK\$ and RMB.

As at 31 December 2021, the gearing ratio for the Group was approximately 175.5% (31 December 2020: approximately 181.2%), calculated based on the net debts (comprising bank and other borrowings and other debts comprising convertible bonds, promissory note and amounts due to a related company less cash and cash equivalent) of approximately RMB8,958.5 million (31 December 2020: approximately RMB8,891.6 million) over the total equity of approximately RMB5,105.7 million (31 December 2020: approximately RMB4,906.7 million). The debt ratio was approximately 83.0% (31 December 2020: approximately 81.9%), calculated as total liabilities over total assets of the Group.

The Group's current available liquidity resources are sufficient to meet its capital commitments. As at 31 December 2021, the Group's net current assets amounted to approximately RMB3,564.9 million (31 December 2020: approximately RMB3,178.6 million). The Group's current ratio, being percentage of its current assets and its current liabilities, amounted to approximately 122.6% (31 December 2020: approximately 122.6%).

The Group continued to adopt a prudent funding and treasury policy to manage its liquidity needs. The objective is to maintain adequate funds for financing working capital and capture investment opportunities as and when they become available. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to Shareholders, issue new shares or sell assets to reduce debt.

CAPITAL STRUCTURE

The capital structure of the Group and fund raising activities during the year ended 31 December 2021 are summarised as follows:

(i) Bank and other borrowings

As at 31 December 2021, the Group had bank and other borrowings of approximately RMB8,205.2 million (31 December 2020: approximately RMB8,429.9 million), of which approximately RMB1,798.6 million are repayable within one year and approximately RMB6,406.6 million are repayable beyond one year. The Group's bank and other borrowings bear interest rates ranging from approximately 4.75% to 12.8% per annum. All the bank and other borrowings were denominated in RMB.

(ii) Promissory note

As at 31 December 2021 and 2020, the Company had a 5-year promissory note (the "Promissory Note") with principal amount of HK\$600 million issued to Mr. Guo, the chairman of the Board and an executive Director, with interest to be 3% per annum for the first and second years after the date of issuance, 4.5% per annum for the third and fourth years after the date of issuance and 6% per annum for the fifth year after the date of issuance, with interest payable annually in arrears and the principal will be repaid when the Promissory Note falls due on 30 January 2024. Promissory Note is denominated in HK\$. There was no early redemption of the Promissory Note requested by the Company or Mr. Guo during the year ended 31 December 2021.

(iii) Convertible bonds

As at 31 December 2021 and 2020, the Company had a 5-year convertible bonds (the "CBs") with principal amount of HK\$500 million to Primary Partner, which is wholly-owned by Mr. Guo, the chairman of the Board and an executive Director, with interest to be 1% per annum payable annually in arrears and carrying a conversion price of HK\$0.412 per conversion share, with conversion rights to convert into a maximum of 1,213,592,233 shares. The principal will be repaid when the CBs fall due on 30 January 2024 if no conversion happened on or before 30 January 2024. The CBs are denominated in HK\$. There was no early redemption of the CB requested by the Company or Mr. Guo during the year ended 31 December 2021.

(iv) Amounts due to a related company

As at 31 December 2021 and 2020, Nanping Sandi Yungu Real Estate Development Co., Limited, a subsidiary of the Company, had a 3-year borrowing with principal amount of RMB233.75 million, from Fujian Sandi Real Estate Development Co., Limited (“Fujian Sandi”), which is ultimately controlled by Mr. Guo. Interest is payable quarterly with interest rate of 12% per annum and the principal will be required to be fully repaid when the borrowing falls due on 14 April 2023.

As at 31 December 2021, Nanping Sandi Yunfu Real Estate Development Co., Limited, a subsidiary of the Company, had 2 year borrowings with principal amount of RMB82.0 million and RMB96.0 million, respectively, from Fujian Sandi. Interest is payable quarterly with interest of 9% and 11% per annum, respectively. The principal of the 2-year borrowings will be required to be fully repaid when the borrowings fall due on 6 January 2023 and 28 April 2023, respectively.

As at 31 December 2021, Wuyishan Gaojia Real Estate Development Co., Limited, a subsidiary of the Company, had a 2-year borrowing with principal amount of RMB32.0 million, from Fujian Sandi. Interest is payable monthly with interest of 9% per annum and the principal will be required to be fully repaid when the borrowing falls due on 13 January 2023.

There is no early repayment of the borrowings requested by Fujian Sandi during the year ended 31 December 2021.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Except for investment in subsidiaries, there were no significant investments held by the Group as at 31 December 2021.

The Group had no other material acquisitions or disposal of subsidiaries, associates and joint ventures during the year ended 31 December 2021.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

There was no material subsequent event undertaken by the Company or by the Group after 31 December 2021 and up to the date of this announcement.

CHARGE ON THE GROUP’S ASSETS

As at 31 December 2021, the Group had pledged certain investment properties, properties under development, land use rights and certain inventories of properties of an aggregate carrying value of approximately RMB22,182.3 million (31 December 2020: approximately RMB18,071.3 million) together with certain rental proceeds over investment properties, and shares of certain subsidiaries of the Group to secure the bank and other facilities granted to the Group.

CONTINGENT LIABILITIES

The Group had entered into agreements with certain banks to provide guarantees in respect of mortgage facilities granted to purchasers of the Group's properties. As at 31 December 2021, the Group provided guarantees for mortgage loans in an amount of approximately RMB6,237.3 million (31 December 2020: approximately RMB5,433.6 million) to banks in respect of such agreements. Certain subsidiaries of the Group has provided corporate guarantees of approximately RMB896.6 million (31 December 2020: approximately RMB981.2 million) to certain financial institutions in respect of loan facilities granted to certain companies that were indirectly wholly owned or controlled by Mr. Guo. In addition, certain subsidiaries of the Group had also provided corporate guarantees amounting to approximately RMB270.0 million (31 December 2020: approximately RMB122.9 million) to certain financial institutions in respect of loan facilities granted to certain independent third parties during the year ended 31 December 2021.

COMMITMENTS

As at 31 December 2021, the Group had capital commitments in respect of investment properties, properties under development and property, plant and equipment amounted to approximately RMB1,098.4 million (31 December 2020: approximately RMB1,070.7 million).

FOREIGN EXCHANGE EXPOSURE

The Group has transactional currency exposures. Such exposures arise from the business operations in the PRC and Hong Kong denominated in RMB and HK\$, respectively. The functional currency of the Company and its subsidiaries which operate in Hong Kong as investment holdings companies and its principal operating subsidiaries in the PRC is RMB. As at 31 December 2021, the Group did not have a foreign currency hedging policy in respect of its foreign currency assets and liabilities. The Group will closely monitor its foreign currency exposure and will consider using hedging instruments in respect of significant foreign currency exposure as and when appropriate. As at 31 December 2021, the Group had no investment in any financial derivatives, foreign exchange contracts, interest or currency swaps, hedging or other financial arrangements for hedging purposes to reduce any currency risk nor made any over-the-counter contingent forward transactions.

EMPLOYEES

As at 31 December 2021, the Group employed a total of 490 employees (31 December 2020: 658 employees) of which 488 employees (31 December 2020: 656 employees) were hired in the PRC and 2 employees (31 December 2020: 2 employees) in Hong Kong. Total remuneration paid to the employees for the year ended 31 December 2021 amounted to approximately RMB176.4 million (2020: approximately RMB144.9 million). In addition to competitive remuneration package offered to the employees, the Group also provides other benefits including contributions to mandatory provident fund, as well as group medical and accident insurance. On-going training sessions were also conducted to enhance the competitiveness of the Group's human assets. The Company also maintains a share option scheme, pursuant to which share options may be granted to the Directors, executives and employees of the Company to provide them with incentives in the growth of the Group.

PROPERTY VALUATION

Property valuation on the Group's investment properties located in the PRC as at 31 December 2021 had been carried out by an independent qualified professional valuer, Graval Consulting Limited. The property valuation was used in preparing the annual results. The valuation was based on income capitalization approach by making reference to comparable market information as available in the relevant markets. For investment properties under development, the valuation has also taken into account the construction costs expended and to be expended to complete the development. The Group's investment properties were valued at approximately RMB10,564.7 million as at 31 December 2021 (31 December 2020: approximately RMB8,681.4 million). A net fair value gain of approximately RMB9.5 million (2020: approximately RMB18.2 million) was recognised to the consolidated statement of profit or loss for the year ended 31 December 2021.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as its code of conduct in respect of the securities dealing by the Directors. The Company has made specific enquiry to all Directors in respect of the securities dealing by the Directors and all Directors confirmed that they have complied with the Model Code during the year ended 31 December 2021.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

CORPORATE GOVERNANCE

The corporate governance principles of the Company emphasise an effective Board, sound internal control, appropriate independence policy, transparency and accountability so as to safeguard the interests of the Shareholders.

The Board is committed to comply with the code provisions (the "Code Provisions") as set out in the Corporate Governance Code (the "CG Code") under Appendix 14 to the Listing Rules to the extent that the Directors consider it to be practical and applicable to the Company. During the year ended 31 December 2021 and up to the date of this announcement, the Company has complied with the CG Code (version up to 31 December 2021) except for the following deviations:

Code Provision A.1.1 (which has been re-numbered as code provision C.5.1 since 1 January 2022)

During the year ended 31 December 2021, the Board held two board meetings instead of holding at least four board meetings a year as required under the code provision A.1.1. The Board considers that it is more efficient to hold board meeting to address emerging issues as appropriate. Sufficient measures have been taken to ensure that there is efficient communication among the Directors.

Code Provision A.2.1 (which has been re-numbered as code provision C.2.1 since 1 January 2022)

The roles of the chairman and the chief executive officer should be segregated and not be exercised by the same individual. The chairman is responsible for the corporate strategic planning and formulation of corporate policies for the Group, while the chief executive officer is responsible for overseeing day-to-day management of the Group's business.

Mr. Guo currently serves as the chairman of the Board (the "Chairman").

Up to date of this announcement, no individual was appointed as the chief executive officer of the Company (the "CEO"). The day-to-day management of the Group's business is monitored by the executive Directors and senior management. Given the size of the Group, the current business operations and administration have been stable, the Board is of the view that the current management structure is able to effectively discharge the duties of both positions. However, going forward, the Board will review from time to time and separate the roles of the Chairman and the CEO when necessary.

Code Provision E.1.2 (which has been re-numbered as code provision F.2.2 since 1 January 2022)

The code provision E.1.2 stipulates, among other things, that the chairman of the issuer should attend the annual general meeting.

Mr. Guo being the Chairman, was unable to attend the annual general meeting of the Company held on 28 May 2021 (the "2021 AGM") due to other commitment and Mr. Guo appointed Mr. Chan Yee Ping, Michael, an independent non-executive Director, to act as his representative and take the chair of 2021 AGM to ensure that proceedings of the meeting would be conducted in order. This constituted a deviation of the code provision E.1.2.

The Company considers that sufficient measures have been taken to ensure the Company's corporate governance practices are no less exacting than those in the CG Code. The Board will continue to monitor and review the Company's corporate governance practices in order to ensure that such practices may meet the general rules and standards as required by the Listing Rules. The Board believes that sound and reasonable corporate governance practices are essential for sustainable growth of the Group and for benefit of the Group and the Shareholders as a whole.

In addition, the Board will adopt the new CG Code (version with effect from 1 January 2022), the requirements under which shall apply to the Company's corporate governance report in the forthcoming financial year ending 31 December 2022.

AUDIT COMMITTEE

The Company has established an audit committee (the “Audit Committee”) for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. It also reviews the effectiveness of the audit process and risk evaluation. The Audit Committee which comprised Mr. Chan Yee Ping, Michael, Ms. Ma Shujuan and Mr. Lam Wai Fung, Dominic, being all the independent non-executive Directors, has reviewed the accompanying financial statements prior to their publication. The Audit Committee has reviewed with management, the Group’s consolidated results for the year ended 31 December 2021, and was of the opinion that the accounting policies of the Group are in accordance with the current best practice in Hong Kong.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in this preliminary announcement have been agreed by the Group’s auditor (the “Auditor”), Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by the Auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Auditor on this preliminary announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.chinasandi.com.cn). The annual report of the Company for the year ended 31 December 2021 will be despatched to the Shareholders and will be published on the aforesaid websites in due course.

APPRECIATION

On behalf of the Board, I would like to thank our valued customers, suppliers and business associates for their invaluable contributions and support. I also want to express my gratitude to our management team and all staff of the Group for their hard work during the year. Last but not least, I am most grateful to our Shareholders for their continuous support and confidence.

By order of the Board
China Sandi Holdings Limited
Guo Jiadi
Chairman

Hong Kong, 31 March 2022

As at the date of this announcement, the Board comprises Mr. Guo Jiadi, Ms. Amika Lan E Guo and Mr. Wang Chao, being the executive Directors; Mr. Chan Yee Ping, Michael, Ms. Ma Shujuan and Mr. Lam Wai Fung, Dominic, being the independent non-executive Directors.