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銀城國際控股有限公司

YINCHENG INTERNATIONAL HOLDING CO., LTD.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1902)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022**

HIGHLIGHTS

- Revenue in 2022 was approximately RMB8,694.8 million, representing a decrease of approximately 0.6% as compared to approximately RMB8,747.0 million in 2021.
- Gross profit in 2022 was approximately RMB2,539.4 million, representing an increase of approximately 68.6% as compared to approximately RMB1,506.1 million in 2021. Gross profit margin in 2022 was approximately 29.2%, indicating an increase of approximately 12.0 percentage points as compared to that in 2021.
- The Group recorded a loss of approximately RMB772.1 million in 2022, representing a decrease of approximately 259.1% as compared to a profit of approximately RMB485.4 million in 2021. Net loss margin in 2022 was approximately 8.9%, indicating a decrease of approximately 14.4 percentage points as compared to the net profit margin in 2021.
- The Group recorded a loss attributable to owners of the parent of approximately RMB999.9 million in 2022, representing a decrease of approximately 806.1% as compared to a profit attributable to owners of the parent of approximately RMB141.6 million in 2021.
- Contracted sales amount in 2022 was approximately RMB12,586.8 million, representing a decrease of approximately 50.2% as compared to that in 2021; contracted sales GFA in 2022 was approximately 612,932 sq.m., representing a decrease of approximately 46.0% as compared to that in 2021.

ANNUAL RESULTS

The board of directors (the “**Board**”) of Yincheng International Holding Co., Ltd. (the “**Company**”) is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2022 with comparative figures for the year ended 31 December 2021. The annual results have been prepared in accordance with the International Financial Reporting Standards (the “**IFRS(s)**”) and reviewed by the audit committee of the Company (the “**Audit Committee**”).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
REVENUE	4	8,694,766	8,746,959
Cost of sales		<u>(6,155,332)</u>	<u>(7,240,810)</u>
GROSS PROFIT		2,539,434	1,506,149
Other income and gains	4	103,695	92,459
Selling and distribution expenses		(324,725)	(277,614)
Administrative expenses		(220,279)	(245,710)
Other expenses		(774,364)	(141,662)
Fair value loss on investment properties, net		(48,060)	(3,212)
Finance costs	6	(239,531)	(253,007)
Share of profits and losses of:			
Joint ventures		(50,739)	(29,750)
Associates		(77,031)	32,542
PROFIT BEFORE TAX	5	908,400	680,195
Income tax expense	7	(1,680,496)	(194,751)
(LOSS)/PROFIT FOR THE YEAR		<u>(772,096)</u>	<u>485,444</u>
Attributable to:			
Owners of the parent		(999,885)	141,551
Non-controlling interests		227,789	343,893
		<u>(772,096)</u>	<u>485,444</u>
(LOSSES)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	9	<u>RMB(0.69)</u>	<u>RMB0.10</u>

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(26,449)</u>	<u>(21,953)</u>
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	(26,449)	(21,953)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Change in fair value	<u>(555,392)</u>	<u>(74,951)</u>
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	<u>(555,392)</u>	<u>(74,951)</u>
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	<u>(581,841)</u>	<u>(96,904)</u>
TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE YEAR	<u>(1,353,937)</u>	<u>388,540</u>
Total comprehensive (loss)/income attributable to:		
Owners of the parent	(1,581,726)	44,647
Non-controlling interests	<u>227,789</u>	<u>343,893</u>
	<u>(1,353,937)</u>	<u>388,540</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	<i>Notes</i>	2022	2021
		RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		587,475	789,090
Investment properties		3,118,000	3,093,300
Right-of-use assets		155,004	164,062
Intangible assets		6,624	5,879
Investments in joint ventures		992,619	678,544
Investments in associates		3,034,224	3,433,364
Deferred tax assets		550,707	447,868
Other non-current assets		12,750	20,498
Equity investments designated at fair value through other comprehensive income (“FVOCI”)		14,981	632,157
		<hr/>	<hr/>
Total non-current assets		8,472,384	9,264,762
		<hr/>	<hr/>
CURRENT ASSETS			
Properties under development		18,714,393	19,575,100
Completed properties held for sale		3,122,761	2,633,439
Trade receivables	11	8,469	9,113
Due from related companies		2,758,401	3,755,083
Prepayments, deposits and other receivables	10	3,381,188	3,696,804
Financial assets at fair value through profit or loss (“FVTPL”)		13,643	574,303
Tax recoverable		573,651	825,464
Contract cost assets		539,586	132,703
Inventories		631	623
Cash and bank balances		1,296,451	2,731,889
		<hr/>	<hr/>
Total current assets		30,409,174	33,934,521
		<hr/>	<hr/>
CURRENT LIABILITIES			
Trade and bills payables	12	4,170,152	3,880,873
Other payables, deposits received and accruals	13	1,465,004	1,346,798
Due to related companies		3,195,205	3,101,670
Interest-bearing bank and other borrowings		4,885,673	2,935,394
Senior notes		1,517,269	1,801,330
Lease liabilities		10,087	15,439
Contract liabilities		12,406,432	14,686,024
Tax payable		2,488,568	1,166,193
Provision for financial guarantee contracts		37,439	20,778
		<hr/>	<hr/>
Total current liabilities		30,175,829	28,954,499
		<hr/>	<hr/>
NET CURRENT ASSETS		233,345	4,980,022
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		8,705,729	14,244,784
		<hr/>	<hr/>

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	4,453,923	8,889,999
Lease liabilities	5,044	4,048
Deferred tax liabilities	116,620	136,968
	<hr/>	<hr/>
Total non-current liabilities	4,575,587	9,031,015
	<hr/>	<hr/>
NET ASSETS	4,130,142	5,213,769
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to owners of the Company		
Share capital	124,119	124,119
Treasury shares	(7)	(7)
Reserves	1,010,992	2,598,615
	<hr/>	<hr/>
	1,135,104	2,722,727
	<hr/>	<hr/>
Non-controlling interests	2,995,038	2,491,042
	<hr/>	<hr/>
TOTAL EQUITY	4,130,142	5,213,769
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. CORPORATE AND GROUP INFORMATION

The Company is an exempted company incorporated in the Cayman Islands. The registered office address of the Company is Sertus Chambers, Governors Square, Suite # 5-204, 23 Lime Tree Bay Avenue, P.O. Box 2547, Grand Cayman KY1-1104, Cayman Islands. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 6 March 2019.

The Company is an investment holding company. During the year ended 31 December 2022, the subsidiaries now comprising the Group were involved in property development, hotel operations, property investment and exhibition operation.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with IFRSs (which include all standards and interpretations approved by the IASB, and International Accounting Standards ("**IASs**"), Standing Interpretations Committee interpretations approved by the IASB that remain in effect), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, financial assets at FVTPL, equity investments designated at FVOCI and other financial liabilities which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Going concern basis

During the year ended 31 December 2022, the Group recorded a net loss of RMB772,096,000. As at 31 December 2022, the Group's total interest-bearing bank and other borrowings and senior notes amounted to RMB10,856,865,000, out of which RMB6,402,942,000 will be due for repayment within the next twelve months, while its cash and cash equivalents amounted to RMB330,774,000. As at 31 December 2022, the Group did not pay a principal of RMB541,043,000 of interest-bearing bank and other borrowings according to the repayment schedule. Subsequent to 31 December 2022, the Group did not repay a principal of RMB21,000,000 of interest-bearing other borrowings due in January 2023 and a principal of US\$95,965,000 (equivalent to RMB668,358,000) of senior notes due in March 2023. As a result, senior notes and interest-bearing bank and other borrowings with an aggregate principal amount of RMB900,688,000 became cross-default.

The above conditions indicate the existence of material uncertainties which may cast significant doubt over the Group's ability to continue as a going concern. In view of such circumstances, the directors of the Company have undertaken a number of plans and measures to improve the Group's liquidity and financial position, including:

- (i) the Group is seeking a financial adviser to assist it with a restructuring of its senior notes in order to reach a consensual solution with all the stakeholders as soon as practical;
- (ii) the Group is actively negotiating with several existing financial institutions on the renewal of certain borrowings;
- (iii) the Group is seeking for other alternative financing and bank borrowings to finance the settlement of its existing financial obligations and future operating and capital expenditures;
- (iv) the Group continues to implement measures to accelerate the sales of its properties under development and completed properties, and to speed up the collection of outstanding sales proceeds and other receivables; and
- (v) the Group will continue to seek opportunities to dispose of its assets, such as lands and equity interests in project development companies.

The directors of the Company are of the opinion that, taking into account the above plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due within the following twelve months from 31 December 2022. Accordingly, the directors of the Company are satisfied 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.

Notwithstanding the above, significant uncertainties exist as to whether the management of the Group will be able to implement the aforementioned plans and measures. Whether the Group will be able to continue as a going concern will depend upon the Group's ability to generate adequate financing and operating cash flows through the following:

- (i) successful completion of the restructuring of the Group's senior notes;
- (ii) successfully negotiate with the Group's existing lenders for the renewal or extension for repayment of the Group's bank and other borrowings;
- (iii) successfully seek for other alternative financing and bank borrowings to finance the settlement of its existing financial obligations and future operating and capital expenditures;
- (iv) successfully carry out the Group's business strategy plan including accelerating the sales of its properties and the collection of outstanding sales proceeds; and
- (v) successfully dispose the Group's other assets including lands and equity interests in project development companies and timely collection of the proceeds.

Should the going concern assumption be inappropriate, adjustments may have to be made to write down the values of assets to their recoverable amounts, to provide for any further liabilities that 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 information.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the Group) for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive loss or income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract</i>
<i>Annual Improvements to IFRSs 2018-2020</i>	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

The nature and the impact of the revised IFRSs that are applicable to the Group are described below:

- (a) Amendments to IFRS 3 replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2022. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2022, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *Annual Improvements to IFRSs Standards 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:

- **IFRS 9 Financial Instruments:** clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.

The Group has changed its accounting policy for the classification of interest paid in the consolidated statement of cash flows. In prior periods, interest paid was classified as cash flows from operating activities, whereas interest paid is now classified as cash flows from financing activities (the "**Policy Change**"). In the opinion of the directors of the Company, it is more appropriate to classify all cash flows in respect of the Group's borrowings as cash flows from financing activities in the consolidated statement of cash flows to reflect the nature of the cash flows of the Group's borrowings, including the interest paid as a cost of financing, and will provide more relevant information about the cash flows associated with the borrowings. The directors are also of the opinion that such classification and presentation will provide greater comparability with other industry peers of the Group. The comparative amounts have been restated accordingly.

Set out below are the amounts by which each financial statement line item was affected for the years ended 31 December 2022 and 2021 as a result of the Policy Change:

	2022	2021
	Decrease/ (increase)	Decrease/ (increase)
	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest paid	<u>(926,418)</u>	<u>(1,182,504)</u>
Increase in cash flows related to operating activities	<u>(926,418)</u>	<u>(1,182,504)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	<u>926,418</u>	<u>1,182,504</u>
Decrease in cash flows related to financing activities	<u>926,418</u>	<u>1,182,504</u>
NET DECREASE/(INCREASE) IN CASH AND CASH EQUIVALENTS	<u>–</u>	<u>–</u>

The adoption of the Policy Change has had no impact on the consolidated statements of profit or loss and other comprehensive income, financial position and changes in equity.

3. OPERATING SEGMENT INFORMATION

Management monitors the operating results of the Group's business which includes property development, property leasing, the provision of project management services, hotel and exhibition operation. Property leasing, the provision of project management services, hotel and exhibition operation are not significant in revenue contribution. Thus, property development is the only reportable operating segment of the Group, and no further operating segment analysis thereof is presented.

Geographical information

No further geographical information is presented as the Group's revenue from the external customers is derived solely from its operation in Mainland China and no non-current assets of the Group are located outside Mainland China.

Information about major customers

No sales to a single customer or a group of customers under common control accounted for 10% or more of the Group's revenue for the year ended 31 December 2022.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<i>Revenue from contracts with customers</i>	8,626,354	8,695,149
<i>Revenue from other sources</i>		
Rental income	68,412	51,810
	8,694,766	8,746,959

Revenue from contracts with customers

(a) *Disaggregated revenue information*

Types of goods or services

Sale of properties	8,487,106	8,563,830
Project management service	91,666	95,226
Hotel operation	46,327	27,859
Exhibition operation income	1,255	8,234
	8,626,354	8,695,149

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Timing of revenue recognition		
Properties or goods transferred at a point in time	8,512,414	8,580,774
Services transferred over time	<u>113,940</u>	<u>114,375</u>
Total revenue from contracts with customers	<u><u>8,626,354</u></u>	<u><u>8,695,149</u></u>

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	<u><u>7,868,925</u></u>	<u><u>7,335,973</u></u>

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of properties

For property sales contracts, the Group recognises revenue equal to the contract amount when the purchaser obtains the physical possession or the legal title of the completed property.

Property management services

For property management service contracts, the Group recognises revenue equal to the right to invoice amount when it corresponds directly with the value to the customer of the Group's performance to date, on a monthly basis. The majority of the property management service contracts do not have a fixed term.

Hotel operations and exhibition operation

The performance obligation is satisfied when services are rendered. Short-term advances are sometimes required before rendering the service.

An analysis of other income and gain is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Other income		
Interest income	29,176	42,867
Others	<u>3,629</u>	<u>1,784</u>
	<u>32,805</u>	<u>44,651</u>
Gains		
Gain on redemption of senior notes	65,628	–
Forfeiture of deposits	2,324	1,086
Gain on disposal of right-of-use assets	1,672	–
Government grants	1,134	976
Remeasurement gain on an investment in a joint venture held before business combination	111	–
Gain on disposal of property, plant and equipment	21	79
Dividend income from FVOCI and FVTPL	–	32,332
Gain on disposal of subsidiaries	<u>–</u>	<u>13,335</u>
	<u>70,890</u>	<u>47,808</u>
	<u><u>103,695</u></u>	<u><u>92,459</u></u>

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Cost of inventories sold	5,931,194	7,046,579
Cost of project management	68,916	70,690
Cost of rental services	14,463	9,857
Cost of exhibition services	688	3,848
Cost of hotel operation	26,687	22,213
Impairment loss recognised for properties under development and completed properties for sales, net	113,384	87,623
Impairment loss recognised for property, plant and equipment	114,278	54,734
Impairment losses on financial assets, net	131,091	(2,165)
Depreciation of items of property, plant and equipment	32,555	46,037
Depreciation of right-of-use assets	9,457	16,593
Amortisation of other intangible assets	961	1,205
Expenses relating to short-term leases and leases of low-value assets	2,236	2,364
Foreign exchange differences, net	44,348	36,612
Auditors' remuneration	4,200	3,800
Changes in fair value of investment properties, net	48,060	3,212
Fair value losses, net:		
financial assets at fair value through profit or loss	474,851	38,699
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	248,418	296,262
Pension scheme contributions and social welfare	31,224	41,200

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest on interest-bearing bank and other borrowings, and senior notes	993,722	1,131,922
Interest expense arising from revenue contracts	352,397	384,852
Interests on lease liabilities	764	1,367
Total interest expense on financial liabilities not at fair value through profit or loss	1,346,883	1,518,141
Less: Interest capitalised	(1,107,352)	(1,265,134)
	<u>239,531</u>	<u>253,007</u>

7. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group's subsidiaries incorporated in the Cayman Islands and British Virgin Islands are not subject to any income tax. The Group's subsidiaries incorporated in Hong Kong were not liable for income tax as they did not have any assessable profits currently arising in Hong Kong for the year ended 31 December 2022.

Subsidiaries of the Group operating in Mainland China were subject to the PRC corporate income tax ("CIT") rate of 25% for the year.

The PRC Land appreciation tax ("LAT") is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including land costs, borrowing costs and other property development expenditures. The Group has estimated, made and included in taxation a provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The LAT provision is subject to the final review and approval by the local tax bureau.

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current tax:		
PRC CIT	685,397	347,473
PRC LAT	1,117,078	23,269
Deferred tax	<u>(121,979)</u>	<u>(175,991)</u>
Total tax charge for the year	<u><u>1,680,496</u></u>	<u><u>194,751</u></u>

A reconciliation of income tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the income tax expense at the effective income tax rate for each reporting period is as follows:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before tax	<u>908,400</u>	<u>680,195</u>
At the statutory income tax rate	227,100	170,049
Profits and losses attributable to joint ventures and associates	31,943	(698)
Income not subject to tax	–	(7,773)
Expenses not deductible for tax	8,340	7,473
Deductible temporary differences not recognised	43,078	15,576
Tax losses and deductible temporary differences utilised from previous periods	(43,253)	(79,160)
Tax losses not recognised	575,480	71,832
Provision for LAT	1,117,078	23,269
Tax effect on LAT	<u>(279,270)</u>	<u>(5,817)</u>
Tax charge at the Group's effective rate	<u>1,680,496</u>	<u>194,751</u>

The share of tax charge attributable to joint ventures and associates amounted to RMB36,535,000 for the year (2021: RMB39,260,000). The share of tax credit attributable to joint ventures and associates amounted to RMB79,125,000 for the year (2021: RMB38,330,000). Both are included in “Share of profits and losses of joint ventures and associates” in the consolidated statement of profit or loss and other comprehensive income.

Tax payable in the consolidated statement of financial position represents:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
PRC CIT payable	900,238	499,476
PRC LAT payable	<u>1,588,330</u>	<u>666,717</u>
Total tax payable	<u>2,488,568</u>	<u>1,166,193</u>

8. DIVIDENDS

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Proposed final — HK\$ Nil (2021: Nil) per ordinary share	<u>–</u>	<u>–</u>

The Board has resolved not to declare any dividend for the year ended 31 December 2022.

9. (LOSSES)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic (losses)/earnings per share amounts is based on the (loss)/profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,446,962,138 (2021: 1,446,962,138) in issue during the year.

No adjustment has been made to the basic (losses)/earnings per share amounts presented for the years ended 31 December 2022 and 2021 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2022 and 2021.

The calculations of the basic and diluted (losses)/earnings per share amounts are based on:

	2022	2021
(Losses)/Earnings		
(Loss)/profit attributable to ordinary equity holders of the parent (RMB'000)	(999,885)	141,551
Shares		
Weighted average number of ordinary shares in issue during the year	1,446,962,138	1,446,962,138
(Losses)/Earnings per share		
Basic and diluted	<u>RMB(0.69)</u>	<u>RMB0.10</u>

10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Due from non-controlling shareholders	2,418,194	2,420,325
Due from third parties	377,329	337,407
Other tax recoverable	430,861	742,745
Construction performance deposits	226,803	143,748
Other deposits	49,760	44,247
Due from employees	997	1,199
Other receivables	11,102	9,900
	<u>3,515,046</u>	<u>3,699,571</u>
Impairment allowance	<u>(133,858)</u>	<u>(2,767)</u>
	<u>3,381,188</u>	<u>3,696,804</u>

The movements in provision for impairment of prepayments, other receivables and other assets are as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Carrying amount at 1 January	2,767	4,932
Impairment losses recognised	131,091	(2,165)
Carrying amount at 31 December	133,858	2,767

Other receivables are unsecured, non-interest-bearing and have no fixed terms of repayment.

11. TRADE RECEIVABLES

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within one year	8,469	9,113

12. TRADE AND BILLS PAYABLES

An ageing analysis of the Group's trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within one year	3,622,525	3,650,317
Over one year	547,627	230,556
	4,170,152	3,880,873

Trade payables are unsecured and interest-free and are normally settled based on the progress of construction.

As at 31 December 2022, approximately RMB237,543,000 commercial acceptance bills issued by the Company's indirectly subsidiaries were overdue and unpaid.

13. OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUALS

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Advances from non-controlling shareholders	635,183	785,926
Advances from third parties	307,179	285,660
Other tax and surcharges	190,905	63,215
Retention deposits related to construction	170,618	117,880
Interests payable	116,100	48,796
Accrued liabilities	18,256	14,631
Payroll and welfare payable	4,203	4,984
Others	22,560	25,706
	<u>1,465,004</u>	<u>1,346,798</u>

Other payables are unsecured and repayable on demand. The fair values of other payables at the end of the reporting period approximated to their corresponding carrying amounts.

CHAIRMAN’S STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to present you with the annual results of our Group for the year ended 31 December 2022, as well as the review and outlook for the business development of our Group over the year.

BUSINESS REVIEW

2022 has been a year where the real estate industry faced unprecedentedly difficult environment and tremendous challenges. Due to the resurgence of pandemic outbreaks across various regions in the PRC, the suspension of multiple off-plan housing projects, the slowing medium to long term housing demand and the overall tight liquidity, market statistics of the industry have shown considerable declines in all respects. Such downturn in the real estate industry is attributed to the promulgation of deleveraging policies over the past two years. Having a tightened credit environment since the second half of 2021, the confidence of both buyers and sellers was affected, and there existed a significant decrease in transaction volume. Although regulatory authorities at different levels have implemented several market stabilisation policies and there were indeed signs of recovery in certain regional markets, the overall property market has yet to experience any rebound in the fourth quarter of 2022. Further, during such period, the willingness and purchasing power of home buyers were weakened by various internal and external factors; whereas, market transactions were hindered by the pandemic and other factors, all of which have impeded the recovery of the real estate industry.

By the end of 2022, a number of regulatory authorities had successively released major favourable policies that aim at optimising both market supply and demand, and thereby, to manage public expectations of the property market. Despite the fact that policies have been modified continuously, individual income expectation remains weak, the wait-and-see sentiment for property purchases is still dominant, in the short run, the property market is still under a pressure to further adapt or adjust. Nonetheless, by the end of last year, as the market was guided and strongly driven by the applicable policies at that material time, the real estate market was once again presented with an opportunity to recover. According to the “Circular on Providing Adequate Financial Support for the Stable and Healthy Development of the Real Estate Market” * (《關於做好當前金融支持房地產市場平穩健康發展工作的通知》) jointly released by the People’s Bank of China and the China Banking and Insurance Regulatory Commission in mid-November, 16 financial measures were introduced to provide financial support for the real estate industry. At the same time, the three-pronged approach favouring credit, equity and bond financing of the real estate market provided the necessary conditions for improving liquidity in the industry. It is widely believed that these measures would facilitate the recovery of the real estate market after months of continuous downturn.

Amid regulatory authorities' push to boost consumption, most institutions expected that the real estate market would gradually recover in the second quarter of this year, and the relevant indicators of the real estate market were also expected to reflect the same.

Due to industry regulations, pandemic control, economic instability and other aspects, 2022 seemed to be the most “tragic” year for real estate enterprises in history with buzzwords such as bankruptcy, unfinished projects and layoffs associated with the real estate industry. As a private enterprise, Yincheng International has made unremitting efforts to resolve issues such as financing difficulties, sluggish sales and tight cash flow. Nevertheless, its operating indicators reflect that the slowdown of the industry still prompted declines of varying degrees in the Company's performances as compared with that in 2021. For the year ended 31 December 2022, the Group recorded revenue of approximately RMB8.69 billion, representing a decrease of 0.6% as compared to approximately RMB8.75 billion last year. The Group recorded a loss of approximately RMB772.1 million for the year ended 31 December 2022, representing a decrease of approximately 259.1% as compared to a profit of approximately RMB485.4 million in 2021, which was mainly attributable to (i) the increase in impairment loss recognised for property and other assets caused by factors such as changes in the overall market conditions and the COVID-19 pandemic in China; (ii) foreign exchange losses due to the devaluation of Renminbi; and (iii) the fair value loss of investment properties. The Group recorded an overall loss attributable to the owners of the parent of approximately RMB999.9 million.

In such extremely challenging market and industry environment, the Group made great collective efforts to stabilise its business operation and achieved considerable results in the following aspects. First, we made every effort to expedite sales. The Group achieved an aggregate contracted sales amount of approximately RMB12.6 billion in 2022, representing a decrease of approximately 50.2% compared to that in 2021, and a drop in overall sales for the first time in the past six years. Despite such drop, certain projects had outstanding performance in various local markets, which earned market reputation and the trust of property owners. For instance, Qingshanhupan and Yi He Shan Zhuang in the Lin'an district of Hangzhou ranked the first and second place, respectively, in terms of annual transaction amount and contracted sales gross floor area (“GFA”) in its region, and Yuhuan Jinlinfu had the third place in terms of annual transaction amount among other projects in Taizhou.

2022 was a year filled with ordeals for real estate enterprises and the industry, and “guaranteed delivery” has become a high profile issue in the industry since the second half of 2022. Yincheng International, which pursues customer satisfaction as its top priority, always upholds its philosophy of on-time delivery of properties with high quality. By pushing forward construction works day and night, we successfully delivered 8,330 units of properties throughout the year, representing an increase of nearly 50% compared to that in 2021, and no delivery was delayed due to operational matters. In terms of brand building and maintenance, our Group achieved a score of 76 for customer loyalty, and remained at the 90th percentile for overall construction quality by third-party inspection.

Generally speaking, 2022 was an extremely challenging year, but the staff of our Group continued to chart the right course with all-out efforts to resolve every operational issue, actively worked with our partners and customers to overcome challenges in property delivery, financing, sales, customer services and other areas. Despite some declines for certain operational results, we still achieved the above impressive performance.

FUTURE OUTLOOK

As the central government reaffirms that the real estate industry is a pillar industry of the national economy, its role as an important driving force for the growth of domestic demand will be further highlighted in 2023 and beyond. To reflect the importance of a stabilised real estate market, since the end of last year, the Central Economic Work Conference has set its requirements for the real estate industry in 2023, which can be summarised as “stabilising the development of the real estate market” and emphasising “the effective prevention of and resolution for major economic and financial risks”. Apart from ensuring such stable development, guaranteed project delivery, quality standard of living and stability in general, customised policies should be implemented in different cities to support the housing needs of first-time homebuyers and upgraders. Indeed, various cities have recently announced the relaxation of purchase and loan restrictions to further support residential-related spendings, indicating favourable policies for a restoration of market confidence.

Our Group believes that in 2023, the recovery of the macroeconomics and the pandemic situation will remain as important factors affecting the rebound of the real estate market, while the core concern will be the progress of recovery on sales. Following the resumption of domestic economic activities, market confidence will gradually be restored in the midst of an improving job market. Meanwhile, the comprehensive cost of home purchase has declined to a historical low for residents. As the policies continue to take effect, the market is guided to a positive direction with stronger demand and gradual rebound of both the real estate market and industry chain in the future.

Looking into the future, our Group will make active responses to challenges, continue to maintain safe boundaries for future developments and control business risks. By utilising the edge of our own brands, products and services, as well as over 20 years of accumulated experiences, our Group will continue to optimise and improve its products and services so as to maintain customer satisfaction. In respect of sales, we will adhere to our overall positioning of aiming first in the local market, and enhance our development advantages in the increasingly competitive industry by keeping product competitiveness and continuously paying attention to product upgrading and iteration. We will conduct in-depth analysis and research on our current inventory, and create monthly special tasks for reducing the completed property projects and aged inventory. Currently, our target scale of sales for 2023 is to reach approximately RMB13 billion. In terms of cash flow, our Group will continue to adopt its existing policy of “sales with cash collection” and strive to maintain a relatively high overall collection rate throughout the year. Meanwhile, improvement of operational efficiency and increase in effectiveness at lower cost remain as our major goals throughout the year, we will capitalise on the strengths of our operational model to carry out customer-oriented and streamlined process management. Furthermore, we will continue to guard against financial risks, pay close attention to maintaining sound financial levels, and endeavour to reduce financing costs.

The beginning of a new year symbolises a fresh and auspicious start. Yincheng International will celebrate its 30th anniversary in 2023. Ushering in the 30th year of establishment, Yincheng International will stride forward with the wisdom and the vigour of its concerted staff and by adopting a new stance to pursue further development.

Yincheng International Holding Co., Ltd.
HUANG Qingping
Chairman

Nanjing, China
29 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company. During the year ended 31 December 2022, the subsidiaries of the Company now comprising the Group were involved in property development, hotel operation, property investment and exhibition operation.

PROPERTY DEVELOPMENT

The Group is an established property developer in the PRC focusing on developing quality residential properties in the Yangtze River Delta Megalopolis for customers of all ages. The Group commenced its property development operations in Nanjing and successfully expanded its footprint to other cities in the Yangtze River Delta Megalopolis.

For the year ended 31 December 2022, the Group continued to focus on developing quality residential properties in the Yangtze River Delta Megalopolis and believes that the unique geographical advantages of the Yangtze River Delta Megalopolis will remain substantial in the future. Due to the prosperous economic development and growing population in the Yangtze River Delta Megalopolis, the residential properties development market has significant growth potential. The Group will continue to focus on the Nanjing market in the future and strategically expand its reach in other cities in the Yangtze River Delta Megalopolis, further accelerating asset turnover and improving operational efficiency while maintaining property quality, and strive to become the leading quality property developer catered to customers of all ages in the Yangtze River Delta Megalopolis.

Contracted Sales

For the year ended 31 December 2022, contracted sales amount of the Group together with its joint ventures and associates amounted to approximately RMB12,586.8 million, representing a decrease of approximately 50.2% from approximately RMB25,293.8 million for the year ended 31 December 2021, which was mainly attributable to the overall sluggish economic environment of the real estate industry over the past year and the lack of market demand and purchasing power caused by various pandemic control measures.

For the year ended 31 December 2022, the average selling price (“ASP”) recorded in the contracted sales of the Group together with its joint ventures and associates was approximately RMB20,535 per sq.m., representing a decrease of approximately 7.8% from approximately RMB22,265 per sq.m. for the year ended 31 December 2021. Such decrease was mainly attributable to the fact that there were large-scale price cuts within the real estate industry for the boost of property sales, and in order to actively raise funds for debt repayment and to ensure timely property delivery, the Group also followed such market norm by adopting the common price cut strategy to increase sales.

Contracted sales from Nanjing, Wuxi, Hefei, Suzhou, Hangzhou, Zhenjiang, Xuzhou, Taizhou, Wenzhou and Huai'an contributed to approximately 22.1%, 9.3%, 0.2%, 22.3%, 19.7%, 3.2%, 2.8%, 8.0%, 9.1% and 3.3% respectively of the total contracted sales of the Group together with its joint ventures and associates in 2022.

The following table sets out the geographic breakdown of the contracted sales of the Group together with its joint venture and associates in 2022 with comparative figures in 2021.

City	For the year ended 31 December 2022			% of contracted sales in 2022	For the year ended 31 December 2021			% of contracted sales in 2021
	Contracted GFA sold sq.m.	Contracted sales RMB'000	Contracted ASP RMB/sq.m.		Contracted GFA sold sq.m.	Contracted sales RMB'000	Contracted ASP RMB/sq.m.	
Nanjing	135,806	2,777,870	20,455	22.1%	340,946	7,913,580	23,211	31.2%
Wuxi	59,658	1,172,680	19,657	9.3%	79,214	1,789,290	22,588	7.1%
Hefei	831	27,590	33,201	0.2%	36,457	722,100	19,807	2.9%
Suzhou	118,016	2,811,390	23,822	22.3%	59,636	853,060	14,304	3.4%
Hangzhou	104,052	2,478,180	23,817	19.7%	321,850	8,589,490	26,688	33.9%
Zhenjiang	31,377	398,860	12,712	3.2%	47,404	697,060	14,705	2.8%
Xuzhou	29,871	355,380	11,897	2.8%	85,673	1,133,900	13,235	4.5%
Taizhou	49,481	1,004,800	20,307	8.0%	93,912	1,885,570	20,078	7.5%
Wenzhou	50,293	1,147,390	22,814	9.1%	70,024	1,698,640	24,258	6.7%
Huai'an	33,547	412,640	12,300	3.3%	929	11,130	11,981	0.0%
Total	612,932	12,586,780	20,535	100.0%	1,136,045	25,293,820	22,265	100.0%

GFA Delivered and Revenue Recognised from Sale of Properties

For the year ended 31 December 2022, total GFA delivered amounted to approximately 381,423 sq.m., representing a decrease of approximately 49.4% from approximately 753,190 sq.m. for the year ended 31 December 2021.

Revenue recognised from sale of properties remained relatively stable at approximately RMB8,487.1 million for the year ended 31 December 2022, representing a decrease of approximately 0.9% from approximately RMB8,563.8 million for the year ended 31 December 2021.

ASP recognised for the year ended 31 December 2022 was approximately RMB22,251 per sq.m., representing an increase of approximately 95.7% from approximately RMB11,370 per sq.m. for the year ended 31 December 2021. Such increase was primarily due to the higher recognised ASP of the Jin Ling Jiu Yuan (金陵玖園) and Yi He Shan Zhuang (頤和山莊) projects, which accounted for a large proportion of the revenue recognised.

During the year ended 31 December 2022, the properties delivered by the Group mainly included Qingshanhupan (青山湖畔), Jin Ling Jiu Yuan (金陵玖園) and Yi He Shan Zhuang (頤和山莊). The following table sets forth the details of the revenue recognised from the sale of properties of the Group by geographical location in 2022 with comparative figures in 2021.

	For the year ended 31 December					
	2022			2021		
	Revenue RMB'000	GFA delivered sq.m.	Recognised ASP RMB/sq.m.	Revenue RMB'000	GFA delivered sq.m.	Recognised ASP RMB/sq.m.
Nanjing						
Jin Ling Jiu Yuan (金陵玖園)	2,997,646	54,595	54,907	-	-	-
First phase of Airport Exhibition Town (空港會展小鎮一期)	68,333	6,596	10,360	2,857,601	264,616	10,799
Blue Stream Town (藍溪郡)	67,700	4,268	15,862	-	-	-
Kinma Q+ Community (Kinma Q+社區)	32,717	3,555	9,203	12,435	586	21,220
Peaceful Paradise (君頤東方)	16,393	699	23,452	22,243	667	33,348
Long Island Qin Park (長島觀瀾沁園)	13,761	469	29,341	26,513	1,245	21,296
Bejoy Villa (鉅悅源墅)	8,076	714	11,311	470,153	18,612	25,261
Honor Mansion (雲台天境)	3,823	867	4,409	91,686	3,717	24,667
Dongyue Mansion (東岳府)	1,577	306	5,154	6,061	1,976	3,067
Ideal Palace (一方山)	-	-	-	26,938	1,695	15,893
Xidi International Community (西堤國際)	-	-	-	1,694	242	7,000
	<u>3,210,026</u>	<u>72,069</u>	<u>44,541</u>	<u>3,515,324</u>	<u>293,356</u>	<u>11,983</u>

For the year ended 31 December

	2022			2021		
	Revenue RMB'000	GFA delivered sq.m.	Recognised ASP RMB/sq.m.	Revenue RMB'000	GFA delivered sq.m.	Recognised ASP RMB/sq.m.
Wuxi						
Changjiangfu Mansion (長江賦)	87,420	14,223	6,146	1,116,710	115,501	9,668
Hui Mountain International						
Community (惠山國際社區)	40,774	5,017	8,127	1,035,657	98,708	10,492
Qiuduhui Mansion (洵都匯)	10,893	1,572	6,929	203,414	16,099	12,635
Sheltered Mansion (東樾府)	10,685	3,723	2,870	70,272	13,687	5,134
Canal Park (京梁合)	–	–	–	10,838	979	11,070
	<u>149,772</u>	<u>24,535</u>	<u>6,104</u>	<u>2,436,891</u>	<u>244,974</u>	<u>9,948</u>
Suzhou						
Yuan Stream Mansion (原溪)	104,656	4,323	24,209	290,111	11,546	25,127
Shui Pan Hua Ting (水畔華庭)	104,656	9,928	10,541	528,022	52,702	10,019
	<u>209,312</u>	<u>14,251</u>	<u>14,688</u>	<u>818,133</u>	<u>64,248</u>	<u>12,734</u>
Hangzhou						
Qingshanhupan (青山湖畔)	3,183,618	178,980	17,788	206,704	14,384	14,370
Yi He Shan Zhuang (頤和山莊)	1,154,580	45,726	25,250	–	–	–
Yungutianjing Mansion (雲谷天境)	23,665	5,652	4,187	23,402	878	26,654
	<u>4,361,863</u>	<u>230,358</u>	<u>18,935</u>	<u>230,106</u>	<u>15,262</u>	<u>15,077</u>
Zhenjiang						
Yuefu Mansion (樾府)	343,838	26,774	12,842	887,829	62,242	14,264
Tang Dynasty Mansion (盛唐府)	43,945	4,488	9,792	165,717	12,911	12,835
	<u>387,783</u>	<u>31,262</u>	<u>12,404</u>	<u>1,053,546</u>	<u>75,153</u>	<u>14,019</u>
Wenzhou						
Jiulongtianzhu (玖瓏天著)	149,680	7,313	20,468	–	–	–
	<u>149,680</u>	<u>7,313</u>	<u>20,468</u>	<u>–</u>	<u>–</u>	<u>–</u>

	For the year ended 31 December					
	2022			2021		
	Revenue RMB'000	GFA delivered sq.m.	Recognised ASP RMB/sq.m.	Revenue RMB'000	GFA delivered sq.m.	Recognised ASP RMB/sq.m.
Xuzhou						
Yinshan Road Parcel (銀山路)	18,670	1,635	11,419	509,830	60,197	8,469
	<u>18,670</u>	<u>1,635</u>	<u>11,419</u>	<u>509,830</u>	<u>60,197</u>	<u>8,469</u>
Total	<u>8,487,106</u>	<u>381,423</u>	<u>22,251</u>	<u>8,563,830</u>	<u>753,190</u>	<u>11,370</u>

Properties under Development

Properties under development are intended to be held for sale after completion. Properties under development are stated at the lower of cost comprising land costs, construction costs, capitalised borrowing costs and other costs directly attributable to such properties incurred during the development period and net realisable value. Upon completion, the properties are transferred to completed properties held for sale.

As at 31 December 2022, the Group had properties under development of approximately RMB18,714.4 million, representing a decrease of approximately 4.4% from approximately RMB19,575.1 million as at 31 December 2021. The decrease was primarily due to the completion of construction of certain properties originally classified as properties under development, and the recognition of the same as completed properties held for sale.

Completed Properties Held for Sale

Properties held for sale represent the completed development properties ready for sale and were unsold at the end of each reporting period.

As at 31 December 2022, the Group had completed properties held for sale of approximately RMB3,122.8 million, representing an increase of approximately 18.6% from approximately RMB2,633.4 million as at 31 December 2021. The increase was primarily due to the completion of construction of certain properties originally classified as properties under development, and the recognition of the same as completed properties held for sale.

Project Management for Property Developments

The Group provides various project management services to property projects developed by associates and joint ventures of the Group, including but not limited to engineering, procurement, design, cost control and customer services.

For the year ended 31 December 2022, revenue generated from the Group's project management services remained relative stable at approximately RMB91.7 million, representing a decrease of approximately 3.7% from approximately RMB95.2 million for the year ended 31 December 2021.

HOTEL OPERATION

The Group operates and manages the Hangzhou Zhongdu Qingshan Wonderland Hotel, which is the first ecotypic and commercial resort hotel constructed pursuant to the standard of five-star hotel in the Lin'an District.

For the year ended 31 December 2022, income generated from the operation of the hotel was approximately RMB46.3 million, representing an increase of approximately 65.9% from approximately RMB27.9 million for the year ended 31 December 2021. The increase was attributable to the recovery of the Group's hotel business from the COVID-19 crisis.

PROPERTY INVESTMENT

Rental Income

The Group's rental income for the year ended 31 December 2022 was approximately RMB68.4 million, representing an increase of approximately 32.0% compared to the rental income of approximately RMB51.8 million for the year ended 31 December 2021. The increase was mainly due to the leasing of land parcel C of the Peaceful Paradise (君頤東方) property for the operation of a hospital.

Investment Properties

As at 31 December 2022, the Group had seven investment properties with a total GFA of approximately 335,247 sq.m.. The Group had commenced the leasing of five investment properties with a total GFA of approximately 167,639 sq.m..

EXHIBITION OPERATION

The Group provides exhibition management services, including but not limited to the leasing of venue, and the provision of administration and marketing services for exhibitions of various nature.

For the year ended 31 December 2022, income generated from such exhibition operation was approximately RMB1.3 million, representing a decrease of approximately 84.1% from approximately RMB8.2 million for the year ended 31 December 2021. The decrease was attributable to the suspension of the Group's exhibition business.

LAND BANK

In 2022, the Group continued its expansion in the Yangtze River Delta Megalopolis and focused on developing its land parcels acquired during the past years. There was not any acquisition of new land parcels for the year ended 31 December 2022.

PROPERTIES DEVELOPED BY THE GROUP AND ITS JOINT VENTURES AND ASSOCIATES

As at 31 December 2022, the Group had 61 projects located in ten cities in the PRC, of which 35 projects were developed and owned by the Group and the remaining 26 projects were developed and owned by the Group's joint ventures and associates. As at 31 December 2022, the Group had a land bank with an aggregate estimated GFA of approximately 6,200,184 sq.m., out of which the land bank with interests attributable to the Group amounted to approximately 4,079,934 sq.m.. The following table sets forth the GFA breakdown of the Group's property portfolio as at 31 December 2022 in terms of geographical location:

City	Number of projects	Completed	GFA under development (sq.m.)	Planned GFA	Total GFA ⁽²⁾ (sq.m.)	% of land reserve
		GFA available for sale/leasable GFA ⁽¹⁾ (sq.m.)		of future development (sq.m.)		
Property projects developed by subsidiaries of the Group						
Nanjing	13	125,393	461,326	104,742	691,461	11.2%
Wuxi	9	37,638	400,161	26,963	464,762	7.5%
Hefei	1	–	101,796	–	101,796	1.6%
Suzhou	3	185	181,283	–	181,468	2.9%
Hangzhou	3	126,629	735,182	26,863	888,674	14.3%
Zhenjiang	2	853	172,913	–	173,766	2.8%
Xuzhou	3	400	318,296	–	318,696	5.1%
Wenzhou	1	32,652	–	–	32,652	0.5%
Sub-total	35	323,750	2,370,957	158,568	2,853,275	46.0%

City	Number of projects	Completed GFA available for sale/leasable GFA ⁽¹⁾ (sq.m.)	GFA under development (sq.m.)	Planned GFA of future development (sq.m.)	Total GFA ⁽²⁾ (sq.m.)	% of land reserve
Property projects developed by associates and joint ventures of the Group						
Nanjing	10	48,044	1,067,368	516,415	1,631,827	26.3%
Wuxi	2	–	231,000	–	231,000	3.7%
Hefei	1	38	–	–	38	0.0%
Suzhou	3	37,628	407,870	–	445,498	7.2%
Hangzhou	4	91,063	113,380	–	204,443	3.3%
Xuzhou	1	–	113,304	–	113,304	1.8%
Taizhou	2	605	217,050	–	217,655	3.5%
Wenzhou	2	180,414	191,654	–	372,068	6.0%
Huai'an	1	–	131,076	–	131,076	2.1%
Sub-total	26	357,792	2,472,702	516,415	3,346,909	54.0%
Sub-total attributable to the Group	–	164,835	877,961	183,863	1,226,659	–
Total land bank	61	681,542	4,843,659	674,983	6,200,184	100.00%
Total land bank attributable to the Group	–	488,585	3,248,918	342,431	4,079,934	–

Notes:

- (1) Includes saleable GFA remaining unsold and leasable GFA.
- (2) Total land reserves equals to the sum of (i) the total GFA available for sale and total leasable GFA for completed properties; (ii) total GFA for properties under development; and (iii) total GFA for properties held for future development. For properties held by the Group's joint ventures and associates, total GFA attributable to the Group are calculated based on the Group's equity interest in the respective projects.

The following table sets forth details of the Group's land bank by projects and geographical regions as of 31 December 2022:

No.	Land parcel/Project name	City	Land use/ Planned land use	Site area <i>sq.m.</i>	Actual/Expected completion date	Total land bank <i>sq.m.</i>
A. Projects developed by the Company's subsidiaries						
1	Zhongshan Jingdian Park (鐘山晶典)	Nanjing	Residential/retail	70,436	October 2011	512
2	Long Island Qin Park (長島觀瀾沁園)	Nanjing	Residential/retail	38,271	June 2015	–
3	Blue Stream Town (藍溪郡)	Nanjing	Residential/retail	117,936	December 2017	1,306
4	Peaceful Paradise (君頤東方)	Nanjing	Residential/retail/hospital/ elderly apartments	120,210	October 2020	6
5	Dongyue Mansion (東岳府)	Nanjing	Residential/retail	16,191	October 2019	–
6	Bejoy Villa (鉅悅源墅)	Nanjing	Residential/retail	73,216	December 2020	753
7	Ninghai Road G63 (寧海路G63)	Nanjing	Residential/office	8,144	May 2024	48,772
8	Huijian Weilai (蒼見未來)	Nanjing	Residential/retail/ recreational and sports	272,475	December 2021	166,163
9	Shantui (山推)	Nanjing	Scientific research/office	30,500	May 2025	104,742
10	Jin Ling Jiu Yuan (金陵玖園)	Nanjing	Residential/retail	38,258	May 2023	86,928
11	Nan Bu Xin Cheng G63 (南部新城G63)	Nanjing	Medical	26,748	June 2024	153,802
12	Lan Hu Jun (藍湖郡)	Nanjing	Residential	21,636	August 2023	46,261
13	Lin Quan Gao Zhi (林泉高致)	Nanjing	Residential	42,677	July 2024	82,216
Sub-total for Nanjing				876,698		691,461
14	Tianyuan Mansion (天元世家)	Wuxi	Residential/retail	73,696	December 2024	26,963
15	Canal Park(京梁合)	Wuxi	Residential	64,844	December 2024	77,645
16	Sheltered Mansion (東樾府)	Wuxi	Residential/retail/ commercial apartments	52,132	January 2020	5,248
17	Hui Mountain International Community (惠山國際社區)	Wuxi	Residential/retail	114,419	June 2021	32,390
18	Changjiang Fu (長江賦)	Wuxi	Residential/retail	52,399	October 2021	–
19	Chun Xiao Guan Tang (春曉觀棠)	Wuxi	Residential	22,125	March 2023	59,822
20	Mei Gui Gong Guan (玫瑰公館)	Wuxi	Residential	30,028	April 2023	89,609
21	Fei Li He Fang (翡麗和風)	Wuxi	Residential	28,845	October 2023	110,943
22	Guan Tang Shou Fu (觀棠首府)	Wuxi	Residential	19,080	November 2023	62,142
Sub-total for Wuxi				457,568		464,762
23	Zhi Lu (知廬)	Hefei	Residential/retail	40,391	March 2023	101,796
Sub-total for Hefei				40,391		101,796

No.	Land parcel/Project name	City	Land use/ Planned land use	Site area sq.m.	Actual/Expected completion date	Total land bank sq.m.
24	Yuan Stream Mansion (原溪)	Suzhou	Residential	19,533	November 2019	15
25	Yun Xi Ting (雲溪庭)	Suzhou	Residential	65,539	December 2024	181,282
26	Shui Pan Hua Ting (水畔華庭)	Suzhou	Residential	29,962	March 2021	171
Sub-total for Suzhou				115,034		181,468
27	Yungu Tianjing Mansion (雲谷天境)	Hangzhou	Residential/retail	20,713	December 2020	293
28	Qingshanhupan (青山湖畔)	Hangzhou	Residential/retail	364,380	September 2026	434,530
29	Yi He Shan Zhuang (頤和山莊)	Hangzhou	Residential/retail	399,016	October 2024	453,851
Sub-total for Hangzhou				784,109		888,674
30	Tang Dynasty Mansion (盛唐府)	Zhenjiang	Residential/retail	123,458	October 2023	123,256
31	Yuefu Mansion (樾府)	Zhenjiang	Residential/retail	55,810	November 2023	50,510
Sub-total for Zhenjiang				179,268		173,766
32	Zhixiang Cheng (致享城)	Xuzhou	Residential/retail	54,190	September 2021	400
33	Qingyunfu (青雲府)	Xuzhou	Residential/retail	58,563	September 2023	166,398
34	Shang He Ming Yue (上和明月)	Xuzhou	Residential	57,258	December 2024	151,898
Sub-total for Xuzhou				170,011		318,696
35	Jiulongtianzhu (玖龍天著)	Wenzhou	Residential/retail	21,186	December 2022	32,652
Sub-total for Wenzhou				21,186		32,652
Sub-total of land bank developed by subsidiaries of the Company				2,644,265		2,853,275

B. Projects developed by the Group's joint ventures and associates

1	Yuelufu (月鷺府)	Nanjing	Residential	62,798	December 2024	110,957
2	Huilingleilai (蒼領未來)	Nanjing	Residential	58,745	October 2021	2,209
3	Shangtang Yihefu (上棠頤和府)	Nanjing	Residential	101,697	June 2022	35,188
4	Yun Wang Fu (雲望府)	Nanjing	Residential	35,057	September 2023	134,487
5	Jun Qi (君啟)	Nanjing	Residential	35,247	November 2024	93,824
6	Jun Hui (君薈)	Nanjing	Residential	57,302	May 2024	194,775
7	Jin Ling Xing Tu (金陵星圖)	Nanjing	Residential	221,841	June 2026	884,174
8	Jiang Chen Fu (江宸府)	Nanjing	Residential	10,742	April 2024	40,672
9	Small land parcel of Dian Sheng (電聲小地塊)	Nanjing	Scientific research	9,239	August 2025	40,539
10	Large land parcel of Dian Sheng (電聲大地塊)	Nanjing	Scientific research	21,760	December 2025	95,002

No.	Land parcel/Project name	City	Land use/ Planned land use	Site area <i>sq.m.</i>	Actual/Expected completion date	Total land bank <i>sq.m.</i>
Sub-total for Nanjing				614,428		1,631,827
Attributable to the Group				221,793		601,694
11	Yun Jin Dong Fang (雲錦東方)	Wuxi	Residential	53,937	October 2024	160,097
12	Jing Cui (璟萃)	Wuxi	Residential	27,343	December 2023	70,903
Sub-total for Wuxi				81,280		231,000
Attributable to the Group				24,185		66,762
13	Yuxi Mansion (樾溪臺)	Hefei	Residential/retail	54,783	June 2021	38
Sub-total for Hefei				54,783		38
Attributable to the Group				27,391		19
14	Gu Su Yue 66 (姑蘇樾66)	Suzhou	Residential	10,219	October 2020	240
15	Lin Xi Yuan Zhu (林溪源築)	Suzhou	Residential/retail	34,120	January 2023	37,388
16	Dong Wang (東望)	Suzhou	Residential/elderly apartments/hospital	138,650	August 2024	407,870
Sub-total for Suzhou				182,989		445,498
Attributable to the Group				64,220		157,758
17	Lanshili (瀾仕里)	Hangzhou	Residential	48,848	December 2021	542
18	Guan Hu Zhi Chen (觀湖之宸)	Hangzhou	Residential	43,112	December 2022	14,902
19	Yue Hu Zhi Chen (閱湖之宸)	Hangzhou	Residential	40,391	December 2022	75,619
20	Yun He Yin (雲合印)	Hangzhou	Commercial	24,072	December 2023	113,380
Sub-total for Hangzhou				156,423		204,443
Attributable to the Group				61,858		63,287
21	Wei Lai Zhi Chen (未來之宸)	Xuzhou	Residential	36,353	August 2023	113,304
Sub-total for Xuzhou				36,353		113,304
Attributable to the Group				14,541		45,322
22	Junlanfu (君蘭府)	Taizhou	Residential/retail	34,120	August 2022	605
23	Jinlinfu (金麟府)	Taizhou	Residential/retail	75,476	March 2024	217,050

No.	Land parcel/Project name	City	Land use/ Planned land use	Site area <i>sq.m.</i>	Actual/Expected completion date	Total land bank <i>sq.m.</i>
Sub-total for Taizhou				109,596		217,655
Attributable to the Group				28,743		43,650
24	Wen Hua Fu (文華府)	Wenzhou	Residential	19,852	May 2023	64,780
25	Huan Le Tian Di (歡樂天地)	Wenzhou	Residential/commercial	145,658	May 2023	307,288
Sub-total for Wenzhou				165,510		372,068
Attributable to the Group				82,227		182,629
26	Yunyuettianzhu (雲樾天著)	Huai'an	Residential	45,369	October 2024	131,076
Sub-total for Huai'an				45,369		131,076
Attributable to the Group				22,685		65,538
Sub-total of land bank developed by the Group's joint ventures and associates				1,446,731		3,346,909
Sub-total of land bank developed by the Group's joint ventures and associates (attributable to the Group)				547,643		1,226,659
Total land bank				4,090,996		6,200,184
Total land bank (attributable to the Group)				3,191,908		4,079,934

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately RMB52.2 million or approximately 0.6% from approximately RMB8,747.0 million for the year ended 31 December 2021 to approximately RMB8,694.8 million for the year ended 31 December 2022 as a result of the decrease in revenue derived from sale of properties. Details of the decrease in revenue derived from sale of properties are set out under the paragraph headed "Property Development — GFA Delivered and Revenue Recognised from Sale of Properties" in this announcement.

The table below sets forth the Group's revenue for each of the components described above and the percentage of total revenue represented for the periods indicated.

	Year ended 31 December				Year-over-Year change in revenue %
	2022		2021		
	Revenue <i>RMB'000</i>	Percentage of total revenue %	Revenue <i>RMB'000</i>	Percentage of total revenue %	
Sale of properties	8,487,106	97.5	8,563,830	97.9	(0.9)
Project management income	91,666	1.1	95,226	1.1	(3.7)
Hotel operation	46,327	0.5	27,859	0.3	66.3
Rental income	68,412	0.8	51,810	0.6	32.0
Exhibition operation	1,255	0.1	8,234	0.1	(84.8)
Total	<u>8,694,766</u>	<u>100.0</u>	<u>8,746,959</u>	<u>100.0</u>	<u>(0.6)</u>

Gross Profit and Gross Profit Margin

The Group's gross profit increased by approximately RMB1,033.3 million or approximately 68.6% from approximately RMB1,506.1 million for the year ended 31 December 2021 to approximately RMB2,539.4 million for the year ended 31 December 2022. The Group's gross profit margin increased from approximately 17.2% for the year ended 31 December 2021 to approximately 29.2% for the year ended 31 December 2022, which was primarily due to the recognition of higher gross profit margin from the delivery of Qingshanhupan (青山湖畔), Yi He Shan Zhuang (頤和山莊) and Jin Ling Jiu Yuan (金陵玖園) projects in 2022.

Other Income and Gains

The Group's other income and gains primarily consist of gain on redemption of senior notes, interest income, forfeiture of deposits, government grants, exchange gain, remeasurement gain on investment in a joint venture held before business combination and others.

The Group's other income and gains increased by approximately RMB11.2 million or approximately 12.1% from approximately RMB92.5 million for the year ended 31 December 2021 to approximately RMB103.7 million for the year ended 31 December 2022, which was mainly due to the redemption of senior notes at discounted prices.

Selling and Distribution Expenses

The Group's selling and distribution expenses mainly represented staff cost, advertising and business development expenses, office expenses and others.

The Group's selling and distribution expenses increased by approximately RMB47.1 million or approximately 17.0% from approximately RMB277.6 million for the year ended 31 December 2021 to approximately RMB324.7 million for the year ended 31 December 2022, which was mainly due to the increase in advertising and business development expenses brought by the sluggish real estate economy in China.

Administrative Expenses

Administrative expenses primarily comprised staff costs, travel and entertainment expenses, professional fees, office expenses, other taxes and surcharges, depreciation and amortisation and others.

The Group's administrative expenses decreased by approximately RMB25.4 million or approximately 10.3% from approximately RMB245.7 million for the year ended 31 December 2021 to approximately RMB220.3 million for the year ended 31 December 2022, which was mainly due to strengthened control over administrative expenses and costs.

Other Expenses

The Group's other expenses mainly comprised fair value loss from financial assets at FVTPL, impairment loss recognised for property, plant and equipment, impairment losses on financial assets, foreign exchange differences and others.

The Group's other expenses increased by approximately RMB632.7 million or approximately 446.5% from approximately RMB141.7 million for the year ended 31 December 2021 to approximately RMB774.4 million for the year ended 31 December 2022, which was mainly due to changes in the fair value of financial assets at FVTPL, increase in impairment loss recognised for property, plant and equipment, and foreign exchange differences.

Fair Value Loss on Investment Properties

The Group's fair value loss on investment properties increased by approximately RMB44.9 million or approximately 1,403.1% from approximately loss of RMB3.2 million for the year ended 31 December 2021 to approximately loss of RMB48.1 million for the year ended 31 December 2022, which was resulted from a valuation of the fair value of the Group's investment properties as assessed by a qualified independent valuer based on the Group's existing business model and expected revenue.

Finance Costs

Finance costs primarily consist of interest on bank and other borrowings and senior notes, interest expense arising from revenue contracts and interest on lease liabilities.

The Group's finance costs remained relatively stable with a decrease of approximately RMB13.5 million or approximately 5.3% from approximately RMB253.0 million for the year ended 31 December 2021 to approximately RMB239.5 million for the year ended 31 December 2022.

Share of Profits and Losses of Joint Ventures and Associates

The Group's share of loss on joint ventures increased by approximately RMB20.9 million or approximately 70.1% from a loss of approximately RMB29.8 million for the year ended 31 December 2021 to a loss of approximately RMB50.7 million for the year ended 31 December 2022, which was mainly due to the fact that properties developed by joint ventures of the Group have yet been completed or delivered.

The Group's share of loss on associates increased by approximately RMB109.5 million or approximately 336.9% from a profit of approximately RMB32.5 million for the year ended 31 December 2021 to a loss of approximately RMB77.0 million for the year ended 31 December 2022, which was mainly due to the fact that properties developed by associates of the Group have yet been completed or delivered.

Income Tax Expense

Income tax expense represents PRC CIT and LAT payable by the Group's subsidiaries in the PRC.

The Group's income tax expenses increased by approximately RMB1,485.7 million or approximately 762.7% from approximately RMB194.8 million for the year ended 31 December 2021 to approximately RMB1,680.5 million for the year ended 31 December 2022, which was mainly attributable to the increase in LAT and CIT payable for the delivery of the Qingshanhupan (青山湖畔), Yi He Shan Zhuang (頤和山莊) and Jin Ling Jiu Yuan (金陵玖園) projects.

Loss for the Year

The Group recorded a loss of approximately RMB772.1 million for the year ended 31 December 2022, representing a decreased of approximately RMB1,257.5 million or approximately 259.1% from a profit of approximately RMB485.4 million for the year ended 31 December 2021. The Group's net profit margin decreased from approximately 5.5% for the year ended 31 December 2021 to a net loss margin of approximately 8.9% for the year ended 31 December 2022, which was mainly due to (i) the increase in impairment loss recognised for property and other assets caused by factors such as changes in the overall market conditions and the COVID-19 pandemic in China; (ii) foreign exchange losses due to the devaluation of Renminbi; and (iii) the fair value loss of investment properties.

Loss attributable to owners of the parent for the year ended 31 December 2022 was approximately RMB999.9 million, representing a decrease of approximately 806.1% as compared to a profit attributable to owners of the parent of approximately RMB141.6 million for the year 2021. Such decrease was mainly due to changes in the fair value of financial assets at FVTPL and the lower share of profits in property projects delivered.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Property development is capital-intensive and the Group expects to continue to incur a high level of capital expenditures for project development in the foreseeable future. The Group funds its business operations both through cash flows generated from its business operations and through external financing, primarily including bank and other borrowings.

The Group's primary uses of cash are for the payment of acquisition of land use rights, construction costs, staff costs and various operating expenses.

Cash Positions

As at 31 December 2022, the Group had cash and cash equivalents of approximately RMB330.8 million (31 December 2021: approximately RMB1,427.6 million), pledged deposits of approximately RMB41.2 million (31 December 2021: approximately RMB118.4 million) and restricted cash of approximately RMB924.4 million (31 December 2021: approximately RMB1,185.9 million).

Interest-Bearing Bank and Other Borrowings

As at 31 December 2022, the Group had total borrowings (including interest-bearing bank loans and other borrowings) of approximately RMB9,339.6 million, compared to approximately RMB11,825.4 million as at 31 December 2021. The Group's borrowings were mainly denominated in RMB, USD and HKD.

The following table sets forth the Group's total borrowings as at the dates indicated.

	As at 31 December	
	2022	2021
	(RMB'000)	(RMB'000)
Current:		
Bank loans — secured	5,162	65,583
Other loans — secured	621,044	1,259,204
Other loans — unsecured	20,000	17,000
Current portion of long term bank loans — secured	3,780,247	1,593,607
Current portion of long term other loans — secured	438,220	—
	<hr/>	<hr/>
Current portion of long term other loans — unsecured	21,000	—
	<hr/>	<hr/>
Total current borrowings	4,885,673	2,935,394

	As at 31 December	
	2022	2021
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Non-current:		
Bank loans — secured	4,393,923	7,373,979
Other loans — secured	60,000	1,160,020
Other loans — unsecured	—	356,000
	<u>4,453,923</u>	<u>8,889,999</u>
Sub-total	4,453,923	8,889,999
Total	<u>9,339,596</u>	<u>11,825,393</u>

The following table sets forth the repayment schedule of the Group's borrowings as at the dates indicated.

	As at 31 December	
	2022	2021
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Repayable within one year or on demand	<u>4,885,673</u>	<u>2,935,394</u>
Repayable in the second year	1,456,192	4,319,899
Repayable in the third to fifth years	1,569,282	2,882,329
Repayable after five years	<u>1,428,449</u>	<u>1,687,771</u>
	<u>4,453,923</u>	<u>8,889,999</u>
Sub-total	4,453,923	8,889,999
Total	<u>9,339,596</u>	<u>11,825,393</u>

The following table sets out the range of interest rates for the Group's borrowings as at the dates indicated.

	As at 31 December	
	2022	2021
	Effective	Effective
	interest rate	interest rate
	(%)	(%)
Current:		
Bank loans — secured	8.3	8.3
Other loans — secured	4.0–18.0	8.0–18.0
Other loans — unsecured	13.0	13.0
Current portion of long term bank loans — secured	4.6–8.3	4.4–6.7
Current portion of long term other loans — secured	12.0–14.0	N/A
	<hr/>	<hr/>
Current portion of long term other loans — unsecured	12.0	N/A
	<hr/>	<hr/>
Non-current:		
Bank loans — secured	3.4–6.7	4.4–6.9
Other loans — secured	12	11.5–14.0
Other loans — unsecured	N/A	12.0–13.0
	<hr/>	<hr/>

The Group's certain secured borrowings were secured by the pledges of the asset which includes investment properties, properties under development, property, plant and equipment and equity investments were irrevocably designated at FVOCI.

Notes Issue, Exchange, Repurchase and Cancellation

In order to improve its financial condition, extend its debt maturity profile, strengthen its balance sheet and improve cash flow management, the Company made the following:

- (i) On 25 February 2022, the Company made an exchange offer whereby it would exchange the outstanding US\$165,000,000 11.8% senior notes due 2022 issued by the Company on 17 March 2021 and listed on the Stock Exchange on 18 March 2021 (the “**First Batch 2022 Notes**”) for new notes bearing interest at 13.0% per annum and with a tenor of 364 days to be issued by the Company (the “**First Batch Exchanged New Notes**”). On 3 March 2022, US\$95,965,000 in aggregate principal amount of the First Batch 2022 Notes was validly tendered for exchange. Subsequently on 8 March 2022, such amount of First Batch 2022 Notes was cancelled and the Company issued US\$95,965,000 in aggregate principal amount of the First Batch Exchanged New Notes. For further details, please refer to the announcements of the Company dated 25 February 2022, 4 March 2022 and 9 March 2022.
- (ii) On 10 March 2022, the Company repurchased in the open market of, and cancelled, an aggregate principal amount of US\$62,435,000 of the First Batch 2022 Notes. In addition, the Company also deposited funds of approximately US\$6,987,222 into the designated bank account of the paying agent on the same day, for the redemption on 16 March 2022 of the remaining outstanding principal amount of US\$6,600,000 of the First Batch 2022 Notes and the accrued interest thereon. For further details, please refer to the announcement of the Company dated 10 March 2022.
- (iii) On 8 March 2022, the Company issued US\$95,965,000 13.0% senior notes due 2023. For further details, please refer to the announcement of the Company dated 11 March 2022.
- (iv) On 1 September 2022, the Company made an exchange offer whereby it proposed to exchange the outstanding US\$110,000,000 12.5% senior notes due 2022 issued by the Company on 21 September 2021 and listed on the Stock Exchange (the “**Second Batch 2022 Notes**”) for new notes bearing interest at 12.5% per annum and with a tenor of 364 days to be issued by the Company (the “**Second Batch Exchanged New Notes**”). On 9 September 2022, US\$108,760,000 in aggregate principal amount of the Second Batch 2022 Notes was tendered for exchange. Subsequently on 13 September 2022, such amount of Second Batch 2022 Notes was cancelled and the Company issued US\$115,255,386 in aggregate principal amount of the Second Batch Exchanged New Notes. For further details, please refer to the announcements of the Company dated 1 September 2022, 9 September 2022 and 14 September 2022.

Equity Investments Designated at FVOCI

The Group's equity investments designated at FVOCI mainly comprised listed equity investments. It decreased by approximately RMB617.2 million or approximately 97.6% from approximately RMB632.2 million for the year ended 31 December 2021 to approximately RMB15.0 million for the year ended 31 December 2022 mainly due to the drop in prices of certain listed equity securities investments held by the Group and the disposal of some of such securities during the year.

Financial Assets at FVTPL

The Group's financial assets at FVTPL mainly comprised unlisted investments in funds. It decreased by approximately RMB560.7 million or approximately 97.6% from approximately RMB574.3 million for the year ended 31 December 2021 to approximately RMB13.6 million for the year ended 31 December 2022 mainly due to certain property fund redemption delays and the recognition of fair value loss of such funds.

Financial Risks

The Group is exposed to market risks from changes in market rates and prices, such as interest rates, credit, liquidity and foreign exchange risk.

Interest rate risk

The Group's exposure to risk for changes in market interest rates relates primarily to the Group's interest-bearing bank and other borrowings. The Group does not use derivative financial instruments to hedge interest rate risk. The Group manages its interest cost using variable rate bank borrowings and other borrowings.

Credit risk

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its contractual obligations. The Group has no concentrations of credit risk in view of its large number of customers. The Group did not record any significant bad debt losses during the year ended 31 December 2022. The credit risk of the Group's financial assets, which mainly comprise cash and bank balances, financial assets at FVTPL, equity investments designated at FVOCI, and financial assets included in prepayment, deposits and other receivables.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings. Cash flows are closely monitored on an ongoing basis.

Foreign Exchange Risk

The Group mainly operates its business in the PRC. Other than its foreign currency denominated bank deposits, senior notes, financial assets at FVTPL and equity investments designated at FVOCI, the Group did not have any other material direct exposure to foreign exchange fluctuations for the year ended 31 December 2022. The Directors expect that any such fluctuations in exchange rate would not have material adverse effect on the operation of the Group.

The Group will closely monitor the exchange rate risk regularly and make foreign exchange hedging arrangement when necessary. The Group considers that no foreign exchange hedging arrangement is needed currently.

Key Financial Ratios

The Group's current ratio remained relatively stable at approximately 1.2 and approximately 1.0 as at 31 December 2021 and 31 December 2022 respectively. The Group's net gearing ratio^(Note) increased from approximately 174.4% as at 31 December 2021 to approximately 194.9% as at 31 December 2022, primarily due to the decrease in total equity caused by a loss for the year.

Note:

Net gearing ratio is calculated by dividing the net of interest-bearing bank borrowings (excluding annexation loans) minus cash and bank balances by the total equity.

Contingent Liabilities

Mortgage Guarantees

The Group provides mortgage guarantees to banks in respect of the mortgage loans they provided to the Group's customers in order to secure the repayment obligations of such customers. The mortgage guarantees are issued from the date of grant of the relevant mortgage loans and released upon the earlier of (i) the transfer of the relevant real estate ownership certificates to the customers, or (ii) the settlement of mortgage loans by the customers. If a customer defaults on the mortgage loan, the Group is typically required to repurchase the underlying property by paying off the mortgage loan. If it fails to do so, the mortgagee banks will auction the underlying property and recover the balance from the Group if the outstanding loan amount exceeds the net foreclosure sale proceeds.

The Group provided guarantees in respect of mortgage facilities granted by certain banks to the purchasers of the Group's completed properties held for sale. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible for repaying the outstanding mortgage principals together with any accrued interest and penalties owed by the defaulted purchasers to those banks. Under the above arrangements, the related properties were pledged to the banks as collateral for the mortgage loans, upon default on mortgage repayments by these purchasers, the banks are entitled to take over the legal titles and will realise the pledged properties through open auction. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon the issuance and registration of property ownership certificates to the purchasers, which will generally be available within one to two years after the purchasers take possession of the relevant properties.

As at 31 December 2022, such guarantees in respect of mortgage facilities granted by certain banks to the customers of the Group's completed properties held for sale amounted to approximately RMB6,924.9 million, compared with approximately RMB7,472.6 million as at 31 December 2021.

The Group did not incur any material losses during the period in respect of the guarantees provided for mortgage facilities granted to purchasers of the Group's completed properties held for sale. The directors of the Company considered that in case of default on payments, the net realisable value of the related properties would be sufficient to repay the outstanding mortgage loans together with any accrued interest and penalties, and therefore no provision has been made in connection with the guarantees.

The Directors confirm that the Group has not encountered defaults by customers in which it provided mortgage guarantees that, in aggregate, had a material adverse effect on the Group's financial condition and results of operations.

Guarantees made in favour of Joint Ventures and Associates

The Group provides guarantees to banks and other institutions in respect of facilities or indebtedness they granted to the Group's joint ventures and associates for the purpose of property acquisition and development.

As at 31 December 2022, such guarantees amounted to approximately RMB2,003.9 million, compared with approximately RMB3,097.3 million as at 31 December 2021.

Legal Contingents

The Group may be involved in lawsuits and other proceedings in its ordinary course of business from time to time. The Group believes that no liabilities resulting from these proceedings will have a material and adverse effect on its business, financial condition or operating results.

Commitments

As at 31 December 2022, the Group's commitment for property development and capital commitments which it had contracted but yet provided for was approximately RMB7,263.5 million, compared to approximately RMB9,639.4 million as at 31 December 2021.

Off-Balance Sheet Commitments and Arrangements

Except for the contingent liabilities disclosed above, as at 31 December 2022, the Group did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities.

Significant Investments Held

Save as disclosed in this announcement, the Group did not hold any significant investments during the year ended 31 December 2022.

Employees

As at 31 December 2022, the Group had a total of 623 employees. The Group offers employees competitive remuneration packages that include basic salaries, discretionary bonuses, performance-based payments and year-end bonuses. It contributes to social insurance for its employees, including medical insurance, work-related injury insurance, retirement insurance, maternity insurance, unemployment insurance and housing funds.

Future Plans for Material Investments

The Group will continue to focus on its existing property development business and acquiring high-quality land parcels in the Yangtze River Delta Megalopolis in the PRC. No concrete plan for future investments is in place as at the date of this announcement.

Material Acquisition and Disposal

During the year ended 31 December 2022, the Group did not perform any material acquisition or disposal of subsidiaries, associates and joint ventures.

Subsequent Events

On 2 January 2023, the Group did not repay a principal of RMB21,000,000 of interest-bearing other borrowings due in January 2023.

On 17 February 2023, the Company made an exchange offer (the “**2023 Exchange Offer**”) whereby it proposed to exchange the outstanding US\$95,965,000 13.0% senior notes due 2023 issued by the Company on 8 March 2022 and listed on the Singapore Exchange Securities Trading Limited (the “**2023 Notes**”) for new notes bearing interest at 13.0% per annum and with a tenor of 364 days to be issued by the Company. The exchange expiration deadline of the 2023 Exchange Offer was subsequently extended twice on 24 February 2023 and 2 March 2023 respectively.

The 2023 Notes matured on 7 March 2023, and the Company announced the termination of the 2023 Exchange Offer on 17 March 2023. All 2023 Notes previously tendered and not withdrawn had been returned to their respective holders.

As of the date of this announcement, the Company has not paid the principal and interest on the 2023 Notes due and payable on the maturity date. In addition, as a result of the non-payment under the 2023 Notes, the holders of the Company’s 12.5% senior notes due in September 2023 may, subject to the conditions under and in accordance with the indenture governing such notes, demand early repayment. The Company is actively assessing the impact of the abovementioned matters and will seek professional advice on the action it should take in order to seek a consensual solution with all stakeholders. For further details, please refer to the announcements of the Company published on 19 February 2023, 24 February 2023, 2 March 2023 and 17 March 2023.

Saved as disclosed in this announcement, no material event was undertaken by the Group subsequent to 31 December 2022 and up to the date of this announcement.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Save as disclosed in this announcement, none of the Company nor any of its subsidiaries had purchased, sold or redeemed any securities of the Company for the year ended 31 December 2022.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company (“**AGM**”) is scheduled to be held on Tuesday, 30 May 2023, the notice of which will be published and dispatched to the Shareholders as soon as practicable in accordance with the Company’s Articles of Association and the Rules Governing the Listing of the Securities on the Stock Exchange (the “**Listing Rules**”).

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2022 (2021: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 24 May 2023 to Tuesday, 30 May 2023, both days inclusive and during which period no transfer of shares of the Company will be effected, for the purpose of ascertaining the Shareholders’ entitlement to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, no later than 4:30 p.m. (Hong Kong time) on Tuesday, 23 May 2023.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to achieving high standards of corporate governance by focusing on principles of integrity, accountability, transparency, independence, responsibility and fairness. The Company has developed and implemented sound governance policies and measures with the Board being responsible for performing such corporate governance duties. The Board will continue to review and monitor the corporate governance of the Company with reference to the Corporate Governance Code set out in Part 2 of Appendix 14 to the Listing Rules (the “**Code**”) so as to maintain a high standard of corporate governance of the Company. So far as the Directors are aware, the Company has complied with the Code throughout the year ended 31 December 2022.

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 Listing Rules as its code of conduct regarding directors’ securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code throughout the year ended 31 December 2022.

EXTRACT OF INDEPENDENT AUDITOR’S REPORT

The following is an extract of the independent auditor’s report issued by the Group’s independent auditor, Ernst & Young, Certified Public Accountants of Hong Kong (“**Ernst & Young**”) on the consolidated financial statements of the Group 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 potential interaction of the multiple uncertainties relating to going concern and their possible cumulative effect on the consolidated financial statements as described in the Basis for Disclaimer of Opinion section of our report, it is not possible for us to form an opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for disclaimer of opinion

Multiple uncertainties relating to going concern

As set out in note 2.1 to the consolidated financial statements, the Group recorded a net loss of RMB772,096,000 for the year ended 31 December 2022. As at 31 December 2022, the Group’s total interest-bearing bank and other borrowings and senior notes amounted to RMB10,856,865,000, out of which RMB6,402,942,000 will be due for repayment within the next twelve months, while its cash and cash equivalents amounted to RMB330,774,000. As at 31 December 2022, the Group did not pay a principal of RMB541,043,000 of interest-bearing bank and other borrowings according to the repayment schedule. Subsequent to 31 December 2022, the Group did not repay a principal of RMB21,000,000 of interest-bearing other borrowings due in January 2023 and a principal of US\$95,965,000 (equivalent to RMB668,358,000) of senior notes due in March 2023. As a result, senior notes and interest-bearing bank and other borrowings with an aggregate principal amount of RMB900,688,000 became cross-default. These conditions, together with other matters set out in note 2.1 to the consolidated financial statements, indicate the existence of material uncertainties which cast significant doubt on the Group’s ability to continue as a going concern.

The directors of the Company have been undertaking measures to improve the Group's liquidity and financial position, which are set out in note 2.1 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 those measures, which are subject to multiple uncertainties, including:

- (i) successful completion of the restructuring of the Group's senior notes;
- (ii) successfully negotiate with the Group's existing lenders for the renewal or extension for repayment of the Group's bank and other borrowings;
- (iii) successfully seek for other alternative financing and bank borrowings to finance the settlement of its existing financial obligations and future operating and capital expenditures;
- (iv) successfully carry out the Group's business strategy plan including accelerating the sales of its properties and the collection of outstanding sales proceeds; and
- (v) successfully dispose the Group's other assets including lands and equity interests in project development companies and timely collection of the proceeds.

As a result of these multiple uncertainties, their potential interaction, and the possible cumulative effect thereof, we were unable to form an opinion as to whether the going concern basis of preparation is appropriate. Should the Group fail to achieve the above-mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying 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 effect of these adjustments has not been reflected in the consolidated financial statements.

REVIEW OF PRELIMINARY ANNOUNCEMENT BY THE AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference in compliance with the Code. As at the date of this announcement, the Audit Committee comprises three members, namely Dr. Chen Shimin, Mr. Chan Peng Kuan and Mr. Huang Qingping.

The Audit Committee has reviewed and discussed the annual results for the year ended 31 December 2022.

SCOPE OF AUDITOR’S WORK ON ANNOUNCEMENT OF ANNUAL RESULTS

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 2022 as set out in this announcement have been agreed by the Group’s auditor, Ernst & Young, to the amounts set out in the Group’s consolidated financial statements for the year. The work performed by Ernst & Young 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 Ernst & Young on this announcement.

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

The annual results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and that of the Company (www.yincheng.hk). The annual report will be dispatched to the Shareholders and will be available on the website of the Stock Exchange and that of the Company in due course.

By order of the Board
Yincheng International Holding Co., Ltd.
HUANG Qingping
Chairman

Nanjing, China
29 March 2023

As at the date of this announcement, the executive Directors are Mr. Ma Baohua, Mr. Zhu Li, Mr. Wang Zheng and Ms. Shao Lei; the non-executive Directors are Mr. Huang Qingping and Mr. Xie Chenguang; and the independent non-executive Directors are Dr. Chen Shimin, Mr. Chan Peng Kuan and Mr. Yim Hong Cheuk Foster.

Notes: In this announcement, English names of PRC entities marked “*” are translations of their Chinese names for identification purposes only.

Amounts and percentage figures included in this announcement, including information presented in thousands or millions of units, have been subject to rounding adjustments. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total individual items.