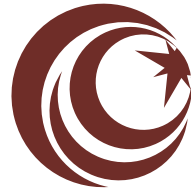


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新明中国控股

XINMING CHINA

Xinming China Holdings Limited

新明中國控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2699)

UPDATE ON THE ANNUAL RESULTS OF THE COMPANY FOR THE YEAR ENDED 31 DECEMBER 2019

Reference is made to the announcement of Xinming China Holdings Limited (“**Company**” and together with its subsidiaries, “**Group**”) dated 30 March 2020 (“**2019 Results Announcement**”) in relation to the unaudited consolidated annual results of the Group for the financial year ended 31 December 2019 (“**2019 Unaudited Annual Results**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the 2019 Results Announcement.

AUDITOR’S AGREEMENT ON THE 2019 ANNUAL RESULTS

The Board is pleased to announce that as at the date of this announcement, the Company’s auditors, Ernst & Young Certified Public Accountants (“**Auditor**”), has completed its audit of the annual results of the Group for the year ended 31 December 2019 (“**2019 Audited Annual Results**”) in accordance with Hong Kong Standards on Auditing (“**HKSA**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), including the financial figures in respect of the Group’s consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes as set out in the 2019 Unaudited Annual Results. The 2019 Audited Annual Results has been agreed by the Auditor, reviewed by the audit committee of the Company and approved by the Board as at the date of this announcement.

Except for the following reclassification and clarification, the overall 2019 Unaudited Annual Results remain substantially the same as the 2019 Audited Annual Results:

(1) Reclassification on consolidated statement of financial position:

	31 December 2019	31 December 2019	Changes
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(unaudited)</i>	
Current liabilities			
Interest-bearing bank and other borrowings	1,890,343	959,928	930,415
Lease liabilities	<u>808</u>	<u>—</u>	<u>808</u>
	<u>1,891,151</u>	<u>959,928</u>	<u>931,223</u>
Non-current liabilities			
Interest-bearing bank and other borrowings	—	931,465	(931,465)
Lease liabilities	<u>242</u>	<u>—</u>	<u>242</u>
	<u>242</u>	<u>931,465</u>	<u>(931,223)</u>

The above reclassification has no effect on the total liabilities.

(2) Clarification on other expense and other payables and accruals

	<u>Year ended 31 December</u>		
	2019	2019	Changes
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(unaudited)</i>	
Other expenses	<u>(183,181)</u>	<u>(82,477)</u>	<u>(100,704)</u>
	<u>672,106</u>	<u>471,402</u>	<u>100,704</u>

The Company noted that there is change of other expenses and other payables and accruals, due to the provision of interest penalty of approximately RMB100.7 million relating to certain cross-default borrowings according to the contract terms.

(3) Clarification on segment information

The Company noted that there is change on consolidated statement of profit or loss and would like to delete the Note 3 — SEGMENT INFORMATION on page 13 of the Unaudited Annual Results Announcement and replace it with the following:

Year ended 31 December 2019

	Property development	Property leasing	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment revenue				
Sales to external customers	99,638	63,711	—	<u>163,349</u>
Revenue				<u>163,349</u>
Segment results	(143,097)	161,912	(65,663)	<u>(46,848)</u>
Loss before tax				<u>(46,848)</u>
Other segment information:				
Depreciation	1,125	—	73	1,198
Depreciation of right-of-use assets	—	419	353	772
Provision for impairment of completed properties held for sale	9,710	—	—	9,710
(Reversal)/provision for impairment of trade receivables	(1,086)	1,646	—	560
Realisation of onerous operating leases	—	(1,243)	—	(1,243)
Bank interest income	(70)	(100)	(32)	(202)
Finance costs (other than interest on lease liabilities)	2,460	75	—	2,535
Fair value gain on investment properties	—	(146,823)	—	(146,823)
Fair value gain on convertible bonds	(11,946)	—	—	(11,946)
Capital expenditure*	8	—	—	<u>8</u>

* Capital expenditure consists of additions to property, plant and equipment.

(4) Clarification on (loss)/profit before tax

The Company noted that there is change on consolidated statement of profit or loss and would like to delete the Note 6 — PROFIT BEFORE TAX on page 19 of the Unaudited Annual Results Announcement and replace it with the following:

(LOSS)/PROFIT BEFORE TAX

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

	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
		<i>(restated)</i>
Cost of properties sold	76,796	325,593
Cost of leasing properties	33,561	18,524
Depreciation of property, plant and equipment	1,198	1,381
Depreciation of right-of-use assets	772	—
Auditor's remuneration	2,730	2,350
Minimum lease payments under operating leases	—	1,973
Lease payments not included in the measurement of lease liabilities (excluding cost of sales)	71	—
Employee benefit expense:		
Wages and salaries	19,637	30,601
Pension scheme and social welfare	<u>6,531</u>	<u>10,178</u>
	<u>26,168</u>	<u>40,779</u>
Foreign exchange differences, net	(745)	(1,071)
Impairment of financial assets, net:		
Impairment of trade receivables, net	560	2,046
Impairment of financial assets included in prepayments, other receivables and other assets, net	<u>3,082</u>	<u>6,313</u>
	<u>3,642</u>	<u>8,359</u>
Impairment of completed properties held for sale	9,710	1,662
Interest penalties	127,557	—
Realisation of onerous operating leases	(1,243)	(1,098)
Changes in fair value of investment properties	(146,823)	(67,785)
Changes in fair value of convertible bonds	(11,946)	39,897
Bank interest income	(202)	(740)
Gain on disposal of items of property, plant and equipment	<u>—</u>	<u>(349)</u>

(5) Clarification on income tax

The Company noted that there is change on consolidated statement of profit or loss and would like to delete the Note 7 — INCOME TAX on page 21 of the Unaudited Annual Results Announcement and replace it with the following:

	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
		<i>(restated)</i>
(Loss)/profit before tax	<u>(46,848)</u>	<u>128,050</u>
Tax at the statutory tax rate	(11,712)	32,013
Lower tax rates for specific entities	4,258	1,485
Expenses not deductible for tax	723	2,752
Tax losses utilised from previous periods	—	(1,567)
Tax losses and temporary differences not recognised	<u>74,800</u>	<u>22,850</u>
Subtotal	<u>68,069</u>	<u>57,533</u>
LAT (reversal)/provision for the year	(6,292)	49,781
Prepaid LAT for the year	3,093	15,636
Deferred tax effect of LAT provision	1,573	(12,445)
Tax effect of prepaid LAT	<u>(773)</u>	<u>(3,909)</u>
Tax charge at the Group's effective rate	<u>65,670</u>	<u>106,596</u>

For the year ended 31 December 2019, tax losses and temporary differences amounting to RMB316,443,000 (2018: RMB97,328,000) have not been recognised as deferred tax assets, as it is not considered probable that taxable profits will be available against which the above tax losses can be utilised.

(6) Clarification on (loss)/earnings per share attribute to ordinary equity holders of parent

The Company noted that there is change on consolidated statement of profit or loss and would like to delete the Note 9 — (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT on page 22 to 23 of the Unaudited Annual Results Announcement and replace it with the following:

The calculation of the basic (loss)/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 1,878,622,000 (2018: 1,878,622,000) in issue during the year.

The calculation of the diluted (loss)/earnings per share amounts is based on the (loss)/profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the convertible bonds, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic (loss)/earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic earnings per share amount presented for year ended 31 December 2019 and 2018 in respect of a dilution as the impact of the convertible bonds outstanding had an anti-dilutive effect on the basic earnings per share amount presented.

The calculations of the basic and diluted earnings per share are based on:

	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
		<i>(restated)</i>
(Loss)/earnings		
(Loss)/profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	(116,976)	42,911
Less: Fair value gain of the convertible bonds	(11,946)	—
Add: Fair value loss of the convertible bonds	<u>—</u>	<u>39,897</u>
	<u><u>(128,922)*</u></u>	<u><u>82,808</u></u>

	<u>Number of shares</u>	
	2019	2018
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	1,878,622,000	1,878,622,000
Effect of dilution — weighted average number of ordinary shares:		
Convertible bonds	<u>215,827,338</u>	<u>126,294,569</u>
	<u>2,094,449,338</u>	<u>2,004,916,569</u>

* Because the diluted (loss)/earnings per share amount is increased when taking convertible bonds into account, the convertible bonds had an anti-dilutive effect on the basic earnings per share for the year and were ignored in the calculation of diluted earnings per share. Therefore, the diluted loss per share amount is based on the loss for the year of RMB116,976,000, and the weighted average number of ordinary shares of 1,878,622,000 in issue during the year ended 31 December 2019.

(7) Clarification on other borrowings

The Company noted that there is change on consolidated statement of financial position and would like to delete the Note 13 — OTHER BORROWINGS on page 29 of the Unaudited Annual Results Announcement and replace it with the following:

INTEREST-BEARING BANK AND OTHER BORROWINGS

	<u>31 December 2019</u>			<u>1 January 2019</u>	<u>31 December 2018</u>		
	<i>Effective interest</i>				<i>Effective interest</i>		
	<i>rate (%)</i>	<i>Maturity</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>rate (%)</i>	<i>Maturity</i>	<i>RMB'000</i>
Current							
Current portion of long term other borrowings							
— secured	6.80-11.67	2020	1,890,343	1,266,230	7.71-10.41	2019	1,266,230
Non-current							
Other borrowings							
— secured	—	—	<u>—</u>	<u>700,844</u>	12.18	2020-2021	<u>700,844</u>
			<u>1,890,343</u>	<u>1,967,074</u>			<u>1,967,074</u>

	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Analysed into:		
Other borrowings repayable:		
Repayable within one year	1,890,343	1,266,230
Repayable in the second year	—	40,000
Repayable in the third to fifth years	<u>—</u>	<u>660,844</u>
	<u>1,890,343</u>	<u>1,967,074</u>

As at 31 December 2019, interest payments of RMB60,434,000 relating to certain borrowings of the Group of a principal amount of RMB1,119,573,000 were not paid in accordance with the repayment schedules pursuant to the borrowing agreements. These constituted events of defaults which resulted in cross-default of certain borrowings other than those mentioned above, amounting to a principal amount of RMB770,770,000 as at 31 December 2019.

In connection with the default and cross-default, the Group was subject to a penalty of RMB127,557,000 which were included in other payables and accruals at 31 December 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

As a result of the above reclassifications, the Board would like to clarify that in the section headed “Management Discussion and Analysis” in the 2019 Results Announcement:

- a) The second and fourth paragraph in the sub-section headed “Business Review” on page 33 shall be read as follows, respectively:

Business Review

“Loss attributable to the shareholders of the Company amounted to approximately RMB117.0 million, representing a decrease of approximately RMB159.9 million from profit of approximately RMB42.9 million in 2018 (restated), mainly due to the provision of interest penalty of approximately RMB127.5 million relating to certain default and cross-default borrowings according to the contract terms. Loss per share was approximately RMB0.062 (2018: profit of approximately RMB0.023).”

“As at 31 December 2019, total assets of the Group amounted to approximately RMB6,743.5 million (31 December 2018: approximately RMB6,836.6 million (restated)); total liabilities were approximately RMB4,763.5 million (31 December 2018: approximately RMB4,744.1 million (restated)); total equity was approximately RMB1,980.0 million (31 December 2018: approximately RMB2,092.5 million (restated)); and net assets per share were approximately RMB 1.05 (31 December 2018: approximately RMB1.11).”

- b) The sub-sections headed “Other expenses” and “Operating profit” on page 37 shall be read as follows:

Other expenses

“Other expenses during the Year under Review was approximately RMB183.2 million, representing a substantial increase of approximately RMB146.1 million or 393.8% as compared to approximately RMB37.1 million in the last year (restated), mainly due to the provision of interest penalty of approximately RMB127.5 million relating to certain default and cross-default borrowings according to the contract terms, and the provision of impairment of completed properties held for sale approximately RMB9.7 million and comprehensive fines and compensations of approximately RMB44.6 million.”

Operating loss

During the Year under Review, the operating loss amounted to approximately RMB46.8 million, representing a decrease of approximately RMB174.9 million or approximately 136.5% as compared to the operating profit of approximately RMB128.1 million in the last year (restated). The decrease was mainly due to the decrease in the revenue from property sales and the provision of bank overdue penalties.

- c) The sub-sections headed “Loss attributable to the shareholders” and “Borrowings” on page 38 shall be read as follows:

Loss attributable to the shareholders

“During the Year under Review, the loss attributable to the shareholders amounted to approximately RMB117.0 million, representing a significant decrease of approximately RMB159.9 million as compared to a profit of RMB42.9 million in the corresponding period of last year (restated). The basic loss per share amounted to approximately RMB0.062 per share (2018: basic earnings per share of approximately RMB0.023 per share).”

Borrowings

“As at 31 December 2019, the total other borrowings of the Group were approximately RMB1,890.3 million, representing a decrease of approximately RMB76.8 million as compared to approximately RMB1,967.1 million as at 31 December 2018.

The borrowings repayable within one year of the Group was approximately RMB1,890.3 million, representing an increase of approximately RMB624.1 million as compared to approximately RMB1,266.2 million as at 31 December 2018. Borrowings repayable after one year was nil, representing a decrease of approximately RMB700.8 million as compared to approximately RMB700.8 million as at 31 December 2018.”

- d) The second and third paragraph in the sub-section headed “Assets and liabilities” and “Trade payables, contract liabilities and other payables and accruals” on page 39 shall be read as follows:

Assets and liabilities

“As at 31 December 2019, the total liabilities of the Group were approximately RMB4,763.5 million, representing an increase of approximately RMB19.4 million as compared to approximately RMB4,744.1 million as at 31 December 2018 (restated). The total current liabilities were approximately RMB4,234.0 million, representing approximately 88.9% (31 December 2018: approximately 69.5%) of the total liabilities, increased by approximately RMB938.0 million as compared to approximately RMB3,296.0 million as at 31 December 2018 (restated). However, the total non-current liabilities were approximately RMB529.5 million, representing approximately 11.1% (31 December 2018: approximately 30.5%) of the total liabilities, decreased by approximately RMB918.6 million as compared to approximately RMB1,448.1 million as at 31 December 2018.

As at 31 December 2019, the net current liabilities of the Group were approximately RMB912.6 million, representing a decrease of approximately RMB1,225.7 million as compared to net current assets of approximately RMB313.1 million as at 31 December 2018 (restated).”

Trade payables, contract liabilities and other payables and accruals

As at 31 December 2019, the sum of total trade payables, contract liabilities and other payables and accruals of the Group was approximately RMB1,154.9 million, representing an increase of approximately RMB73.4 million as compared to approximately RMB1,081.5 million (restated) as at 31 December 2018. The increase was mainly due to the provision of interest penalty of approximately RMB127.5 million relating to certain default and cross-default borrowings according to the contract terms.

- e) The sub-sections headed “Current ratio” and “Gearing ratio” on page 40 shall be read as follows:

Current ratio

As at 31 December 2019, the current ratio of the Group, being the ratio of the current assets divided by the current liabilities, was 0.78:1 (31 December 2018: 1.09:1)

Gearing ratio

As at 31 December 2019, the gearing ratio of the Group was calculated based on net debt divided by the sum of total equity and net debt. The Group’s net debt consists of other borrowings, less cash and cash equivalents. Total equity includes equity attributable to owners of the parent and non-controlling interests. The gearing ratio of the Group was 50.0% (31 December 2018: 51.3%).

EXTRACT OF INDEPENDENT AUDITOR’S REPORT

The below sections set out an extract of the report by Ernst & Young, the auditor of the Company, regarding the consolidated financial statements of the Group for the year ended 31 December 2019:

Disclaimer of Opinion

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

Basis for Disclaimer of Opinion

Multiple Uncertainties Relating to Going Concern

As set out in note 2.1 to the consolidated financial statements, the Group incurred a net loss of RMB112,518,000 for the year ended 31 December 2019. As at 31 December 2019, the Group’s current liabilities exceeded its current assets by RMB912,615,000. In addition, as at 31 December 2019, interest payments of RMB60,434,000 relating to certain borrowings of the Group of a principal amount of RMB1,119,573,000 (“In Default Borrowings”) were not paid in accordance with the repayment schedules pursuant to the borrowing agreements. These constituted events of defaults which resulted in cross-default of certain borrowings other than those mentioned above, amounting to a principal amount of RMB770,770,000 (“Cross-default Borrowings”) as at 31 December 2019. As at the date of approval of these financial statements, interest of RMB117,537,000 relating to the In Default Borrowings and the Cross-default Borrowings was overdue. These conditions, together with other matters disclosed in note 2.1 to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt on the Group’s ability to continue as a going concern.

The directors of the Company have been undertaking measures to improve the Group's liquidity and financial position, which are set out in note 2.1 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 these measures, which are subject to multiple uncertainties, including (i) successfully negotiating with the Group's existing lenders such that no action will be taken by the relevant lenders to demand immediate repayment of the borrowings with interest payments in default, including those with cross-default terms; (ii) successfully negotiating for the renewal of or extension for repayment of outstanding borrowings, including those with overdue principals and interests; (iii) successfully negotiating with various financial institutions and identifying various options for financing the Group's working capital and commitments in the foreseeable future and (iv) successfully accelerating the pre-sale and sale of properties under development and completed properties and speeding up the collection of outstanding sales proceeds, and controlling costs and containing capital expenditure so as to generate adequate net cash inflows.

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

THE MANAGEMENT'S POSITION, VIEW AND ASSESSMENT ON THE DISCLAIMER OF OPINION

During the course of audit of the consolidated financial statements of the Group for the year ended 31 December 2019, the Auditor had raised concern on the Group's ability to continue as a going concern. In order to address this concern, the Company has, among other things, taken the following steps: (i) negotiating with the Group's existing lenders such that no action will be taken by the relevant lenders to demand immediate repayment of the borrowings with interest payments in default, including those with cross-default terms; (ii) negotiating with various financial institutions on the renewal of or extension for repayment of outstanding borrowings, including those with overdue principals and interests; (iii) negotiating with various financial institutions to identify various options for additional financing the Group's working capital and commitments in the foreseeable future; (iv) accelerating the pre-sale and sale of properties under development and completed properties and speeding up the collection of outstanding sales proceeds; and controlling costs and containing capital expenditure so as to generate adequate net cash inflows; and (v) procuring and negotiating the preliminary terms with large property development enterprises for the sale of individual property development projects at a price deemed appropriate.

Accordingly, the Directors are of the opinion that it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2019 on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the Group is able to obtain the necessary funding and achieve the plans and measures above. The Group's ability to continue as a going concern would depend upon whether the Group is able to obtain financing when required, the attainability depends on the performance of the Group and whether the Group is able to generate sufficient cash flow from operations and plans to control costs, the attainability depends on the market performance.

Despite the effort made by the Company to address the concern, the Auditor issued the disclaimer of opinion. The management of the Company has considered the Auditor's rationale and understood their consideration in arriving the disclaimer of opinion.

AUDIT COMMITTEE'S VIEW ON THE DISCLAIMER OF OPINION

The members of the Audit Committee had critically reviewed the basis for disclaimer of opinion, the Management's position concerning the basis for disclaimer of opinion and measures taken by the Company for addressing the basis for disclaimer of opinion. The Audit Committee agreed with the Management's position based on the reasons above. Moreover, the Audit Committee requested the Management to take all necessary actions to address the effect on the basis for disclaimer of opinion to procure no such disclaimer of opinion to be made in the next financial year. The Audit Committee had also discussed with the Auditor regarding the financial position of the Group, measures taken and to be taken by the Company, and considered the Auditor's rationale and understood their consideration in arriving the disclaimer of opinion.

ANNUAL GENERAL MEETING

The Company will hold an annual general meeting on Wednesday, 24 June 2020. Notice of the forthcoming annual general meeting will be published and despatched to the Shareholders in accordance with the articles of association of the Company and the Listing Rules as soon as practicable.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 19 June 2020 to Wednesday, 24 June 2020, both days inclusive, during this period no transfer of Shares will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting, all share transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 18 June 2020, for registration.

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

This results announcement is published on the website of the Stock Exchange and the website of the Company. The annual report of the Company for the year ended 31 December 2019, in both English and Chinese versions, will be despatched to the Shareholders to their choice of means of receipt and language of corporate communications of the Company, and will also be available on the same websites as mentioned above on 15 May 2020.

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

Hong Kong, 15 May 2020

As at the date of this announcement, the executive Directors are Mr. Chen Chengshou, Mr. Feng Cizhao and Mr. Pu Wei, the non-executive Director are Ms. Gao Qiaoqin and Mr. Chou Chiu Ho; and the independent non-executive Directors are Mr. Fong Wo, Felix, Mr. Gu Jiong and Mr. Lo Wa Kei, Roy.