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新明中国控股
XINMING CHINA

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

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

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

ANNUAL RESULTS HIGHLIGHTS

- Turnover of the Group amounted to approximately RMB128.5 million, representing a decrease of approximately 21.3% as compared with last year.
- Gross profit of the Group amounted to approximately RMB61.6 million, representing an increase of approximately 16.2% as compared with last year.
- Loss attributable to the owners of the parent company was approximately RMB1,000.8 million.
- Basic loss per share was approximately RMB0.533.
- The Board did not recommended the payment of final dividend for the year ended 31 December 2020.

FINAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Xinming China Holdings Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the financial year ended 31 December 2020 ("**Year under Review**") which was prepared in accordance with relevant requirements under the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), together with comparative figures for the corresponding period in 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Year ended 31 December 2020

	Note	**2020**	2019
		RMB'000	*RMB'000*
Revenue	4	**128,537**	163,349
Cost of sales		**(66,977)**	(110,357)
Gross profit		**61,560**	52,992
Other income and gains	5	**3,435**	1,076
Selling and distribution costs		**(18,533)**	(6,457)
Administrative expenses		**(48,134)**	(63,811)
Other expenses		**(1,051,238)**	(186,823)
Changes in fair value of investment properties		**(22,900)**	146,823
Changes in fair value of convertible bonds		**20,363**	11,946
Finance costs	6	**(973)**	(2,594)
Loss before income tax	6	**(1,056,420)**	(46,848)
Income tax expenses	7	**(59,484)**	(65,670)
Loss for the year and total comprehensive loss for the year		**(1,115,904)**	(112,518)
(Loss) Profit for the year and total comprehensive (loss) profit for the year attributable to:			
Owners of the Company	9	**(1,000,756)**	(116,976)
Non-controlling interests		**(115,148)**	4,458
		(1,115,904)	(112,518)
Loss per share attributable to owners of the Company	9		
Basic and Diluted *(RMB)*		**(0.533)**	(0.062)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Note	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment		**4,009**	4,646
Investment properties	10	**3,296,000**	3,318,900
Right-of-use assets		**—**	1,027
Deferred tax assets		**86,199**	97,511
		3,386,208	3,422,084
Current assets			
Properties under development	11	**1,390,487**	1,341,803
Completed properties held for sale	12	**1,429,376**	1,574,542
Trade receivables	13	**24,541**	1,354
Prepayments, other receivables and other assets	14	**183,797**	211,944
Tax recoverable		**—**	6,702
Restricted deposits		**2,573**	2,830
Cash and cash equivalents		**5,249**	182,225
		3,036,023	3,321,400
Current liabilities			
Trade payables	15	**374,613**	291,668
Other payables and accruals		**1,358,451**	672,106
Contract liabilities		**212,072**	191,139
Interest-bearing bank and other borrowings	16	**1,873,909**	1,890,343
Lease liabilities		**—**	808
Tax payable		**905,520**	914,984
Convertible bonds		**252,603**	272,967
		4,977,168	4,234,015
Net current liabilities		**(1,941,145)**	(912,615)
Total assets less current liabilities		**1,445,063**	2,509,469

	2020	2019
	RMB'000	*RMB'000*
Non-current liabilities		
Lease liabilities	**—**	242
Deferred tax liabilities	**581,013**	529,273
	581,013	529,515
NET ASSETS	**864,050**	1,979,954
EQUITY		
Issued capital	**14,880**	14,880
Reserves	**869,573**	1,870,329
	884,453	1,885,209
Non-controlling interests	**(20,403)**	94,745
TOTAL EQUITY	**864,050**	1,979,954

NOTES

1. GENERAL INFORMATION

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Going concern

The Group incurred a net loss of approximately RMB1,115,904,000 for the year ended 31 December 2020. At 31 December 2020, the Group's current liabilities exceeded its current assets by approximately RMB1,941,145,000.

At 31 December 2020, borrowings with total principal amount of approximately RMB1,873,909,000 and convertible bonds amounting approximately RMB252,603,000 and interest payable of approximately RMB242,977,000 were overdue.

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

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

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

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

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

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

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

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

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

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

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

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

(v) actively looking for large property development enterprises and cooperating with investors to develop properties under development of the Company through joint effort; and

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

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

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2019 consolidated financial statements except for the adoption of the following new/revised IFRSs that are relevant to the Group's operation and effective from the current year.

Adoption of new/revised IFRSs

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

Amendments to IASs 1 and 8	Definition of Material
Amendments to IAS 39, IFRSs 7 and 9	Interest Rate Benchmark Reform — Phase 1
Amendments to IFRS 3	Definition of a Business

Amendments to IASs 1 and 8: Definition of Material

The amendments clarify the definition of material and align the definition used across HKFRSs.

Amendments to IAS 39, IFRSs 7 and 9: Interest Rate Benchmark Reform — Phase 1

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform (the market-wide reform of an interest rate benchmark, including the replacement of an interest rate benchmark with an alternative benchmark). In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

Amendments to HKFRS 3: Definition of a Business

The amendments, among others, revise the definition of a business and include new guidance to evaluate whether an acquired process is substantive.

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

3. SEGMENT INFORMATION

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

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

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

(c) the others segment engages in investment holding.

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

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

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

Year ended 31 December 2020

	Property development *RMB'000*	Property leasing *RMB'000*	Others *RMB'000*	Consolidated *RMB'000*
Segment revenue				
Sales to external customers *(Note 4)*	**69,769**	**58,768**	**—**	**128,537**
Segment results	**(892,232)**	**(20,903)**	**(143,285)**	**(1,056,420)**
Loss before income tax				**(1,056,420)**
Other segment information				
Additions to property, plant and equipment	**29**	**—**	**—**	**29**
Bank interest income	**(16)**	**(116)**	**(4)**	**(136)**
Changes in fair value on convertible bonds	**—**	**—**	**(20,363)**	**(20,363)**
Changes in fair value of investment properties	**—**	**22,900**	**—**	**22,900**
Depreciation of property, plant and equipment	**444**	**2**	**60**	**506**
Depreciation of right-of-use assets	**—**	**197**	**295**	**492**
Finance costs (excluding interest on lease liabilities)	**953**	**—**	**—**	**953**
Loss on termination of lease	**—**	**—**	**45**	**45**
Impairment of completed properties held for sale	**132,303**	**—**	**—**	**132,303**
Impairment of properties under development	**319,926**	**—**	**—**	**319,926**
Impairment of trade receivables, net	**—**	**324**	**—**	**324**
Impairment of other receivables, net	**73,820**	**642**	**97,319**	**171,781**
Provision for litigations and claims	**40,000**	**—**	**—**	**40,000**
Loss on settlement of dispute	**66,160**	**—**	**—**	**66,160**
Interest penalties	**227,185**	**28,993**	**48,372**	**304,550**

Year ended 31 December 2019

	Property development *RMB'000*	Property leasing *RMB'000*	Others *RMB'000*	Consolidated *RMB'000*
Segment revenue				
Sales to external customers *(Note 4)*	99,638	63,711	—	163,349
Segment results	(143,097)	161,912	(65,663)	(46,848)
Loss before income tax				(46,848)
Other segment information				
Additions to property, plant and equipment	8	—	—	8
Bank interest income	(70)	(100)	(32)	(202)
Changes in fair value of convertible bonds	(11,946)	—	—	(11,946)
Changes in fair value of investment properties	—	(146,823)	—	(146,823)
Depreciation of property, plant and equipment	1,125	—	73	1,198
Depreciation of right-of-use assets	—	419	353	772
Finance costs (excluding interest on lease liabilities)	2,460	75	—	2,535
Impairment of completed properties held for sale	9,710	—	—	9,710
(Reversal for) Provision for impairment of trade receivables, net	(1,086)	1,646	—	560
Realisation of onerous operating leases	—	(1,243)	—	(1,243)

Geographical information

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

Information about major customers

None of the customers individually contributed 10% or more of the Group's revenue for the years ended 31 December 2020 and 2019.

4. REVENUE

	2020	2019
	RMB'000	*RMB'000*
Revenue from contracts with customers within IFRS 15		
Sales of properties	**69,769**	99,638
Revenue from other sources		
Gross rental income from investment properties operating leases		
— other lease payments, including fixed payments	**58,768**	63,711
	128,537	163,349

(a) Disaggregated revenue information

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

	2020	2019
	RMB'000	*RMB'000*
Geographical region:		
— The PRC	**69,769**	99,638
Timing of revenue recognition:		
— at a point in time	**69,769**	99,638
Type of transaction price:		
— fixed price	**69,769**	99,638

The amount of revenue recognised for the year ended 31 December 2020 that was included in the contract liabilities at the beginning of the year is approximately RMB32,390,000 (2019: RMB23,135,000).

(b) Performance obligations

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

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

5. OTHER INCOME AND GAINS

	2020 *RMB'000*	2019 *RMB'000*
Other income		
Bank interest income	**136**	202
Government grants	**445**	6
Others	**305**	123
	886	331
Gains		
Gain on disposal of property, plant and equipment	**36**	—
Exchange gain	**2,513**	745
	2,549	745
	3,435	1,076

6. LOSS BEFORE INCOME TAX

This is stated after charging (crediting):

	2020 *RMB'000*	2019 *RMB'000*
Finance costs		
Interest on interest-bearing bank and other borrowings	**191,438**	162,908
Interest on lease liabilities	**20**	59
Interest expense arising from revenue contracts	**882**	2,460
Total interest expense on financial liabilities not at FVPL	**192,340**	165,427
Less: Interest capitalised	**(191,367)**	(162,908)
	973	2,519
Other finance costs		
Increase in discounted amounts of provisions arising from the passage of time	**—**	75
Total finance costs	**973**	2,594

This is stated after charging (crediting):

	2020	2019
	RMB'000	*RMB'000*
Staff costs (excluding directors' emoluments)		
Salaries, allowances and benefits-in-kind	**19,420**	19,637
Contribution to defined contribution plans	**2,183**	6,531
	21,603	26,168
Other items		
Auditor's remuneration	**1,516**	2,730
Cost of properties sold	**53,454**	76,796
Cost of leasing properties	**13,523**	33,561
Depreciation of property, plant and equipment	**506**	1,198
Depreciation of right-of-use assets	**492**	772
Impairment of financial assets, net (included in "other expenses")		
— Impairment of trade receivables, net	**324**	560
— Impairment of financial assets included in prepayments, other receivables and other assets, net	**150,975**	3,082
	151,299	3,642
Impairment of properties under development (included in "other expenses")	**319,926**	—
Impairment of completed properties held for sale (included in "other expenses")	**132,303**	9,710
Interest penalties (included in "other expenses")	**304,550**	127,577
Lease payments not included in the measurement of lease liabilities (excluding "cost of sales")	**857**	71
Loss on settlement of dispute (included in "other expenses") *(Note ii)*	**66,160**	—
Provision for litigations and claims (included in "other expenses") *(Note i)*	**40,000**	—
Realisation of onerous operating leases	**—**	(1,243)

Notes:

(i) During the year ended 31 December 2020, a service provider (the "**Plaintiff**") of the Company's subsidiary 杭州新明置業投資有限公司 (Hangzhou Xinming Property Investment Limited) ("**Hangzhou Xinming**") initiated proceedings in the People's Court of Gongshu District, Hangzhou City, Zhejiang Province against Hangzhou Xinming to demand outstanding entrusted management service fee, employee salary and benefit and penalty in the sum of approximately RMB68,652,000, together with penalty which shall accrue up to the date of actual payment and all litigation costs relating to the case shall be borne by Hangzhou Xinming.

In September 2020, the Court handed down the first-instance judgement that, among others, Hangzhou Xinming shall pay outstanding entrusted management service, employee salary and benefit in the sum of approximately RMB24,688,000 and penalty of approximately RMB13,188,000 to the Plaintiff together with penalty calculated at 0.03% per day from 1 April 2020 to the date of repayment of amount aforementioned.

Accordingly, the Group has charged RMB40,000,000 to profit or loss in relation to the above litigation for the year ended 31 December 2020.

(ii) During the year ended 31 December 2019, the Group and 台州新明國際家居生活廣場業主委員會 (the Owners Committee of Xinming International Household Products Mall) (the "**Owners Committee**") entered into a settlement agreement for the dispute in respect of property management service for management of Xinming International Household Products Mall (the "**Settlement Agreement**") pursuant to which, among others, the Group agreed to compensate the loss on termination of property management contract, bear the cost of maintenance service of public facilities and bear the cost of restoration of the properties in Xinming International Household Products Mall (the "**Compensation**").

Pursuant to the co-operation agreement entered in 2018, Xinming Group Limited has provided guarantee to indemnify any loss incurred by the Group from management of Xinming International Household Products Mall (the "**Indemnity**").

During the year ended 31 December 2020, the Indemnity was terminated and therefore a one-off loss on settlement of dispute amounting approximately RMB66,160,000 in respect of the Compensation was recognised in profit or loss.

The Compensation was fully settled up to January 2021.

7. INCOME TAX

	2020	2019
	RMB'000	*RMB'000*
Current tax		
PRC Enterprise Income Tax	**—**	3,348
Land appreciation tax ("LAT")	**4,657**	(3,199)
	4,657	149
Deferred tax	**54,827**	65,521
Total income tax expenses for the year	**59,484**	65,670

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

The Group's subsidiaries incorporated in Hong Kong are not liable for income tax as they did not have any assessable income arising in Hong Kong during the years ended 31 December 2020 and 2019.

The Group's entities established in the PRC are subject to PRC Enterprise Income Tax at a statutory rate of 25% the years ended 31 December 2020 and 2019.

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

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

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

8. DIVIDENDS

The directors of the Company do not recommend the payment of final dividend for the year ended 31 December 2020 (2019: Nil).

9. LOSS PER SHARE

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

	2020	2019
	RMB'000	*RMB'000*
Loss:		
Loss attributable to owners of the Company, used in basic and diluted loss per share calculation	**(1,000,755)**	(116,976)

	2020	2019
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic and dilutive loss per share	**1,878,622,000**	1,878,622,000

The computation of diluted loss per share does not assume the conversion of all outstanding convertible bonds issued by the Company since the assumed conversion would result in decrease in loss per share for the years ended 31 December 2020 and 2019.

10. INVESTMENT PROPERTIES

	RMB'000
At 1 January 2019	3,125,600
Transferred from completed properties held for sale	46,477
Change in fair value	146,823
At 31 December 2019 and 1 January 2020	3,318,900
Change in fair value	(22,900)
At 31 December 2020	**3,296,000**

The Group's investment properties consist of commercial properties completed in the PRC. The Group's investment properties were revalued on 31 December 2020 based on valuations performed by independent professionally qualified valuers at RMB3,296,000,000 (2019: RMB3,318,900,000). For each financial reporting period, the Group's property manager and the chief financial officer decide, after approval from the audit committee, to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's properties manager and the chief financial officer have discussions with the valuer on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

At 31 December 2020, the Group's investment properties with an aggregate values of RMB3,296,000,000 (2019: RMB3,318,900,000) were pledged to secure interest-bearing bank and other borrowings granted to the Group (Note 16).

Fair value hierarchy

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

	Level 1 *RMB'000*	**Level 2** *RMB'000*	**Level 3** *RMB'000*	**Total** *RMB'000*
Recurring fair value measurement for commercial properties:				
At 31 December 2020	**—**	**—**	**3,296,000**	**3,296,000**
At 31 December 2019	—	—	3,318,900	3,318,900

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

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

Valuation techniques	Significant unobservable inputs	Range (weighted average) 2020	2019
Discounted cash flow method	Market daily rental rate (RMB per square meter)	**1.50–3.20**	2.89–6.00
	Term yield	**4.75%–5.50%**	4.50%–5.50%
	Reversionary yield	**5.25%–6.00%**	5.00%–6.00%

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

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

11. PROPERTIES UNDER DEVELOPMENT

	2020	2019
	RMB'000	*RMB'000*
At the beginning of the reporting period	**1,341,803**	1,124,891
Additions	**368,610**	216,912
Impairment	**(319,926)**	—
At the end of the reporting period	**1,390,487**	1,341,803

Certain of the Group's properties under development with an aggregate carrying amount of approximately RMB650,503,000 (2019: RMB398,964,000) have been pledged to secure interest-bearing bank and other borrowings granted to the Group (Note 16).

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

	2020	2019
	RMB'000	*RMB'000*
At the beginning of the reporting period	**—**	—
Additions	**319,926**	—
At the end of the reporting period	**319,926**	—

Included in the above impairment of properties under development at 31 December 2020 is a provision for the impaired properties under development of approximately RMB319,926,000 (2019: Nil) with a carrying amount before provision of approximately RMB1,710,413,000 (2019: Nil).

12. COMPLETED PROPERTIES HELD FOR SALE

	2020	2019
	RMB'000	*RMB'000*
At the beginning of the reporting period	**1,574,542**	1,691,874
Additions	**40,590**	15,651
Transferred to cost of properties sold	**(53,454)**	(76,796)
Transfer to investment properties	**—**	(46,477)
Impairment	**(132,303)**	(9,710)
At the end of the reporting period	**1,429,375**	1,574,542

Certain of the Group's completed properties held for sale with an aggregate carrying amount of approximately RMB691,417,000 (2019: RMB956,886,000) have been pledged to secure interest-bearing bank and other borrowings granted to the Group (Note 16).

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

	2020	2019
	RMB'000	*RMB'000*
At the beginning of the reporting period	**41,547**	36,436
Additions	**132,303**	9,710
Impairment loss realised to cost of properties sold	**(328)**	(4,599)
At the end of the reporting period	**173,522**	41,547

Included in the above impairment of completed properties held for sale at 31 December 2020 is a provision for the impaired completed properties held for sale of approximately RMB173,522,000 (2019: RMB41,547,000) with a carrying amount before provision of approximately RMB1,232,119,000 (2019: RMB899,577,000).

13. TRADE RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Trade receivables	**48,405**	24,894
Less: Allowance for impairment	**(23,864)**	(23,540)
	24,541	1,354

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

Trade receivables are unsecured and non-interest-bearing. The carrying amounts of trade receivables approximate to their fair values.

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

	2020	2019
	RMB'000	*RMB'000*
Within 1 year	**24,541**	1,354

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

	2020	2019
	RMB'000	*RMB'000*
At the beginning of the reporting period	**23,540**	22,980
Impairment loss, net *(Note 6)*	**324**	560
At the end of the reporting period	**23,864**	23,540

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

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

At 31 December 2020	**Expected credit loss rate**	**Gross carrying amount**	**Expected credit losses**
	%	***RMB'000***	***RMB'000***
Past due			
Less than 1 month	**46.15**	**45,569**	**21,028**
1 to 3 months	**100.00**	**2,836**	**2,836**
	49.30	**48,405**	**23,864**

At 31 December 2019	Expected credit loss rate	Gross carrying amount	Expected credit losses
	%	*RMB'000*	*RMB'000*
Past due			
Less than 1 month	94.56	24,894	23,540

14. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2020	2019
	RMB'000	*RMB'000*
Prepayments	**4,208**	9,298
Other tax recoverable	**15,125**	14,033
Deposits and other receivables	**324,957**	198,135
	344,290	221,466
Less: Allowance for impairment	**(160,493)**	(9,522)
	183,797	211,944

Deposits and other receivables mainly represent deposits with suppliers. In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The average loss rate applied for where there were no comparable companies at 31 December 2020 was 49.4% (2019: 4.8%).

The movements in allowance for impairment are as follows:

	2020	2019
	RMB'000	*RMB'000*
At the beginning of the reporting period	**9,522**	6,440
Impairment loss recognised	**171,781**	3,082
Written off of impairment loss	**(20,810)**	—
At the end of the reporting period	**160,493**	9,522

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

15. TRADE PAYABLES

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

	2020	2019
	RMB'000	*RMB'000*
Less than one year	**33,155**	56,944
Over one year	**341,458**	234,724
	374,613	291,668

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

16. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2020			2019		
	Effective interest rate	**Maturity**		Effective interest rate	Maturity	
	%		***RMB'000***	%		*RMB'000*
Current						
Current portion of long term other borrowings, secured	**6.80–11.67**	**On demand or within one year**	**1,873,909**	6.80–11.67	On demand or within one year	1,890,343

	2020	2019
	RMB'000	*RMB'000*
Analysed into:		
Other borrowings repayable on demand or within one year	**1,873,909**	1,890,343

At 31 December 2020, interest payments of approximately RMB244,726,000 (2019: RMB60,434,000) relating to certain borrowings of the Group of a principal amount of approximately RMB1,873,909,000 (2019: RMB1,119,573,000) were not paid in accordance with the repayment schedules pursuant to the borrowing agreements which constituted events of defaults. Such defaults resulted in cross-default of certain borrowings other than those mentioned above, amounting to a principal amount of approximately RMB770,770,000 at 31 December 2019.

In connection with the default and cross-default borrowings (if applicable), the Group was subject to a penalty of RMB407,106,000 (2019: RMB127,557,000) which were included in other payables and accruals at 31 December 2020.

During the year ended 31 December 2020, the creditors' rights of the Group's interest-bearing borrowings of approximately RMB1,107,137,000 as stipulated in the relevant loan agreements were ultimately assigned by the relevant banks in the PRC to asset management companies in the PRC.

The Group's other borrowings are secured by the pledges of the following assets at 31 December 2020 and 2019 as follows:

(i) The Group's other borrowings of approximately RMB500,000,000 and RMB311,879,000 (2019: RMB500,000,000 and RMB311,879,000) were secured by the 100% (2019: 100%) equity interest in 台州溫商時代置業有限公司 (Taizhou Wenshang Times Property Limited) ("Wenshang Times") and 95% (2019: 100% equity interest) 重慶新明置業股份有限公司 (Chongqing Xinming Property Company Limited) ("Chongqing Xinming"), subsidiaries of the Company, respectively.

The Group's other borrowings of approximately RMB500,000,000, RMB454,892,000, RMB410,817,000 and RMB311,879,000 (2019: RMB500,000,000, RMB458,892,000, RMB419,121,000 and RMB311,879,000) were secured by investment properties of Wenshang Times, 台州新明置業投資有限公司 (Taizhou Xinming Property Investment Limited) ("Taizhou Investment"), 上海新明環球置業有限公司 (Shanghai Xinming Global Property Limited) ("Shanghai Xinming") and Chongqing Xinming, subsidiaries of the Company, respectively.

(ii) The Group's other borrowings of approximately RMB311,879,000 (2019: RMB311,879,000) were jointly secured by completed properties held for sale of Chongqing Xinming, a subsidiary of the Company.

The Group's other borrowings of approximately RMB196,320,000 (2019: RMB200,453,000) were secured by completed properties held for sale of 杭州新明置業投資有限公司 (Hangzhou Xinming Property Investment Limited) ("Hangzhou Xinming"), a subsidiary of the Company.

(iii) The Group's other borrowings of approximately RMB311,879,000 (2019: RMB311,879,000) were secured by properties under development of Chongqing Xinming, a subsidiary of the Company.

(iv) The Group's other borrowings of approximately RMB500,000,000 (2019: RMB500,000,000) were jointly guaranteed by (i) the Controlling Shareholder, Mr. Chen Chengshou, (ii) the non-executive director, Ms. Gao Qiaoqin, (iii) a subsidiary of the Company and (iv) Xinming Group Limited, a related party of the Group.

The Group's other borrowings of approximately RMB919,016,000 (2019: RMB619,573,000) were jointly guaranteed by (i) the Controlling Shareholder, Mr. Chen Chengshou, (ii) the non-executive director, Ms. Gao Qiaoqin and (iii) a subsidiary of the Company.

In 2019, the Group's other borrowings of RMB311,879,000 were jointly guaranteed by (i) the Controlling Shareholder, Mr. Chen Chengshou, and (ii) Xinming Group Limited, a related party of the Group.

The Group's other borrowings of approximately RMB454,893,000 (2019: RMB458,892,000) were jointly guaranteed by (i) the Controlling Shareholder, Mr. Chen Chengshou, (ii) the non-executive director, Ms. Gao Qiaoqin, (iii) Xinming Group Limited, a related party of the Group, (iv) Miss Chen Xi and Mr. Chen Junshi, the daughter and the son of the Controlling Shareholder, Mr. Chen Chengshou and (v) a subsidiary of the Company.

EXTRACT FROM DRAFT INDEPENDENT AUDITOR'S REPORT

The following is an extract of the draft independent auditor's report on the Company's draft consolidated financial statements for the year ended 31 December 2020.

Disclaimer of Opinion

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matter described in the "Basis for Disclaimer of Opinion" section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

Multiple material uncertainties relating to going concern

As set out in Note 2 to the consolidated financial statements, the Group incurred a net loss of approximately RMB1,115,904,000 for the year ended 31 December 2020. At 31 December 2020, the Group's current liabilities exceeded its current assets by approximately RMB1,941,145,000. In addition, at 31 December 2020, interest payments of approximately RMB242,977,000 relating to interest-bearing borrowings of the Group of aggregate principal amount of approximately RMB1,873,909,000 and the convertible bonds issued by the Group amounting approximately RMB252,603,000 ("In Default Borrowings") were not paid in accordance with the repayment schedules pursuant to the borrowing agreements which constituted events of defaults. These conditions, together with other matters disclosed in Note 2 to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

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

Accordingly, we were unable to obtain sufficient appropriate audit evidence about the appropriateness of the use of going concern basis of accounting in the preparation of the consolidated financial statements. Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in 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 2020, the Auditor had raised concern on the Group's ability to operate as a going concern. In order to address this concern, the Company has, among other things, taken the following steps: (i) continuously 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) continuously negotiating with various financial institutions on the renewal of or extension for repayment of outstanding borrowings, including those with overdue principals and interests; (iii) continuously negotiating with various financial institutions and potential lenders/investors to identify various options for additionally financing the Group's working capital and commitments in the foreseeable future; (iv) accelerating the pre-sale and sale of properties under development and completed properties, such as Shandong Project and Chongqing Project and controlling costs and containing capital expenditure so as to generate adequate net cash inflows; (v) actively looking for large property development enterprises and cooperating with investors to develop properties under development of the Group through joint efforts; and (vi) actively procuring and negotiating the preliminary terms with large property development enterprises for the sale of individual property development project or whole commercial property at a price deemed appropriate. 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 2020 on a going concern basis.

Notwithstanding the above, material 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, and the attainability depends on the market performance. Despite the efforts made by the Company to address the concern, the Auditor proposed 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 the 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, the 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.

MANAGEMENT DISCUSSION AND ANALYSIS

(including financial review)

INDUSTRY REVIEW AND OPERATION MANAGEMENT

Looking back to the PRC real estate market in 2020, according to the data published by the National Bureau of Statistics, the GFA sold and sales of commodity properties in the PRC recorded a negative growth in the first five months as affected by the novel coronavirus pandemic ("**COVID-19 pandemic**"). Since COVID-19 pandemic, subsided in the second half of the year, the GFA sold and sales of commodity properties for the whole year reached 1.76 billion sq.m. and RMB17.4 trillion, respectively, increased by 2.6% and 8.7%, respectively, but those of commercial properties continued to decline by over 10% during the year. Due to the continuously strengthening of housing regulation by the Central Government, the uncertainty brought by bank loan policy in a state of transition resulted in loan extension and re-tightening of financing channels.

During the Year under Review, despite the business environment made it more difficult for the Group to resolve its cash flow issues, the Group continued to demonstrate its determination to address the going concern issue of the Group by taking practice actions and exploring various options, which included revitalising its assets and reducing debt. As set out in the announcements of the Company dated 27 and 28 October 2020, respectively, Xinming China has obtained a loan in the sum of not more than RMB300 million (approximately RMB100 million was drawn as at 31 December 2020) from BE City Investment Holding Group Limited* (北控城投控股集團有限公司), part of which has been used for the construction of Shandong Tengzhou Xingmeng International Commercial City (the "**Shandong Project**") and accelerating the pre-sale of the phase 1 of Shandong Project by the reporting date. Meanwhile, the Company will actively continue to negotiate with various financial institutions to extend the repayment date or re-finance its outstanding borrowings, and will proactively explore feasibility of assets revitalization in the future, including but not limited to change of land use and sale of property in its entirety strategy.

Meanwhile, the development concepts of industrial properties will place more weight on elements including ecology, environmental protection, smart city, integrating urban household, shopping gallery of fashion brands, all of which are core values of industrial properties. The Group will continue to develop mixed-used properties in response to the market expectation.

BUSINESS REVIEW

During the Year under Review, the Group recorded a total revenue of approximately RMB128.5 million, representing a decrease of approximately RMB34.8 million or 21.3% from approximately RMB163.3 million in 2019. The delivered sales and GFA sold were approximately RMB69.8 million and 12,426.6 sq.m., respectively, representing a decrease of approximately RMB29.8 million or approximately 29.9% from approximately RMB99.6 million and approximately 12,211.7 sq.m., respectively, in 2019. The average selling price for sales was RMB5,617 per sq.m., representing a decrease of 50.0% year-on-year. Such decreases were mainly due to the weakened overall property sales as affected by the COVID-19 pandemic, and a further decrease in the proportion of sales from Hangzhou Xinming • Children's World project with a higher average selling price.

* *For identification purpose only*

Loss attributable to the shareholders of the Company amounted to approximately RMB1,000.8 million, representing an increase of loss of approximately RMB883.8 million from the loss attributable to the shareholders of approximately RMB117.0 million in 2019, mainly due to the COVID-19 epidemic, which led to a decrease in overall property sales, together with a loss of approximately RMB475.1 million in aggregate on the fair value of investment properties, properties under development and completed properties held for sale caused by the negative market impacts from the COVID-19 epidemic this year, interest penalty and provision for liquidated damages of approximately RMB305.0 million relating to certain defaulted borrowings pursuant to the contractual terms, as well as provision for impairment of certain trade and other receivables and provision for commercial contract compensation. Loss per share was approximately RMB0.533 (2019: loss per share amounted to approximately RMB0.062).

During the Year under Review, the Board did not recommend payment of a final dividend for the year ended 31 December 2020.

As at 31 December 2020, total assets of the Group amounted to approximately RMB6,422.2 million (31 December 2019: approximately RMB6,743.5 million); total liabilities were approximately RMB5,558.2 million (31 December 2019: approximately RMB4,763.5 million); total equity was approximately RMB864.1 million (31 December 2019: approximately RMB1,980.0 million); and net assets per share were approximately RMB0.46 (31 December 2019: approximately RMB1.05).

PROPERTY DEVELOPMENT

As at 31 December 2020, the Group's property portfolio consisted of 16 property development projects with an aggregate GFA of approximately 2,237,825 sq.m. developed and under various stages of development in various cities in the PRC.

PROPERTY SALES

During the Year under Review, the Group recorded property sales of approximately RMB69.8 million, representing a decrease of approximately RMB29.8 million or approximately 29.9% as compared to approximately RMB99.6 million in 2019. Total GFA delivered during the Year under Review was approximately 12,426.6 sq.m. which is similar to that of 2019. Property sales remained the major revenue source of the Group, representing approximately 54.3% of the Group's total revenue but the amount of sales declined throughout the year as affected by weak investment sentiment and suspension on sales of properties due to the COVID-19 pandemic. Overall property sales decreased during the Year under Review, mainly due to the prolonged weak investment sentiments in the commercial property market caused by the COVID-19 pandemic and continuously strengthened housing regulation by the local governments in the first half of the year, as well as the intensified business competition as a result of various real estate enterprises' adopting price-cut promotions as a result of the promulgation of the policies on the three limits. In this regard, the Group has actively made business adjustments and explored the use of each project, including but not limited to change of use and sale of property in its entirety. Such measures, however, have not yet contributed to our revenue for the Year under Review.

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

Project	**Location**	**GFA sold**	**Income**	**Average selling price**
		(sq.m.)	*(RMB in million)*	*(RMB/ sq.m.)*
Taizhou Xinming Peninsular				
Phase 1	Taizhou	2,727.0	5.3	1,896.6
Phase 2 — Stage 1		35.9	—	1,167.6
Phase 2 — Stage 2	Taizhou	34.4	—	1,220.0
Xinming Lijiang Garden	Taizhou	3,594.8	21.3	5,911.4
Wenshang Times • Xinming Household Decorations and Fittings City	Taizhou	—	—	—
Shanghai Xinming Children's World	Shanghai	3,372.5	29.6	8,784.5
Hangzhou Xinming • Children's World	Hangzhou	1,007.1	7.8	7,788.9
Chongqing Xinming • China South-western City Phase 1	Chongqing	895.6	3.7	4,123.9
Xingmeng International Commercial City	Tengzhou	759.3	2.1	2,764.0
Total		12,426.6	69.8	5,617.0

PROPERTY LEASING

The Group carries out property leasing business through leasing its commercial properties held for investment and leasing the sold commercial properties leased back from third parties by the Group. As at 31 December 2020, the actual area leased out was approximately 194,887.2 sq.m., representing approximately 77.6% of the Group's total investment properties held-for-lease and the sold commercial properties leased back from third parties purchasers.

During the Year under Review, the rental income was approximately RMB58.8 million, representing a decrease of approximately RMB4.9 million or 7.7% as compared to approximately RMB63.7 million in 2019. This was mainly due to a decrease in overall average occupancy rate resulting from the worsening of business environment in each sector caused by the COVID-19 pandemic in the first half of the year.

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

	As at 31 December 2020				
	Total GFA	**Leasable area**	**Leased area**	**Average occupancy rate**	**Rental income for the year ended 31 December 2020**
	(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(%)*	*RMB (million)*
Commercial investment properties for rental purpose					
(1) No. 1990, East Ring Boulevard, Jiaojiang District, Taizhou City	67,239.46	64,450.00	56,716.00	88.0%	28.7
(2) No. 8, North Section, Taizhou Boulevard, Jiaojiang District, Taizhou City	101,163.31	62,163.36	60,920.09	98.0%	10.4
(3) China South-western City, No. 229, Five Star Avenue, Dazu District, Chongqing	62,281.82	43,737.35	31,053.52	71.0%	12.4
(4) No. 1990, East Ring Boulevard, Jiaojiang District, Taizhou City	44,414.71	24,536.47	18,637.73	76.0%	7.3

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

LAND RESERVES

As at 31 December 2020, the Group's property portfolio consisted of 16 property development projects located in a number of cities throughout China. These projects were at various stages of development, with total GFA amounting to approximately 997,759 sq.m., of which approximately 462,378 sq.m. was completed, approximately 55,145 sq.m. was under development, and approximately 480,236 sq.m. was held for future development.

The following table summarizes the Group's land reserves by geographical location as at 31 December 2020:

Location	Saleable GFA in remaining unsold/GFA held for investment *(sq.m.)*	GFA under development *(sq.m.)*	Planned GFA for future development *(sq.m.)*	Total land reserve *(sq.m.)*	Proportion to the total land reserve *(%)*
Taizhou	193,527	—	—	193,527	19.4%
Shanghai	96,214	—	—	96,214	9.6%
Chongqing	86,167	25,516	301,156	412,839	41.4%
Tengzhou	53,608	29,629	179,080	262,317	26.3%
Hangzhou	32,862	—	—	32,862	3.3%
Total	462,378	55,145	480,236	997,759	100.0%

PROSPECTS

Looking ahead in 2021, the PRC government will gradually launch nationwide vaccination drive. With the effective implementation of normalized pandemic prevention and control measures, the domestic environment for promoting high-quality economic development is expected to be continuously improved. However, the PRC government has put forward, in many occasions, that the real estate market requires a stable and healthy development by insisting on housing properties for accommodation but not for speculation, placing equal emphasis on both property leasing and property purchase, adopting differentiated regulatory policies for different cities and improving the policy for long-term property leasing. In the future, strict control over financial leverage under the policy on the three limits will be the guiding principle for all real estate enterprises. Moreover, with the rising financing costs of real estate enterprises and direct competition from newly-completed commercial properties in the nearby areas, the coming year will still be highly challenging to the Group. To this end, the Group will actively accelerate its de-stocking of completed properties while exploring various feasibility of assets revitalization, including but not limited to change of property use and sale of property in its entirety. Furthermore, the Group will negotiate with different financial institutions in respect of its outstanding borrowings, with a view to improving its liability and financial gearing conditions.

FINANCIAL REVIEW

Revenue

The Group's revenue is primarily generated from property sales and property leasing services, which contributed approximately 54.3% and 45.7%, respectively, to the revenue during the Year under Review of approximately RMB128.5 million. Property sales, the major revenue source of the Group, decreased by approximately RMB29.8 million from approximately RMB99.6 million in the same period of last year, mainly due to the prolonged weak investment sentiments in the commercial property market and suspension on sales of property caused by the COVID-19 pandemic and continuously strengthened housing regulation by the local governments in the first half of the year. Property leasing recorded a decrease of approximately RMB4.9 million as compared to approximately RMB63.7 million in the same period of last year. Property leasing decreased mainly due to a decrease in overall average occupancy rate resulting from the worsening of business environment in each sector caused by the COVID-19 pandemic in the first half of the year.

Cost of sales

During the Year under Review, the Group's cost of sales was approximately RMB67.0 million, representing a decrease of approximately RMB43.4 million or 39.3% as compared to approximately RMB110.4 million in the same period of last year. Such decrease was primarily attributable to the lower sale costs as compared with those in as opposed to Hangzhou housing last year due to the delivered properties sales with a main focus on Taizhou housing during the Year under Review.

Gross profit

During the Year under Review, the gross profit amounted to approximately RMB61.6 million, representing an increase of approximately RMB8.6 million or approximately 16.2% as compared to approximately RMB53.0 million last year. The gross profit margin was approximately 47.9%, representing an increase of approximately 15.5% as compared generating to approximately 32.4% last year, mainly due to the increase in proportion of revenue from property leasing with relatively high gross profit margin as compared to last year.

Other income and gains

Other income and gains during the Year under Review amounted to approximately RMB3.4 million, representing an increase of approximately RMB2.3 million or approximately 209% as compared to approximately RMB1.1 million in the same period of last year, mainly due to government grants and foreign exchange gain.

Distribution and administrative expenses

During the Year under Review, the selling and administrative expenses amounted to approximately RMB66.7 million, representing a decrease of approximately RMB3.6 million or approximately 5.1% as compared to approximately RMB70.3 million in the same period of last year, mainly due to an increase by approximately RMB12.1 million in sales commission and marketing costs. Administrative expense decreased by approximately RMB15.7 million as compared to the same period of last year, mainly because the Group was implementing various measures on cost reduction and efficiency improvement together with cutting headcounts in restructuring.

Other expenses

Other expenses during the Year under Review were approximately RMB1,051.2 million, representing a substantial increase of approximately RMB864.4 million or approximately 4.6 times as compared to approximately RMB186.8 million in the same period of last year, mainly due to (i) properties under development and completed properties held for sale were adversely affected by the COVID-19 pandemic and domestic market in commercial properties market during the Year under Review, hence impairment provisions of approximately RMB452.2 million were made under the impact of the expected decrease of realizable value; (ii) an increase in liquidated damages on borrowings of approximately RMB304.5 million during the period. Details of such liquidated damages on borrowings were set out in note 16 to the consolidated financial statements; (iii) the impairment losses on financial assets, net amounted to approximately RMB151.3 million, is mainly arien from the impairment provisions of trade and other receivables, such increase is mainly due to the prolonged weak investment sentiments in the commercial property market in the PRC and the Group's delay in project development caused by COVID-19, which adversely affect relationship with the Group's business partner and suppliers; and (iv) the provision for commercial contract compensation of approximately RMB106.1 million during the period. Details of the provisions were set out in note 3 to the consolidated financial statements. Breakdown of other expenses are set out below:

	2020	2019
	RMB'000	*RMB'000*
Bank charges	**94**	107
Penalty expenses	**16,022**	27,733
Other finance costs	**1**	—
Provision for impairment of properties under development and completed properties held for sale	**452,229**	9,710
Liquidated damages on borrowings	**304,550**	127,557
Loss on disposal of property, plant and equipment	**61**	—
Impairment losses on financial assets, net	**151,295**	3,642
Provision for commercial contract compensation	**106,160**	16,827
Others	**20,826**	1,247
Total	**1,051,238**	186,823

Change in fair value of investment properties

During the Year under Review, the loss on change in fair value of investment properties amounted to approximately RMB22.9 million, representing a decrease of approximately RMB169.7 million as compared to the gain on change in fair value of investment properties of approximately RMB146.8 million in the same period of last year. The fair value of investment properties decreased as compared to that of last year as affected by COVID-19 pandemic and adverse market factors, but the Group held investment properties near to the commercial districts in tier-one and tier-two cities, whose fair value was less affected.

Finance costs

During the Year under Review, the net interest expenses amounted to approximately RMB0.1 million, representing a decrease of approximately RMB2.5 million or approximately 96.2%, mainly due to the increase of capitalised interest as compared to approximately RMB2.6 million in the same period of last year.

Operating loss

During the Year under Review, the operating loss amounted to approximately RMB1,056.4 million, representing an increase of loss of approximately RMB1,009.6 million or approximately 21.6 times as compared to the operating loss of approximately RMB46.8 million in the same period of last year. The increase was mainly due to a decrease in the revenue from property sales, a loss on change in fair value of investment properties and a significant increase in other expenses.

Income tax expenses

During the Year under Review, the income tax expenses amounted to approximately RMB59.5 million, representing a decrease of approximately RMB6.2 million or approximately 9.4% as compared to income tax expenses of approximately RMB65.7 million in the same period of last year, mainly due to change on deferred tax movement.

Loss attributable to the shareholders

During the Year under Review, the loss attributable to the shareholders amounted to approximately RMB1,000.8 million, representing a significant increase of loss of approximately RMB883.8 million as compared to the loss of approximately RMB117.0 million in the same period of last year. The basic loss per share was approximately RMB0.533 per share (2019: loss per share of approximately RMB0.062 per share).

Cash flows

As at 31 December 2020, cash and bank deposits of the Group, including restricted cash, were approximately RMB7.8 million in aggregate (31 December 2019: approximately RMB185.1 million), representing a decrease of approximately RMB177.3 million or approximately 95.8%. The decrease was mainly used for daily operating expenses and repayment of bank interest.

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

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

During the period from 1 January 2020 to 31 December 2020, the Group's maximum net cash outflow was approximately RMB0 million in 2020 (maximum net cash outflow in 2019: approximately RMB22 million). In addition, the Group did not enter into any new exclusive management and operation agreements with any purchasers during the Year under Review.

Borrowings

As at 31 December 2020, the total borrowings of the Group were approximately RMB1,873.9 million, representing a decrease of approximately RMB16.4 million as compared to approximately RMB1,890.3 million as at 31 December 2019, which was basically in line with last year.

The borrowings on demand and repayable within one year of the Group were approximately RMB1,873.9 million, representing a decrease of approximately RMB16.4 million as compared to approximately RMB1,890.3 million as at 31 December 2019. There were no borrowings repayable after one year in the Year under Review as compared to approximately RMB0 million as at 31 December 2019.

Trade receivables, prepayments, other receivables and other assets

As at 31 December 2020, the sum of trade receivables, prepayments, other receivables and other assets of the Group was approximately RMB208.3 million, representing a decrease of approximately RMB11.7 million as compared to approximately RMB220.0 million as at 31 December 2019, mainly due to a decrease in other receivables as a result of an increase in impairment provision on assets during the period.

Trade payables, contract liabilities and other payables and accruals

As at 31 December 2020, the sum of trade payables, contract liabilities, other payables and accruals of the Group was approximately RMB1,945.1 million, representing an increase of approximately RMB790.2 million as compared to approximately RMB1,154.9 million as at 31 December 2019. The increase was mainly due to the provision for commercial contracts compensation of approximately RMB106.2 million in aggregate, an increase in trade payables of approximately RMB82.9 million in aggregate, as well as an increase in the outstanding interest and interest penalties of approximately RMB462.1 million in aggregate caused by the impacts on the Group's own operating condition.

Assets and liabilities

As at 31 December 2020, the total assets of the Group were approximately RMB6,422.2 million, representing a decrease of approximately RMB321.3 million as compared to approximately RMB6,743.5 million as at 31 December 2019. The decrease was mainly due to the provision for impairment of properties under development, completed properties held for sale as well as trade and other receivables caused by the negative market impacts and the impacts on the Group's own operating condition from the COVID-19 pandemic. The total current assets were approximately RMB3,036.0 million, representing approximately 47.3% (31 December 2019: approximately 49.3%) of the total assets, with a decrease of approximately RMB285.4 million as compared to approximately RMB3,321.4 million as at 31 December 2019. The total non-current assets were approximately RMB3,386.2 million, representing approximately 52.7% (31 December 2019: approximately 50.7%) of the total assets, with a decrease of approximately RMB35.9 million as compared to approximately RMB3,422.1 million as at 31 December 2019.

As at 31 December 2020, the total liabilities of the Group were approximately RMB5,558.2 million, representing an increase of approximately RMB794.7 million as compared to approximately RMB4,763.5 million as at 31 December 2019. The increase was mainly due to the provision for expected commercial contracts compensation, the increase in the outstanding interest and in interest penalty on defaulted repayment caused by the impacts on the Group's own operating condition. The total current liabilities were approximately RMB4,977.1 million, representing approximately 89.5% (31 December 2019: approximately 88.9%) of the total liabilities, with an increase of approximately RMB743.1 million as compared to approximately RMB4,234.0 million as at 31 December 2019. The total non-current liabilities were approximately RMB581.0 million, representing approximately 10.5% (31 December 2019: approximately 11.1%) of the total liabilities, with an increase of approximately RMB51.5 million as compared to approximately RMB529.5 million as at 31 December 2019.

As at 31 December 2020, the net current liabilities of the Group were approximately RMB1,941.1 million, representing an increase of approximately RMB1,028.5 million as compared to the net current liabilities of approximately RMB912.6 million as at 31 December 2019. This was mainly due to the dual impacts of various asset impairment and the increase in borrowings, penalties and Interest penalties on demand and repayable within one year.

Current ratio

As at 31 December 2020, the current ratio of the Group, being the ratio of the current assets divided by the current liabilities, was 0.61:1 (31 December 2019: 0.78:1).

Gearing ratio

As at 31 December 2020, the gearing ratio of the Group was calculated based on net debt divided by the sum of total equity and net debt. The Group's net debt consists of interest-bearing bank and other borrowings and convertible bonds, less cash and cash equivalents. Total equity includes equity attributable to owners of the parent and non-controlling interests. The gearing ratio of the Group was 71.1% (31 December 2019: 50.0%).

Convertible bonds

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

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

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

Significant investments

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

Material acquisitions and disposals of subsidiaries

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

Guarantees on mortgage facilities

As at 31 December 2020, the Group provided guarantees over the mortgage loans of certain purchasers of approximately RMB16.1 million (31 December 2019: approximately RMB28.0 million).

Assets guarantees

As at 31 December 2020, the Group has pledged or restricted deposits in the bank deposits of RMB2.6 million (31 December 2019: approximately RMB2.8 million). In addition, partial other borrowings of the Group were secured by the Group's certain properties under development, completed properties held for sale, investment properties and the equity interests in certain subsidiaries of the Group, and jointly guaranteed by the Controlling Shareholder of the Group, Mr. Chen Chengshou ("Mr. Chen"), Mr. Chen's children and the non-executive Director, Ms. Gao Qiaoqin, the Group's related company, Xinming Group Limited, and other minority shareholders of certain subsidiaries of the Group free of charge.

Capital expenditure

During the Year under Review, the Group's total capital expenditure was approximately RMB0 million (31 December 2019: approximately RMB0 million).

Capital commitments

As at 31 December 2020, the capital commitments related to activities of properties under development were approximately RMB387.8 million (31 December 2019: approximately RMB274.3 million).

Exposure to exchange rate fluctuations

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

Employees and remuneration policy

As at 31 December 2020, the Group has a total of 70 employees (31 December 2019: a total of 146 employees). Total staff costs, including Directors' emoluments, of the Group were approximately RMB21.6 million (2019: RMB27.5 million). The decrease was mainly due to the Group cutting headcounts in restructuring. The Group promoted the upgrading of talents, cultivated and recruited excellent talents with sales and management experience, improved the allocation system of remuneration linked to performance and maintained harmonious labor relations. The remuneration of employees of the Group will be based on their performance, experience and the prevailing market remuneration. Moreover, the Group has also adopted a share option scheme and a share award scheme.

Contingent liabilities

As at 31 December 2020, the Company had guarantees in respect of mortgage facilities granted to purchasers of the Group's properties of approximately RMB16.1 million (31 December 2019: approximately RMB28.9 million).

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

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

CORPORATE GOVERNANCE

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct of dealings in securities of the Company by the Directors. Upon specific enquiries of all the Directors, each of them has confirmed that they complied with the required standards set out in the Model Code during the Year under Review.

REVIEW OF ANNUAL RESULTS

The audit committee of the Company (the "Audit Committee") consists of three independent non- executive Directors, namely Mr. Lo Wa Kei, Roy (being the chairman of the Audit Committee), Mr. Gu Jiong and Mr. Fong Wo, Felix. The Company's consolidated annual results and financial report for the Year under Review have been reviewed by the Audit Committee.

SCOPE OF WORK OF MAZARS CPA LIMITED

The figures in respect of the consolidated statement of profit or loss and other comprehensive income, and the consolidated statement of financial position of the Group and the related notes thereto for the Year under Review as set out in this preliminary announcement have been agreed by the Company's auditor, Mazars CPA Limited ("**Mazars**"), Certified Public Accountants, to the amounts set out in the draft consolidated financial statements of the Group for the year ended 31 December 2020. The work performed by Mazars in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the Company's auditor on this announcement.

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

This preliminary annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.xinm.com.cn. The 2020 annual report will be dispatched to shareholders in due course and will be available on the above websites in due course.

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

Hangzhou, the PRC
31 March 2021

As at the date of this announcement, the executive Directors are Mr. Chen Chengshou, Mr. Feng Cizhao and Mr. Pu Wei; the non-executive Directors are Ms. Gao Qiaoqin 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.

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

* *For identification purposes only*