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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: 02699)

**ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2019**

INTERIM RESULTS HIGHLIGHTS

- Turnover of the Group amounted to approximately RMB103.9 million, representing a decrease of approximately 58.1% as compared to the same period of last year.
- Gross profit of the Group amounted to approximately RMB21.3 million, representing a decrease of approximately 82.8% as compared to the same period of last year.
- Loss attributable to the shareholders of the Company was approximately RMB6.5 million, representing a decrease of approximately 68.3% as compared to the same period of last year.
- Basic loss per share was approximately RMB0.003.
- The board (the “Board”) of directors (the “Directors”) of the Company did not recommend the payment of interim dividend as of 30 June 2019.

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Xinming China Holdings Limited (the “**Company**” or “**Xinming China**”) announces the unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2019 (the “**Period**”) prepared in accordance with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”), together with comparative figures for the corresponding period of 2018.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

For the six months ended 30 June 2019

		For the six months ended 30 June	
		2019	2018
		RMB'000	RMB'000
	Notes	(Unaudited)	(Unaudited)
REVENUE	4	103,936	248,236
Cost of sales		(82,592)	(124,083)
Gross profit		21,344	124,153
Other income and gains		8,494	921
Selling and distribution costs		(17,064)	(27,153)
Administrative expenses		(35,956)	(42,462)
Impairment losses on financial assets		2,228	—
Other expenses		(16,439)	(15,444)
Changes in fair value of investment properties		32,400	600
Changes in fair value of convertible bonds		18,169	(19,204)
Finance costs		(2,082)	(3,222)
PROFIT BEFORE TAX	5	11,094	18,189
Income tax expense	6	(28,057)	(42,998)
LOSS FOR THE PERIOD		(16,963)	(24,809)
ATTRIBUTABLE TO:			
Owners of the parent		(6,475)	(20,514)
Non-controlling interests		(10,488)	(4,295)
		(16,963)	(24,809)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic			
– For loss for the period (RMB)		(0.003)	(0.011)
Diluted			
– For loss for the period (RMB)		(0.012)	(0.011)

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
LOSS FOR THE PERIOD	(16,963)	(24,809)
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods (net of tax):		
Equity investments designated at fair value through other comprehensive loss:		
Changes in fair value:	—	(84)
OTHER COMPREHENSIVE LOSS, NET OF TAX	—	(84)
TOTAL COMPREHENSIVE LOSS	(16,963)	(24,893)
ATTRIBUTABLE TO:		
Owners of the parent	(6,475)	(20,598)
Non-controlling interests	(10,488)	(4,295)
	(16,963)	(24,893)

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 30 June 2019

		30 June 2019 <i>RMB'000</i> (Unaudited)	31 December 2018 <i>RMB'000</i> (Audited)
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		5,193	5,852
Investment properties	9	3,158,000	3,125,600
Right-of-use assets		715	—
Deferred tax assets		94,665	96,045
Total non-current assets		3,258,573	3,227,497
CURRENT ASSETS			
Properties under development		1,301,804	1,124,891
Completed properties held for sale		1,641,363	1,691,874
Trade receivables	10	310	3,318
Prepayments, deposits and other receivables		278,734	128,612
Tax recoverable		11,796	22,757
Restricted deposits		2,266	537,739
Cash and cash equivalents		210,938	35,515
Total current assets		3,447,211	3,544,706
CURRENT LIABILITIES			
Trade payables	11	264,610	235,365
Other payables and accruals		548,467	586,422
Contract liabilities		220,179	217,762
Due to other related parties		—	5,877
Other borrowings	12	452,011	1,266,230
Financial liabilities at fair value through profit or loss	13	266,744	—
Lease liabilities current		655	—
Provisions		584	1,168
Tax payable		930,724	920,180
Total current liabilities		2,683,974	3,233,004
NET CURRENT ASSETS			
		763,237	311,702
TOTAL ASSETS LESS CURRENT LIABILITIES			
		4,021,810	3,539,199

		30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
	<i>Notes</i>		
NON-CURRENT LIABILITIES			
Other borrowings	12	1,474,020	700,844
Financial liabilities at fair value through profit or loss	13	–	284,913
Lease liabilities non-current		92	–
Deferred tax liabilities		473,538	462,286
Total non-current liabilities		1,947,650	1,448,043
NET ASSETS		2,074,160	2,091,156
EQUITY			
Equity attributable to owners of the parent			
Issued capital		14,880	14,880
Reserves		1,979,481	1,985,989
		1,994,361	2,000,869
Non-controlling interests		79,799	90,287
TOTAL EQUITY		2,074,160	2,091,156

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

1. Corporate 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. The registered office of the Company is at Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands.

The principal activity of the Company is investment holding. The Group were mainly involved in property development and property leasing. In the opinion of the directors of the Company, the ultimate holding company of the Company is Xinxing Company Limited. The ultimate controlling shareholder of the Group is Mr. Chen Chengshou (the “Controlling Shareholder”).

The shares of the Company were listed on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 6 July 2015.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP’S ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial information for the six months ended 30 June 2019 has been prepared in accordance with IAS 34 Interim Financial Reporting. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2018.

2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the new and revised International Financial Reporting Standards (“IFRSs”) effective as of 1 January 2019.

Amendments to IFRS 9	<i>Prepayment Features with Negative Compensation</i>
IFRS 16	<i>Leases</i>
Amendments to IAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to IAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
IFRIC-Int 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements 2015-2017 Cycle</i>	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Other than as explained below regarding the impact of IFRS 16 *Leases* and IFRIC-Int 23 *Uncertainty over Income Tax Treatments*, the new and revised standards are not relevant to the preparation of the Group’s interim condensed consolidated financial information. The nature and impact of the new and revised IFRSs are described below:

- (a) IFRS 16 replaces IAS 17 *Leases*, IFRIC-Int 4 *Determining whether an Arrangement contains a Lease*, SIC-Int 15 *Operating Leases-Incentives* and SIC-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under IAS 17.

New definition of a lease

Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC-Int 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of property, machinery, vehicles and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., laptop computers and telephones); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in other borrowings.

The right-of-use assets were recognised based on the carrying amount as if the standard had always been applied, except for the incremental borrowing rate where the Group applied the incremental borrowing rate at 1 January 2019. All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

The impacts arising from the adoption of IFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) RMB\$'000 (Unaudited)
Assets	
Increase in right-of-use assets	<u>1,023</u>
Increase in total assets	<u><u>1,023</u></u>
Liabilities	
Increase in Lease liabilities current	671
Increase in Lease liabilities non-current	<u>385</u>
Increase in total liabilities	<u><u>1,056</u></u>
Decrease in retained earnings	<u><u>(33)</u></u>

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	<i>RMB'000</i> (Unaudited)
Operating lease commitments as at 31 December 2018	23,509
Weighted average incremental borrowing rate as at 1 January 2019	5%
Discounted operating lease commitments as at 1 January 2019	22,334
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	(21,278)
Lease liabilities as at 1 January 2019	<u><u>1,056</u></u>

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of IFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "inventories". The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for 'investment properties'.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. It considers all relevant factors that create an economic incentive for it to exercise the renewal. After the lease commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within the control of the Group and affects its ability to exercise the option to renew.

The Group included the renewal period as part of the lease term for leases of machinery due to the significance of these assets to its operations. These leases have a short non-cancellable period and there will be a significant negative effect on production if a replacement is not readily available.

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities and the movement during the period are as follow:

	Right-of-use Assets Plant	Lease liabilities
	<i>RMB '000</i>	<i>RMB '000</i>
As at 1 January 2019	1,023	1,056
Depreciation charge	(308)	–
Interest expense	–	27
Payment	–	(336)
As at 30 June 2019	<u>715</u>	<u>747</u>

- (b) IFRIC-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as “uncertain tax positions”). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any significant impact on the Group's interim condensed consolidated financial information.

3. OPERATION SEGMENT INFORMATION

For the six months ended 30 June 2019

	Property Development <i>RMB'000</i>	Property Leasing <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue:				
Sales to external customers	73,078	30,858	—	<u>103,936</u>
Revenue				<u>103,936</u>
Segment results:	(14,572)	39,333	(13,667)	<u>11,094</u>
Profit before tax				<u><u>11,094</u></u>

For the six months ended 30 June 2018

	Property Development <i>RMB'000</i>	Property Leasing <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue:				
Sales to external customers	224,218	24,018	—	<u>248,236</u>
Revenue				<u>248,236</u>
Segment results:	56,415	5,574	(43,800)	<u>18,189</u>
Profit before tax				<u><u>18,189</u></u>

The following table presents the asset and liability information of the Group's operating segments as at 30 June 2019 and 31 December 2018, respectively.

	Property Development <i>RMB'000</i>	Property Leasing <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Segment assets				
30 June 2019	6,377,412	1,780,430	3,758,635	11,916,477
Reconciliation:				
Elimination of intersegment receivables				<u>(5,210,693)</u>
Total assets				<u><u>6,705,784</u></u>
31 December 2018	6,304,222	1,747,527	4,037,958	12,089,707
Reconciliation:				
Elimination of intersegment receivables				<u>(5,317,504)</u>
Total assets				<u><u>6,772,203</u></u>
Segment liabilities				
30 June 2019	5,813,689	595,819	3,411,658	9,821,166
Reconciliation:				
Elimination of intersegment payables				<u>(5,189,542)</u>
Total liabilities				<u><u>4,631,624</u></u>
31 December 2018	5,691,349	591,649	3,698,485	9,981,483
Reconciliation:				
Elimination of intersegment payables				<u>(5,300,436)</u>
Total liabilities				<u><u>4,681,047</u></u>

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue and other income and gains is as follows:

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sale of properties	73,078	224,218
Revenue from other sources		
Rental income	30,858	24,018
	<u>103,936</u>	<u>248,236</u>

Revenue from contracts with customers

Disaggregated revenue information

For the six months ended 30 June 2019

Segments	Property development <i>RMB'000</i>
Type of goods	
Sale of properties	<u>73,078</u>
Geographical market	
Mainland China	<u>73,078</u>
Timing of revenue recognition	
Revenue from sale of properties at a point in time	<u>73,078</u>
Revenue from contracts with customers	
External customers	<u>73,078</u>

For the six months ended 30 June 2018

Segments	Property development RMB'000
Type of goods	
Sale of properties	224,218
Geographical market	
Mainland China	224,218
Timing of revenue recognition	
Revenue from sale of properties at a point in time	224,218
Revenue from contracts with customers	
External customers	224,218

5. PROFIT BEFORE TAX

The Group's profit for the six months ended 30 June 2019 and 2018 is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of properties sold	65,066	115,425
Cost of leasing properties	17,526	9,136
Reversal of account receivable and other receivables	(2,228)	–
Auditor's remuneration	1,000	750
Depreciation of property, plant and equipment	651	790
Depreciation of right-of-use assets	308	–
Change in fair value of investment properties (note 9)	(32,400)	(600)
Change in fair value of the convertible bonds (note 13)	(18,169)	19,204
Realisation of onerous operating leases	(659)	(584)
Foreign exchange gain	5,804	68
Bank interest income	115	540
Employee benefit expense;		
Wages and salaries	11,673	16,595
Pension scheme and social welfare	2,843	3,736

6. INCOME TAX

The Group is subject to income tax on an entity based on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate.

The major components of income tax expense in the interim condensed consolidated statement of profit or loss and other comprehensive income are:

	For the six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current tax:		
Income tax in the PRC for the period	3,627	424
LAT	11,798	30,421
Deferred tax	<u>12,632</u>	<u>12,153</u>
Total tax charge for the period	<u><u>28,057</u></u>	<u><u>42,998</u></u>

7. DIVIDENDS

The directors did not recommend the payment of an interim dividend in respect of the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,878,622,000 (six months ended 30 June 2018: 1,878,622,000) in issue during the period.

The calculation of the diluted loss per share amount is based on the loss for the period attributable to ordinary equity holders of the parent of RMB26,644,000, adjusted to reflect the fair value change on the convertible bonds of RMB18,169,000. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic loss per share calculation of 2,094,449,000 shares, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed conversion of convertible bonds into ordinary shares of 215,827,000 shares.

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 June 2018 in respect of a dilution as the impact of the convertible bonds outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

9. INVESTMENT PROPERTIES

RMB'000

At 1 January 2019 (Audited)	3,125,600
Change in fair value of investment properties	<u>32,400</u>

At 30 June 2019 (Unaudited)	<u><u>3,158,000</u></u>
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The Group's investment properties are situated in Mainland China and are held under medium term leases. The fair value of the Group's investment properties was revalued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent professionally qualified valuer.

As at 30 June 2019 and 31 December 2018, the Group's investment properties with values of RMB3,158,000,000 and RMB3,125,600,000, respectively, were pledged to secure other borrowings granted to the Group (note 12).

10. TRADE RECEIVABLES

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Trade receivables	23,047	26,298
Impairment	(22,737)	(22,980)
	<u><u>310</u></u>	<u><u>3,318</u></u>

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 as at the end of the reporting period, based on the invoice date, and net of loss allowance, is as follows:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Within one year	<u><u>310</u></u>	<u><u>3,318</u></u>

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

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
At beginning and end of year(Audited)	22,980	20,934
Impairment loss, net	(243)	2,046
	22,737	22,980

11. TRADE PAYABLES

An aged analysis of the outstanding trade payables is as follows:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Less than one year	71,875	125,515
Over one year	192,735	109,850
	264,610	235,365

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

12. OTHER BORROWINGS

	30 June 2019			31 December 2018		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Current portion of long term other borrowings-secured	7.15-9.00	2019	452,011	7.71-10.41	2019	1,266,230
			452,011			1,266,230
Non-current						
Other borrowings-secured	6.80-11.50	2020-2021	1,474,020	12.18	2021	700,844
			1,474,020			700,844
			1,926,031			1,967,074

30 June	31 December
2019	2018
RMB'000	RMB'000

Analysed into:

Other borrowings repayable:

Repayable within one year	452,011	1,266,230
Repayable in the second year	834,765	40,000
Repayable in the third to fifth years	639,255	660,844
	1,926,031	1,967,074
	1,926,031	1,967,074

The Group's other borrowings are secured by the pledges of the following assets with carrying values at 30 June 2019 and 31 December 2018:

30 June	31 December
2019	2018
RMB'000	RMB'000

Equity interest in subsidiaries	(i)	486,986	439,715
Investment properties	(ii)	3,158,000	3,125,600
Completed properties held for sale	(iii)	982,747	627,422
Properties under development	(iv)	368,225	709,131

- (i) The Group's other borrowings of RMB500,000,000 and RMB311,500,000 (2018: RMB500,000,000 and nil) were secured by the 100% equity interests in Wenshang Times, 95% equity interests in Chongqing Xinming, subsidiaries of the Company.
- (ii) The Group's other borrowings of RMB500,000,000, RMB477,755,000, RMB 311,500,000 and RMB 412,011,000 (2018: RMB500,000,000, RMB495,000,000, RMB313,257,000 and RMB412,973,000) were secured by investment properties of Wenshang Times, Taizhou Investment, Chongqing Xinming and Shanghai Xinming, subsidiaries of the Company, respectively.
- (iii) The Group's other borrowings of RMB224,765,000 and RMB311,500,000 (2018: RMB392,594,000 and RMB407,360,000) were secured by completed properties held for sale of Hangzhou Xinming and Chongqing Xinming, Wenshang Times, subsidiaries of the Company, respectively.
- (iv) The Group's other borrowings of RMB311,500,000 and nil (2018: RMB407,360,000 and RMB218,906,000) were secured by properties under development of Chongqing Xinming and Shandong Xingmeng, subsidiaries of the Company, respectively.

- (v) The Group's other borrowings of RMB 500,000,000 (2018: RMB500,000,000) were jointly guaranteed by (i) the Controlling Shareholder, Mr. Chen Chengshou, (ii) the non-executive director, Ms. Gao Qiaoqin, (iii) Xinming Group Limited, a related party of the Group. The Group's other borrowings of RMB 636,776,000 (2018: RMB658,818,000) were jointly guaranteed by (i) the Controlling Shareholder, Mr. Chen Chengshou, (ii) the non-executive director, Ms. Gao Qiaoqin. The Group's other borrowings of RMB 477,755,000 (2018: RMB495,000,000) were jointly guaranteed by (i) the Controlling Shareholder, Mr. Chen Chengshou, (ii) the non-executive director, Ms. Gao Qiaoqin, (iii) Xinming Group Limited, a related party of the Group, (iv) Miss Chen Xi and Mr Chen Junshi, the daughter and son of the Controlling Shareholder, Mr. Chen Chengshou.

13. Financial liabilities at fair value through profit or loss

On 1 June 2018, the Company issued convertible bonds in the aggregate principal amount of HK\$300,000,000 (equivalent to approximately RMB245,016,000) (the "Convertible Bonds") at the price of 100% of their principal amount. The Convertible Bonds are redeemable at the option of the bondholders at a price of HK\$1.39 per bond on 1 June 2020. The Convertible Bonds bear interest at the rate of 6.5% plus 1% handling fee per annum and are payable in arrears every six months. The Convertible Bonds are guaranteed by the Controlling Shareholder, Mr. Chen Chengshou, and the non-executive director, Ms. Gao Qiaoqin, pursuant to a deed of guarantee, and secured by Xinxing Company Limited by 940,000,000 shares of the Company held by Xinxing Company Limited, a company controlled by Mr. Chen Chengshou.

The Convertible Bonds were recognised as financial liabilities designated upon initial recognition as at fair value through profit or loss.

	Convertible bonds RMB '000
Carrying amount at 1 January 2019 (Audited)	284,913
Net gain from a fair value adjustment recognised in changes in fair value of financial liabilities in profit or loss	(18,169)
Interest expense	9,157
Interest paid	(9,157)
Carrying amount at 30 June 2019 (Unaudited)	266,744

The Convertible Bonds were jointly guaranteed by the Controlling Shareholder, Mr. Chen Chengshou and the non-executive director, Ms. Gao Qiaoqin.

MANAGEMENT DISCUSSION AND ANALYSIS

(Including financial review)

BUSINESS REVIEW

The Group's total revenue for the Period was approximately RMB103.9 million, representing an approximate decrease of 58.1% from approximately RMB248.2 million for the corresponding period of last year.

Loss attributable to shareholders of the Company for the Period was approximately RMB6.5 million, representing an approximate decrease of 68.3% from approximately RMB20.5 million for the corresponding period of last year.

During the Period, loss per share was approximately RMB0.003 (loss for the first half of 2018: RMB0.011).

As of 30 June 2019, the Group's total assets amounted to approximately RMB6,705.8 million (31 December 2018: approximately RMB6,772.2 million), while total liabilities amounted to approximately RMB4,631.6 million (31 December 2018: approximately RMB4,681.0 million); total equity was approximately RMB2,074.2 million (31 December 2018: approximately RMB2,091.1 million), and net asset value per share was approximately RMB1.104 (31 December 2018: approximately RMB1.113).

During the first half of 2019, in line with the Chinese government's keynote of "houses are for living in but not for speculation, implementing corresponding policies for different cities, and taking a differential approach in regulatory measures", the PRC real estate market's overall growth rate apparently slowed down in comparison to that of the same period in 2018. Market segmentation among first-, second-, third- and fourth-tier cities became more prominent. During the first half of 2019, in first-tier cities there was an obvious trend of transaction volume increment without price fluctuation, while property markets in the more popular second-tier cities were steady overall. There is a high possibility of extending the control policies to second-tier cities in the near future, and while property prices in third-, fourth- and fifth-tier cities were still rising, an overall cooling in the land market and second-hand trading market was signalled. At present, good transaction performance was mainly concentrated among first- and larger second-tier cities nationwide, and economically strong third- and fourth-tier cities in the Yangtze and Pearl River deltas. Viewed from the development trend in the earlier months of 2019, a "moderate rising" situation could be seen. Excluding thin transactions in February 2019 due to the Spring Festival, a transaction volume of approximately 45 million square meters ("**sq-m**" or "**sq.m.**") was maintained in April 2019 and May 2019, showing a steady recovery of the real estate market.

Real estate supply remained stable in the first half of 2019, with the total supply in 79 typical cities dropping slightly by 1% year-on-year. In terms of tiers, supply in first-tier cities increased substantially by an overall of 27% compared with the same period of 2018. Supply in second-tier cities basically remained unchanged compared with the same period of 2018. The overall supply in third- and fourth-tier cities fell by 4% year-on-year. Recently, affected by the loss of the low price advantage and the gradually weakening of demand in third- and fourth-tier cities, property developers have returned their focus to first- and second- tier markets, resulting in a decrease in the overall supply in third- and fourth-tier cities. Meanwhile, supply in first-to-fourth-tier cities remained fragmented. Furthermore, during the first quarter of 2019, commodity housing sold in China reached 298.29 million sq.m. in area, of which the total sales area of commercial property was 25.52 million sq.m., accounting for 8.56% of the sales of commodity housing. The sales area of office buildings fell by 11.1%, while that of properties for commercial operation fell by 6.9%. In summary, both the sales area and sales revenue of office buildings and property for commercial operation dropped, with a significant decrease in demand.

During the Period, the Group recorded property sales revenue of approximately RMB73.1 million, representing a decrease of 67.4% compared to that of the same period last year. This can be attributed to (i) the decrease in property sales revenue of the Shanghai Xinming • Children’s World (the “**Shanghai Project**”) owing of the alterations of the sales deployment plan of the Shanghai Project following personnel changes in the sales team, which resulted in slower sales progress and the prolonged influence of property governance policies issued by the Shanghai Municipal Government for optimisation and rectification in the first half of 2019. During the Period, property sales revenue for the Shanghai Project amounted to approximately RMB11.3 million, representing a 89.0% drop compared to the same period of last year; (ii) the remaining units of Hangzhou Xinming • Children’s World Project (“**Hangzhou Project**”) were sold during the Period, and the property sales revenue recorded for the Hangzhou Project amounted to approximately RMB35.0 million for the Period, representing a decrease of approximately 65.9% over the same period of last year; (iii) property sales revenue for Chongqing Xinming • China South-western City (the “**Chongqing Project**”) were mainly originated from Buildings 4 and 5 completed in the previous year, which recorded sales revenue of approximately RMB8.5 million for the Period. As of 30 June 2019, the Group’s property portfolio comprised 16 development projects in various cities in the PRC. These projects were in varied stages of development, having an aggregate gross floor area (“**GFA**”) of approximately 1,012,782 sq.m., of which approximately 477,402 sq.m. have been completed. Approximately 55,145 sq.m. of the GFA remained under development, and approximately 480,235 sq.m. were retained for future development.

PROSPECTS

Looking forward to the second half of 2019, against the backdrop of an escalating trade war, the Chinese government continues to adopt the principle of “houses are for living in but not for speculation” to control the property market. It aims mainly to stabilise the overall market and ensure that housing prices will not fluctuate significantly while maintaining a growth rate of 7-10% throughout the year. Recently, the government has taken action to cope with the frequent issuance of debts by property developers and the continued decline in interest rates, so as to prevent funds from flowing unlawfully into the

real estate sector. At the same time, some cities have raised interest rates on property mortgage loans which seriously affected real estate trust financing. It is expected that under stricter fund controls, the regulation and control policies of the first- and second-tier cities are unlikely to be lessened in the short term. However, there is still some rigid demand in the first-tier and popular second-tier cities, and we expect steady growth in such cities. An overall trend of market correction in third- and fourth-tier cities has already emerged, and these cities will face relatively higher correctional pressure in the second half of 2019.

The Chongqing Project and Shandong Tengzhou Xingmeng International Commercial City (the “**Shandong Project**”) are expected to obtain the local governments’ preliminary approval for a change in land planning to high-quality developed residential use in the second half of 2019, but the commencement of construction will be delayed to the fourth quarter of 2019. We are striving for pre-sale at the end of 2019. The Group believes that the sale of the residential properties will attract people in those areas and lead to a boost in value of the projects’ surrounding commercial lands; and with the development of surrounding commercial lands, the projects’ residential property values will appreciate as well. Such a ripple effect would create a positive impact on the Group’s future financial position and return. In the meantime, the Group continued to provide a broad range of high quality products and services for maternity, baby and children (“**MBC**”) under the My Babini brand, and by adopting the “Internet+” business model, the online-offline cooperation mode will be realised with the initial implementation of the Hangzhou Project in the second half of 2019.

INDUSTRY REVIEW

In the first half of 2019, China’s economic situation was stable, with GDP increasing by 6.3% year-on-year. The tightening policies in China over the months in the first half of 2019 were characterized by a more lenient start and turned tougher in the latter period. The PRC government tightened the regulation of real estate funds and as a consequence, trust financing was seriously affected. The project financing environment was difficult. The overall policy in the first quarter of 2019 boosted the market’s expectations. However, the degree of tightening has been significantly strengthened since April 2019. In particular, Xi’an and Suzhou, which were more robust in property transaction recently, had tightened their purchase-and-sale restriction policies respectively, and became the gauge of determining the degree of macro-adjustment measures at the current stage. At the same time, the interest rate hikes in some cities in China started to intensify, and Hefei, Suzhou, Dongguan and other places also timely tightened the land auction policy due to the booming of the respective real estate markets, together with the reaction to the proposed “one policy for one city” by Henan, Fujian, Zhejiang, Anhui, Chengdu, Changsha, Wuhan and other provinces and cities in the first half of 2019, all these phenomena adequately reflected that the regulatory policies were kept closely in line with market changes and tightened when the circumstances required. Moreover, due to the increase in supply of commercial properties in various cities in China in the first quarter of 2019, sales of commercial properties in first-tier and second-tier cities showed a decline to different extents; while the number of commercial property development projects continued to shrink during the period, down 39.6% year-on-year. For the above reasons, sales of the Group’s commercial and residential housing during the Period were adversely affected.

RESULTS OVERVIEW

During the Period, the Group recorded a total revenue of approximately RMB103.9 million, representing a decrease of approximately 58.1% from approximately RMB248.2 million for the corresponding period last year. Sales of delivered properties and GFA were approximately RMB73.1 million and approximately 9,613.94 sq.m., representing respective decreases of 67.4% and 74.3% year-on-year. The average selling price for the contracted sales was approximately RMB7,601 per sq.m., representing an increase of approximately 26.8% compared with approximately RMB5,995 for the corresponding period last year. The price of commodity housing in Shanghai rose steadily in general, which drove up the average sales price. In contrast, the average selling price of Chongqing Xinming • China South-western City Phase 1 dropped approximately 69.9%, as the selling price of the apartments in Block 4 was lower than the selling price of the shops in Block 3 and Block 6 last year.

Loss attributable to the shareholders of the Company for the Period amounted to approximately RMB6.5 million, representing a decrease of 68.3% from a loss of approximately RMB20.5 million for the corresponding period last year. The decreased loss was mainly attributable to gains from the decrease of fair value of convertible bonds of approximately RMB18.2 million and the appreciation of investment properties of approximately RMB32.4 million. The basic loss per share was RMB0.003.

The Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2019.

As of 30 June 2019, the Group's total assets amounted to approximately RMB6,705.8 million (31 December 2018: approximately RMB6,772.2 million). Total liabilities were approximately RMB4,631.6 million (31 December 2018: approximately RMB4,681.0 million), total equity was approximately RMB2,074.2 million (31 December 2018: approximately RMB2,091.1 million), and net assets per share were approximately RMB1.104 (31 December 2018: approximately RMB1.113).

SALES

During the Period, the Group recorded a total revenue of approximately RMB103.9 million, representing an approximate 58.1% decrease from approximately RMB248.2 million for the corresponding period last year. During the Period, the Group recorded property sales revenue of approximately RMB73.1 million, representing 70.3% of its total revenue. Total delivered GFA was approximately 9,613.94 sq.m., representing a decrease of approximately 74.3% compared to the same period of last year. This was mainly due to (i) continued sales of the remaining shops in the Hangzhou Project; (ii) sales of delivered properties and GFA of the Shanghai Project decreased by approximately 89.0% and 91.4% respectively compared with the corresponding period last year due to personnel changes in the sales team, and the prolonged influence of property governance policies for optimisation and rectification imposed by the Shanghai Municipal Government; (iii) slowing sales after a failure to promote the Chongqing Project as originally planned, as a result of negotiations with the government on an overall strategy for comprehensive adjustment of land use; (iv) recovery of apartment and shops sales for the Shandong Project. Income from the Shandong Project during the first half of the year mainly derived

from rebounding sales in the housing market, representing an increase of 8.1 times compared to the same period of last year; (v) recovering and increasing sales of the retail spaces in the Taizhou Project and other projects, which was mainly due to the adoption of new sales strategy in strengthening investment solicitation, which enhanced the projects' image and value.

The following table shows revenue by operating segment for the Period:

	as of 30 June			
	2019		2018	
	(RMB million)	(%)	(RMB million)	(%)
	(Unaudited)		(Unaudited)	
Sales of properties	73.1	70.3	224.2	90.3
Rental income	30.8	29.7	24.0	9.7
Total revenue	103.9	100.0	248.2	100.0

Property sales

During the Period, the Group recorded property sales of approximately RMB73.1 million, representing an approximate 67.4% decrease from the approximate RMB224.2 million of the same period of last year. This was mainly due to a GFA delivered of 9,613.94 sq.m., which represented a decrease of approximately 27,785.72 sq.m. from approximately 37,399.66 sq.m. of the same period of last year. This was mainly caused by the decrease in GFA delivered from the Taizhou Project by approximately 19,658.09 sq.m. compared to the same period last year, and the decrease in GFA delivered from the Hangzhou Project by approximately 7,267.77 sq.m. compared to the same period last year. The decrease in GFA delivered was also caused by the drop of approximately 4,941.94 sq.m. in GFA delivered from the Shanghai Project during the Period as compared with the corresponding period last year.

Property leasing

The Group's property leasing business consists of leasing Group's commercial properties held for investment and the sold commercial properties leased back from third parties by the Group. As of 30 June 2019, the actual area leased out was approximately 193,590.26 sq.m., representing approximately 89% of the Group's total investment properties held-for-lease and the total GFA of sold commercial properties acquired by leasing back from third parties.

During the Period, rental income amounted to approximately RMB30.8 million, representing an increase of approximately RMB6.8 million or 28.3% from approximately RMB24.0 million for the same period of last year, mainly due to increases in occupancy rate.

Gross profit

During the Period, gross profit amounted to approximately RMB21.3 million, representing a decrease of approximately RMB102.8 million or approximately 82.8% compared to RMB124.1 million for the same period of last year. Gross profit margin was approximately 20.5%, compared to approximately 50.0% in the same period of last year, which resulted in a 29.5% decrease. This was mainly due to a significant decrease in gross profit margin for the Shanghai Project during the Period in comparison to the same period last year. It is expected that the Group's gross profit margin will maintain a gradual uptrend in the second half of 2019.

Other income and revenue

During the Period, other income and revenue amounted to approximately RMB8.5 million, a significant increase of approximately RMB7.6 million compared to the approximate RMB0.9 million from the same period last year. Foreign exchange and government subsidy amounting to RMB8.3 million were recorded during the Period.

Sales and administration expenses

During the Period, sales and administration expenses amounted to approximately RMB53.0 million, representing a decrease of approximately RMB16.6 million or 23.8% compared to approximately RMB69.6 million for the same period last year. Distribution expenses decreased by approximately RMB10.0 million, mainly due to decreased advertising and sales commissions for the Hangzhou Project during the Period. Administrative expenses decreased by approximately RMB6.6 million compared with the same period last year.

Other expenses

During the Period, other expenses amounted to approximately RMB16.4 million, representing an increase of approximately RMB1.0 million or 6.5% compared to approximately RMB15.4 million for the same period last year. This was mainly due to assets impairment loss.

Operating loss

During the Period, the operating loss was approximately RMB17.0 million, representing a decrease of approximately RMB7.8 million or approximately 31.4% compared to the loss of approximately RMB24.8 million for the same period last year.

Change in fair value of investment properties

During the Period, the change in fair value of investment properties amounted to approximately RMB32.4 million, representing an increase of approximately RMB31.8 million compared to approximately RMB0.6 million from the same period last year. Such increase was mainly due to the appreciation of Taizhou and Chongqing property investments.

Net finance costs

During the Period, net interest costs amounted to approximately RMB2.1 million, representing a decrease of approximately RMB1.1 million or approximately 34.4% compared with approximately RMB3.2 million recorded for the same period last year. This was mainly due to the decrease of significant financing component.

Income tax expenses

During the Period, income tax expenses were approximately RMB28.0 million, representing a decrease of approximately RMB15.0 million or 34.9% than the income tax expense of approximately RMB43.0 million for the same period last year. This was mainly due to the decrease in land value-added tax.

Loss attributable to shareholders

During the Period, the loss attributable to shareholders amounted to approximately RMB6.5 million, representing a decrease of approximately RMB14.0 million or approximately 68.3% compared to the loss of approximately RMB20.5 million for the corresponding period last year. The basic loss per share was approximately RMB0.003, decreasing from approximate RMB0.011 for the same period last year.

Business performance

The table below sets forth a summary of our selling property projects of the Group during the Period:

Property Project	Location	Project Type	GFA delivered (sq.m.)	Income (RMB million)	Average selling price (RMB/sq.m)
Taizhou Xinming Peninsular	Jiaojiang District, Taizhou City	Residential, Commercial	55.60	1.5	27,217
Xinming International Household Products Mall and Exhibition Center	Jiaojiang District, Taizhou City	Commercial	1,917.86	10.4	5,416
Shanghai Xinming • Children's City	Jiading District, Shanghai Municipality	Commercial	464.94	11.3	24,290
Hangzhou Xinming • Children's World	Hangzhou	Commercial	2,876.60	35.0	12,167
Chongqing Xinming • China South-western City Phase 1	Dazu District, Chongqing	Commercial	2,596.93	8.5	3,275
Xingmeng International Commercial City	Tengzhou City, Shandong Province	Commercial	1,702.01	6.4	3,748
Total			<u>9,613.94</u>	<u>73.1</u>	<u>7,601</u>

Land reserve

As of 30 June 2019, the Group's property portfolio included 16 property development projects in cities throughout China. These were at different stages of development, with total GFA amounting to approximately 1,012,782 sq.m., of which approximately 477,402 sq.m. were completed. Approximately 55,145 sq.m. were still in development, and approximately 480,235 sq.m. were being held for future development.

The table below sets forth a summary of our land reserve classified by geographical location as at 30 June 2019:

Location	Project number	Saleable GFA 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 of total land reserve (%)	Equity interest attributable to the Group (%)	Project type
Taizhou	10	200,072	–	–	200,072	19.7	100	Residential, commercial
Shanghai	1	98,748	–	–	98,748	9.8	79	Commercial, office
Chongqing	3	88,537	25,516	301,155	415,208	41.0	95	Residential, commercial
Tengzhou	1	54,443	29,629	179,080	263,152	26.0	75	Residential, commercial
Hangzhou	1	35,602	–	–	35,602	3.5	100	Commercial
Total	16	<u>477,402</u>	<u>55,145</u>	<u>480,235</u>	<u>1,012,782</u>	<u>100.0</u>		

Since the publication of the Group's annual report for the year ended 31 December 2018, there was no material change in the possible future development of the Group's business and the Group's outlook for the Period.

Cash flows

As of 30 June 2019, the Group's cash and bank deposits, including restricted cash, were approximately RMB213.2 million (31 December 2018: approximately RMB573.2 million), representing a decrease of approximately RMB360.0 million or approximately 62.8%, mainly due to interest expenses and payments of other borrowings.

During the Period, net cash generated from operating activities was approximately RMB508.8 million (for the six months ended 30 June 2018, approximately RMB79.2 million), representing an increase of RMB429.6 million. Net cash generated from investment activities was approximately RMB0.1 million (for the six months ended 30 June 2018, approximately RMB0.4 million). Net cash used in financing activities was approximately RMB333.5 million (for the six months ended 30 June 2018, net cash generated was approximately RMB139.7 million).

Trade receivables, prepayments, deposits and other receivables

As of 30 June 2019, the Group's total assets in trade receivables, prepayments, deposits and other receivables were approximately RMB279.0 million, representing an increase of approximately RMB147.1 million compared to approximately RMB131.9 million as of 31 December 2018, mainly due to the increase of other receivables and prepayments.

Trade payables, advances from customers, other payables and contract liabilities

As of 30 June 2019, the Group's total trade payables, other payables and accruals and contract liabilities were approximately RMB1,033.2 million, representing a decrease of approximately RMB6.3 million compared to approximately RMB1,039.5 million as of 31 December 2018, mainly due to a decrease in other payables and accruals.

Assets and liabilities

As of 30 June 2019, the Group's total assets were approximately RMB6,705.8 million, representing a decrease of approximately RMB66.4 million compared to approximately RMB6,772.2 million as of 31 December 2018. Total current assets were approximately RMB3,447.2 million, representing approximately 51.4% (31 December 2018: approximately 52.3%) of total assets and an decrease of approximately RMB97.5 million compared to approximately RMB3,544.7 million as of 31 December 2018. However, total non-current assets were approximately RMB3,258.6 million, representing approximately 48.6% (31 December 2018: approximately 47.7%) of total assets and an increase of approximately RMB31.1 million compared to approximately RMB3,227.5 million as of 31 December 2018.

As of 30 June 2019, the Group's total liabilities were approximately RMB4,631.6 million, representing a decrease of approximately RMB49.4 million compared to approximately RMB4,681.0 million as of 31 December 2018. Total current liabilities were approximately RMB2,684.0 million, representing approximately 57.9% (31 December 2018: approximately 69.1%) of total liabilities and a decrease of approximately RMB549.0 million compared to approximately RMB3,233.0 million as of 31 December 2018. However, total non-current liabilities were approximately RMB1,947.6 million, representing approximately 42.1% (31 December 2018: approximately 30.9%) of total liabilities and an increase of approximately RMB499.6 million compared to approximately RMB1,448.0 million as of 31 December 2018.

As of 30 June 2019, the Group had net current assets of approximately RMB763.2 million, representing an increase of approximately RMB451.5 million compared to approximately RMB311.7 million as of 31 December 2018, mainly due to a decrease of other borrowings within one year.

Current ratio

As at 30 June 2019, the current ratio of the Group, being the ratio of the current assets divided by the current liabilities, was 1.28:1 (31 December 2018: 1.10:1).

Gearing ratio

As at 30 June 2019, the gearing ratio of the Group is 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 was 45.3% (31 December 2018: 48.0%).

Capital structure

The Group's operations were financed mainly by shareholder equity, financing of loans from bank for the Group, convertible bonds issue and internal resources allocated to the operation of the Group. The Group will continue its treasury policy of placing its cash and cash equivalents as interest bearing deposits. The Group's loans and cash and cash equivalents were mainly denominated in Renminbi.

Convertible bonds

Pursuant to the general mandate, on 1 June 2018, the Group issued convertible bonds in the 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 on 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.

A total of 940,000,000 Shares held by Xinxing Company Limited were pledged to the subscriber of the convertible bonds. Xinxing Company Limited is an entity controlled by Mr Chen Chengshou ("Mr Chen"), Chairman of the Company, Executive Director and controlling shareholder. Ms Gao Qiaoqin ("Ms Gao") is the spouse of Mr Chen, and is thus taken to be interested in the same number of shares in which Mr Chen is interested in through Xinxing Company Limited. Mr Chen and Ms Gao also provide guarantee for the convertible bonds.

For so long as any convertible bonds remains outstanding, Mr Chen has undertaken to directly or indirectly hold approximately 50% of the entire issued share capital of the Company, and shall not directly or indirectly sell, transfer or otherwise dispose of his equity interests in the Company or any part thereof in the absence of prior written consent of the subscriber of the convertible bonds.

Borrowings

As of 30 June 2019, the Group's total other borrowings were approximately RMB1,926.0 million, representing a decrease of approximately RMB41.1 million compared to approximately RMB1,967.1 million as of 31 December 2018. Please refer to note 12 in the interim condensed consolidated financial statements for details.

The Group's approximately RMB452.0 million of borrowings repayable within one year represents a decrease of approximately RMB814.2 million compared to approximately RMB1,266.2 million as of 31 December 2018. Borrowings repayable after one year were approximately RMB1,474.0 million, representing an increase of approximately RMB773.2 million compared to approximately RMB700.8 million as of 31 December 2018.

During the Period, the Group's total borrowings belongs to borrowings with fixed interest rates.

Significant investments held

Except for investment in subsidiaries, the Group did not hold any significant investment in equity interest in any other company during the Period.

Future plans for material investment and capital assets

The Group had no plans for material investments and capital assets.

Material acquisitions and disposals of subsidiaries and joint ventures

The Group did not make any material acquisitions and disposals of subsidiaries and joint ventures during the Period.

Guarantees on mortgage facilities

As of 30 June 2019, the Group provided guarantees for the mortgage loans given by certain purchasers of approximately RMB29.6 million (31 December 2018: approximately RMB28.0 million).

Asset guarantees

As of 30 June 2019, the Group had pledged or restricted deposits in the bank deposits of approximately RMB2.3 million (31 December 2018: approximately RMB537.7 million). In addition, a portion of the other borrowings of the Group were secured by several properties in development and investment properties of the Group and a 100% equity interest in certain Group subsidiaries. These were jointly guaranteed by (a) Mr Chen, the Group's controlling shareholder and an executive Director (b) the daughter and son of Mr Chen, (c) Ms Gao, a non-executive Director and (d) Xinming Group Limited, a related Group company, free of charge.

Capital expenditure

During the Period, the Group's total capital expenditure was approximately RMB0.01 million, mainly included construction facilities expenses (six months ended 30 June 2018: approximately RMB0.08 million).

Capital commitments

As at 30 June 2019, capital commitments related to activities of properties under development was approximately RMB413.6 million (31 December 2018: approximately RMB27.1 million).

Exposure to exchange rate fluctuations

The Group operates mainly in Reminbi, though certain Group bank deposits are denominated in Hong Kong dollars. Save as disclosed above, the Group is not exposed to any material exchange rate fluctuation risk and has not engaged in foreign currency hedging policies. However, the Group will closely monitor the exchange risk and may, as the case may be and depending on foreign currency trends, consider applying significant foreign currency hedging policies in future.

Employees

As of 30 June 2019, the Group had a total of 165 employees (30 June 2018: 208 in total, decreased by 43 employees), mainly due to the completion of Hangzhou and Taizhou Projects and a consequent reduction in demand for the operating team. Total employee costs during the Period amounted to approximately RMB14.5 million (six months ended 30 June 2018: approximately RMB20.4 million), representing a decrease of approximately RMB5.9 million. The Group continued to promote talent development by cultivating and recruiting personnel with sales and management experience, improving the allocation system of remuneration linked to performance, and maintaining harmonious labour relations. The remuneration of Group employees is based on their performance, experience and the prevailing market level of remuneration. The total remuneration of employees includes basic salary and cash bonus. The Group has also adopted share option and share incentive schemes.

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

During the Period and up to the date of this announcement, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities.

CORPORATE GOVERNANCE PRACTICES

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 and complied with the code provisions of the CG Code during the Period. None of the Directors was aware of any information that would reasonably indicate that the Company was incompliant with the code provisions of the CG Code during the Period, except for the deviations as follows:

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Chen is the chairman and the chief executive officer of the Company ("CEO"). The Group therefore did 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. Therefore, the roles of chairman and CEO were performed by the same individual, Mr. Chen, and such arrangement was considered to be beneficial to the business prospects and management of the Group.

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 being made to all the Directors, each of them has confirmed that they complied with the required standards set out in the Model Code during the Period.

REVIEW OF INTERIM RESULTS

The audit committee of the Company (the “**Audit Committee**”) consists of three independent non-executive Directors, Mr. Lo Wa Kei, Roy (being the chairman of the Audit Committee), Mr. Gu Jiong and Mr. Fong Wo, Felix. The Company’s unaudited condensed consolidated interim results and financial report for the Period have been reviewed by the Audit Committee.

EVENTS AFTER THE END OF THE PERIOD

No significant event took place subsequent to 30 June 2019.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT ON WEBSITE OF THE STOCK EXCHANGE AND THE COMPANY

The interim results announcement has been published on the websites of the Company (<http://www.xinm.com.cn>) and the Stock Exchange. The interim report will also be available at the Company’s and the Stock Exchange’s websites on or before 30 September 2019 and will be dispatched to Shareholders of the Company thereafter.

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

Hangzhou, the PRC

29 August 2019

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

** for identification purpose only.*