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)

UNAUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

ANNUAL RESULTS HIGHLIGHTS

- Turnover of the Group amounted to approximately RMB163.3 million, representing a decrease of approximately 73.9% as compared with last year.
- Gross profit of the Group amounted to approximately RMB53.0 million, representing a decrease of approximately 81.1% as compared with last year.
- Loss attributable to the owners of the parent company was approximately RMB17.8 million.
- Basic loss per share was approximately RMB0.009.
- The Board did not recommended the payment of final dividend for the year ended 31 December 2019.

UNAUDITED ANNUAL RESULT

The board (the "Board") of directors (the "Directors") of Xinming China Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the financial year ended 31 December 2019. The auditing process for the annual results for the year ended 31 December 2019 has not been completed due to restrictions in force in parts of China (including Hangzhou and Chongqing) to combat the COVID-19 coronavirus epidemic. The unaudited results contained herein have not been agreed by the Company's auditors.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2019

	Notes	2019 RMB'000 (Unaudited)	2018 RMB'000 (Restated) (Audited)
REVENUE	4	**163,349**	624,771
Cost of sales		**(110,357)**	(344,117)
Gross profit		**52,992**	280,654
Other income and gains	4	**1,076**	3,187
Selling and distribution costs		**(6,457)**	(44,023)
Administrative expenses		**(63,811)**	(87,372)
Impairment losses on financial assets, net		**(3,642)**	(8,359)
Other expenses		**(82,477)**	(37,069)
Changes in fair value of investment properties		**146,823**	67,785
Changes in fair value of convertible bonds		**11,946**	(39,897)
Finance costs	5	**(2,594)**	(6,856)
PROFIT BEFORE TAX	6	**53,856**	128,050
Income tax expense	7	**(65,670)**	(106,596)
(LOSS)/PROFIT FOR THE YEAR		**(11,814)**	21,454
ATTRIBUTABLE TO:			
Owners of the parent	9	**(17,768)**	42,911
Non-controlling interests		**5,954**	(21,457)
		(11,814)	21,454
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic			
— For (loss)/profit for the year (RMB)		**(0.009)**	0.023
Diluted			
— For (loss)/profit for the year (RMB)		**(0.014)**	0.023

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

Year ended 31 December 2019

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
	(Unaudited)	(Audited)
(LOSS)/PROFIT FOR THE PERIOD	**(11,814)**	21,454
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that will not to be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive loss:		
Changes in fair value	—	(1,245)
OTHER COMPREHENSIVE LOSS, NET OF TAX	—	(1,245)
TOTAL COMPREHENSIVE (LOSS)/INCOME	**(11,814)**	20,209
ATTRIBUTABLE TO:		
Owners of the parent	**(17,768)**	41,666
Non-controlling interests	**5,954**	(21,457)
	(11,814)	20,209

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 RMB'000 (Unaudited)	2018 RMB'000 (Restated) (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**4,646**	5,852
Investment properties	10	**3,318,900**	3,125,600
Right-of-use assets		**1,027**	—
Deferred tax assets		**97,511**	96,045
Total non-current assets		**3,422,084**	3,227,497
CURRENT ASSETS			
Properties under development		**1,341,803**	1,124,891
Completed properties held for sale		**1,574,542**	1,691,874
Trade receivables	11	**1,354**	3,318
Prepayments, other receivables and other assets		**211,944**	129,462
Due from related parties		—	55,493
Tax recoverable		**6,702**	22,757
Restricted deposits		**2,830**	537,739
Cash and cash equivalents		**182,225**	43,528
Total current assets		**3,321,400**	3,609,062
CURRENT LIABILITIES			
Trade payables	12	**291,668**	235,365
Other payables and accruals		**571,402**	628,375
Contract liabilities		**191,139**	217,762
Due to other related parties		—	26,929
Other borrowings	13	**959,928**	1,266,230
Provisions	14	—	1,168
Tax payable		**914,984**	920,180
Convertible bonds		**272,967**	—
Total current liabilities		**3,202,088**	3,296,009
NET CURRENT ASSETS		**119,312**	313,053
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,541,396**	3,540,550

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	**2019** ***RMB'000*** **(Unaudited)**	2018 *RMB'000* (Restated) (Audited)
NON-CURRENT LIABILITIES			
Other borrowings	13	**931,465**	700,844
Convertible bonds		—	284,913
Deferred tax liabilities		**529,273**	462,286
Total non-current liabilities		**1,460,738**	1,448,043
NET ASSETS		**2,080,658**	2,092,507
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**14,880**	14,880
Reserves		**1,969,537**	1,987,340
		1,984,417	2,002,220
Non-controlling interests		**96,241**	90,287
TOTAL EQUITY		**2,080,658**	2,092,507

1. CORPORATE AND GROUP 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 address of the Company is 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 during the year. 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 have been listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 6 July 2015.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board ("IASB"), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, equity investments designated at fair value through other comprehensive income and financial liabilities at fair value though profit or loss measured at fair value. These financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Company and its subsidiaries, and all values are rounded to the nearest thousand except when otherwise indicated.

During the year, the Group obtained 100% equity interests in Hangzhou Zhiyao Trading Company Limited ("Hangzhou Zhiyao") and Hangzhou Pengyue Trading Company Limited (Hanghzou Pengyue) from the Controlling Shareholder and Xinming Group. The acquisition was a business combination under common control. The comparative information which includes the consolidated statement of financial position, the consolidated statements of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows, and notes to the consolidated financial statements for the comparative period are restated as if Hangzhou Zhiyao and Hangzhou Pengyue had been combined at the beginning of the comparative period.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

Except for amendments to IFRS 9, IAS 19 and IAS 28 and *Annual Improvements to IFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

(a) IFRS 16 replaces IAS 17 *Leases,* IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases — Incentives* and SIC 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 to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

IFRS 16 did not have any significant impact on leases where the Group is the lessor.

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

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 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 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.

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, motor 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 leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact 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.

For the other leases, the right-of-use assets amounting to RMB1,023,000 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:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

Financial impact at 1 January 2019

The impact arising from the adoption of IFRS 16 at 1 January 2019 was as follows:

	Increase/ (decrease)
	RMB'000
Assets	
Increase in right-of-use assets	1,023
Increase in total assets	1,023
Liabilities	
Increase in other borrowings current	671
Increase in other borrowings non-current	385
Increase in total liabilities	1,056
Equity	
Decrease in retained earnings	(33)

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

	RMB'000
Operating lease commitments as at 31 December 2018	**23,509**
Less: Commitments relating to short-term leases and those leases term with a remaining lease ended on or before 31 December 2019	(22,395)
	1,114
Weighted average incremental borrowing rate as at 1 January 2019	5%
Lease liabilities as at 1 January 2019	1,056

(b) IFRIC 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 impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 3	*Definition of a Business*[1]
IFRS 17	*Insurance Contracts*[2]
Amendments to IAS 1 and IAS 8	*Definition of Material*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[3]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective for annual periods beginning on or after 1 January 2022

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's 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 property development segment engages in the development and sale of properties;
(b) the property 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 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 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 2019

	Property development	**Property leasing**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
Segment revenue (note 4)				
Sales to external customers	99,638	63,711	—	163,349
Revenue				163,349
Segment results	(67,573)	161,912	(40,483)	53,856
Profit before tax				53,856
Other segment information:				
Depreciation	1,125	—	73	1,198
Depreciation of right-of-use assets	—	419	353	772
Provision for impairment of completed properties held for sale	9,710	—	—	9,710
Provision for impairment of trade receivables	(1,086)	1,646	—	560
Realisation of onerous operating leases	—	(1,243)	—	(1,243)
Bank interest income	(70)	(100)	(32)	(202)
Finance costs (other than interest on lease liabilities)	2,460	75	—	2,535
Fair value gain on investment properties	—	(146,823)	—	(146,823)
Fair value gain on convertible bonds	(11,946)	—	—	(11,946)
Capital expenditure*	8	—	—	8

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

Year ended 31 December 2018 (restated)

	Property development *RMB'000* (Audited)	Property leasing *RMB'000* (Audited)	Others *RMB'000* (Audited)	Total *RMB'000* (Audited)
Segment revenue (note 4)				
Sales to external customers	567,220	57,551	—	624,771
Revenue				624,771
Segment results	134,622	71,611	(78,183)	128,050
Profit before tax				128,050
Other segment information:				
Depreciation	1,239	72	70	1,381
Provision for impairment of completed properties held for sale	1,662	—	—	1,662
Provision for impairment of trade receivables	1,114	932	—	2,046
Realisation of onerous operating leases	—	(1,098)	—	(1,098)
Bank interest income	(375)	(84)	(281)	(740)
Finance costs (other than interest on lease liabilities)	6,720	136	—	6,856
Fair value gain on investment properties	—	(67,785)	—	(67,785)
Fair value loss on convertible bonds	39,897	—	—	39,897
Capital expenditure	302	4,039	70	4,411

Geographical information

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

Information about a major customer

Revenue of approximately RMB12,638,000 (2018: Nil) was derived from sales by the property development segment to a single customer.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Revenue from contracts with customers	**99,638**	567,220
Revenue from other sources		
Gross rental income from investment property operating leases:		
Other lease payments, including fixed payments	**63,711**	N/A
	63,711	57,551
	163,349	624,771

Revenue from contracts with customers

(a) Disaggregated revenue information

For the year ended 31 December 2019

Segments	**Property development**
	RMB'000
	(Unaudited)
Type of goods	
Sale of properties	99,638
Geographical market	
Mainland China	99,638
Timing of revenue recognition	
Revenue from sale of properties at a point in time	99,638
Revenue from contracts with customers	
External customers	99,638

For the year ended 31 December 2018

Segments	Property development *RMB'000* (Audited)
Type of goods	
Sale of properties	567,220
Geographical market	
Mainland China	567,220
Timing of revenue recognition	
Revenue from sale of properties at a point in time	567,220
Revenue from contracts with customers	
External customers	567,220

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

	2019 ***RMB'000*** **(Unaudited)**	2018 *RMB'000* (Audited)
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of properties	**9,216**	231,667

(b) Performance obligations

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

Sale of properties

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.

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Other income		
Bank interest income	**202**	740
Government grants	**6**	172
Others	**123**	574
	331	1,486
Gains		
Exchange gain	**745**	1,701
	1,076	3,187

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Interest on other borrowings	**162,908**	225,558
Interest on lease liabilities	**59**	—
Interest expense arising from revenue contracts	**2,460**	17,490
Total interest expense on financial liabilities not at fair value through profit or loss	**165,427**	243,048
Less: Interest capitalised	**(162,908)**	(236,328)
	2,519	6,720
Other finance costs:		
Increase in discounted amounts of provisions arising from the passage of time (note 14)	**75**	136
	2,594	6,856

6. PROFIT BEFORE TAX

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

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Cost of properties sold	**76,796**	325,593
Cost of leasing properties	**33,561**	18,524
Depreciation of property, plant and equipment	**1,198**	1,381
Depreciation of right-of-use assets	**772**	—
Auditor's remuneration	**2,730**	2,350
Minimum lease payments under operating leases	**—**	1,973
Lease payments not included in the measurement of lease liabilities	**71**	—
Employee benefit expense:		
Wages and salaries	**19,637**	30,601
Pension scheme and social welfare	**6,531**	10,178
	26,168	40,779
Foreign exchange differences, net	**(745)**	(1,071)
Impairment of financial assets, net:		
Impairment of trade receivables, net (note 11)	**560**	2,046
Impairment of financial assets included in prepayments, other receivables and other assets, net	**3,082**	6,313
	3,642	8,359
Impairment of completed properties held for sale	**9,710**	1,662
Realisation of onerous operating leases (note 14)	**(1,243)**	(1,098)
Changes in fair value of investment properties (note 10)	**(146,823)**	(67,785)
Changes in fair value of convertible bonds	**(11,946)**	39,897
Bank interest income	**(202)**	(740)
Gain on disposal of items of property, plant and equipment	**—**	(349)

7. 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. Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group's subsidiaries incorporated in the Cayman Islands and British Virgin Islands are not subject to any income tax. The Group's subsidiaries incorporated in Hong Kong are not liable for income tax as they did not have any assessable income arising in Hong Kong during the year.

The provision for Mainland China current income tax is based on the statutory rate of 25% of the assessable profits of the PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008 (the "New Corporate Income Tax Law"). Taxes on profits assessable elsewhere have been calculated at the tax rates prevailing in the jurisdictions in which the Group operates. Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year.

According to the requirements of the Provisional Regulations of the PRC on land appreciation tax ("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 Mainland China 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 property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated.

The major components of income tax expense are as follows:

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
	(Unaudited)	(Audited)
Current tax:		
Income tax in the PRC for the year	**3,348**	6,284
LAT	**(3,199)**	65,417
Deferred tax	**65,521**	34,895
Total tax charge for the year	**65,670**	106,596

A reconciliation of income tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the income tax expense at the effective income tax rate and a reconiliation of applicable rates (i.e., the statutory tax rates) to the effective tax rate, are as follows:

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
	(Unaudited)	(Audited)
Profit before tax	**53,856**	128,050
Tax at the statutory tax rate	**13,464**	32,013
Lower tax rates for specific entities	**2,118**	1,485
Expenses not deductible for tax	**723**	2,752
Tax losses utilised from previous periods	**—**	(1,567)
Tax losses and temporary differences not recognised	**51,764**	22,850
Subtotal	**68,069**	57,533
LAT (reversal)/provision for the year	**(6,292)**	49,781
Prepaid LAT for the year	**3,093**	15,636
Deferred tax effect of LAT provision	**1,573**	(12,445)
Tax effect of prepaid LAT	**(773)**	(3,909)
Tax charge at the Group's effective rate	**65,670**	106,596

For the year ended 31 December 2019, tax losses and temporary differences amounting to RMB215,738,000 (2018: RMB97,328,000) have not been recognised as deferred tax assets, as it is not considered probable that taxable profits will be available against which the above tax losses can be utilised.

8. DIVIDENDS

No dividend has been paid or declared by the Company since its date of incorporation (2018: Nil).

9. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic (loss)/earnings per share amounts is based on the (loss)/profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,878,622,000 (2018: 1,878,622,000) in issue during the year.

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

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

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

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
	(Unaudited)	(Audited)
(Loss)/earnings		
(Loss)/profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**(17,768)**	42,911
Less: Fair value gain of the convertible bonds	**(11,946)**	—
Add: Fair value loss of the convertible bonds	—	39,897
	(29,714)	82,808*

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

* Because the diluted earnings per share amount is increased when taking convertible bonds into account, the convertible bonds had an anti-dilutive effect on the basic earnings per share for the year and were ignored in the calculation of diluted earnings per share. Therefore, the diluted earnings per share amount is based on the profit for the year of RMB42,911,000, and the weighted average number of ordinary shares of 1,878,622,000 in issue during the year ended 31 December 2018.

10. INVESTMENT PROPERTIES

	Total
	RMB'000
At 1 January 2018 (Audited)	3,053,776
Additions	4,039
Change in fair value of investment properties	67,785
At 31 December 2018 (Audited)	3,125,600
Transferred from completed properties held for sale	46,477
Change in fair value of investment properties	146,823
At 31 December 2019 (Unaudited)	3,318,900

The Group's investment properties consist of commercial properties completed in Mainland China. The Group's investment properties were revalued on 31 December 2019 based on valuations performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited independent professionally qualified valuers, at RMB3,318,900,000. Each year, 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 property 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.

The investment properties are leased to third parties under operating leases.

As at 31 December 2019, the Group's investment properties with a value of RMB3,318,900,000 (2018: RMB3,125,600,000) were pledged to secure other borrowings granted to the Group (note 13).

Fair value hierarchy

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

	Fair value measurement as at 31 December 2019 and 31 December 2018 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Recurring fair value measurement for:	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2019				
Commercial properties	—	—	3,318,900	3,318,900
31 December 2018				
Commercial properties	—	—	3,125,600	3,125,600

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.

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Commercial properties *RMB'000*
Carrying amount at 1 January 2018	3,053,776
Additions	4,039
Net gain from a fair value adjustment recognised in changes in fair value of investment properties in profit or loss	67,785
Carrying amount at 31 December 2018 (Audited)	3,125,600
Transferred from completed properties held for sale	46,477
Net gain from a fair value adjustment recognised in changes in fair value of investment properties in profit or loss	146,823
Carrying amount at 31 December 2019 (Unaudited)	3,318,900

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

Commercial properties	**Valuation techniques**	**Significant unobservable inputs**	**Range (weighted average)**
Year ended 31 December 2019	Discounted cash flow method	Market monthly rental rate (RMB/sq.m.)	2.89-6.00
		Term yield	4.50%-5.50%
		Reversionary yield	5.00%-6.00%
		Long term vacancy rate	3.00%-8.00%
Year ended 31 December 2018	Discounted cash flow method	Market monthly rental rate (RMB/sq.m.)	2.80-5.90
		Term yield	4.50%-5.50%
		Reversionary yield	5.00%-6.00%
		Long term vacancy rate	3.00%-8.00%

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. TRADE RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**24,894**	26,298
Impairment	**(23,540)**	(22,980)
	1,354	3,318

Trade receivables represent rentals receivable from tenants and sales income receivables from customers which are 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 as at the end of the reporting period, based on the invoice date, and net of loss allowance, is as follows:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 year	**1,354**	3,318

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

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
At beginning of year	**22,980**	20,934
Impairment loss, net (note 6)	**560**	2,046
At end of year	**23,540**	22,980

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:

As at 31 December 2019

		Past due			
	Current	**Less than 1 month**	**1 to 3 months**	**Over 3 months**	**Total**
Expected credit loss rate	94.56%	—	—	—	94.56%
Gross carrying amount (RMB’000)	24,894	—	—	—	24,894
Expected credit losses (RMB’000)	23,540	—	—	—	23,540

As at 31 December 2018

		Past due			
	Current	**Less than 1 month**	**1 to 3 months**	**Over 3 months**	**Total**
Expected credit loss rate	87.38%	—	—	—	87.38%
Gross carrying amount (RMB'000)	26,298	—	—	—	26,298
Expected credit losses (RMB'000)	22,980	—	—	—	22,980

12. TRADE PAYABLES

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

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Less than one year	**56,944**	125,515
Over one year	**234,724**	109,850
	291,668	235,365

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

13. OTHER BORROWINGS

	31 December 2019			1 January 2019	31 December 2018		
	Effective interest rate (%) (Unaudited)	**Maturity (Unaudited)**	**RMB'000 (Unaudited)**	**RMB'000 (Unaudited)**	**Effective interest rate (%)** (Audited)	**Maturity** (Audited)	**RMB'000** (Audited)
Current							
Lease liabilities	5.00	2020	808	671	—	—	—
Current portion of long term other borrowings — secured	6.80-7.57	2020	959,120	1,266,230	7.71-10.41	2019	1,266,230
			959,928	1,266,901			1,266,230
Non-current							
Lease liabilities	5.00	2021	242	385	—	—	—
Other borrowings — secured	9.02-11.67	2021	931,223	700,844	12.18	2021	700,844
			931,465	701,229			700,844
			1,891,393	1,968,130			1,967,074

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Analysed into:		
Other borrowings repayable:		
Repayable within one year	**959,928**	1,266,230
Repayable in the second year	**931,465**	40,000
Repayable in the third to fifth years	**—**	660,844
	1,891,393	1,967,074

As at December 31 2019, the Group's due interest of RMB60,634,000 was unpaid, together with the default interest of RMB26,853,000 were provided in the financial statement based on the loan contracts of the Group's certain other borrowings of RMB1,119,573,000.

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

		2019	2018
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
Equity interests in subsidiaries	(i)	**914,580**	439,715
Investment properties	(ii)	**3,318,900**	3,125,600
Completed properties held for sale	(iii)	**956,886**	627,422
Properties under development	(iv)	**398,964**	709,131

(i) The Group's other borrowings of RMB500,000,000 and RMB311,879,000 (2018: RMB500,000,000 and nil) were secured by the 100% equity interest in Taizhou Wenshang Times Property Limited ("Wenshang Times") and Chongqing Xinming Property Company Limited ("Chongqing Xinming"), subsidiaries of the Company, respectively.

The Group's other borrowings of RMB500,000,000, RMB458,892,000, RMB419,121,000 and RMB311,879,000 (2018: RMB500,000,000, RMB495,000,000, RMB412,973,000 and RMB313,257,000) were secured by investment properties of Wenshang Times, Taizhou Xinming Property Investment Limited ("Taizhou Investment"), Shanghai Xinming Global Property Limited ("Shanghai Xinming") and Chongqing Xinming, subsidiaries of the Company, respectively.

(ii) The Group's other borrowings of RMB311,879,000 (2018: Nil) were jointly secured by completed properties held for sale of Chongqing Xinming and Wenshang Times, subsidiaries of the Company.

The Group's other borrowings of RMB200,453,000 and nil (2018: RMB245,844,000 and RMB313,257,000) were secured by completed properties held for sale of Hangzhou Xinming Property Investment Limited ("Hangzhou Xinming") and Chongqing Xinming, subsidiaries of the Company, respectively.

(iii) The Group's other borrowings of RMB311,879,000 (2018: RMB313,257,000) were secured by properties under development of Chongqing Xinming, a subsidiary of the Company.

(iv) The Group's other borrowings of RMB500,000,000 (2018: RMB500,000,000) were jointly guaranteed by (i) the Controlling Shareholder, Mr. Chen Chengshou, (ii) the non-executive director, Ms. Gao Qiaoqin, and (iii) Xinming Group Limited, a related party of the Group.

The Group's other borrowings of RMB619,573,000 (2018: RMB972,074,000) were jointly guaranteed by (i) the Controlling Shareholder, Mr. Chen Chengshou, and (ii) the non-executive director, Ms. Gao Qiaoqin.

The Group's other borrowings of RMB311,879,000 (2018: Nil) 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 RMB458,892,000 (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, and (iv) Miss Chen Xi and Mr. Chen Junshi, the daughter and the son of the Controlling Shareholder, Mr. Chen Chengshou.

14. PROVISIONS

Onerous operating leases:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
At 1 January	**1,168**	2,130
Realisation	**(1,243)**	(1,098)
Increase in discounted amounts arising from the passage of time	**75**	136
At 31 December	**—**	1,168
Analysed into:		
Current	**—**	1,168

Onerous contract provision

The Group has sold certain of the commercial properties at market prices, and then leases back from the owners for the purpose of leasing them out to third party tenants. Pursuant to the payment terms of these contracts from 1 July 2014 to 30 June 2019, the unavoidable costs of meeting the obligations have exceeded the economic benefits expected to be received. A provision has been made for these onerous contracts based on the estimated minimum net cost of exiting from the contracts as at 31 December 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

(including financial review)

INDUSTRY REVIEW AND OPERATION MANAGEMENT

In 2019, China's GDP almost reached RMB100 trillion, posting a year-on-year increase of 6.1%. With regard to the Chinese real estate market, data published by the National Bureau of Statistics demonstrates that nationwide housing sales increased 6.5% year-on-year to nearly RMB16 trillion in 2019. Total floor area sold declined 0.1% year-on-year to 1,716 million sq.m.. These figures indicated that the market has been stablized. The GFA of commercial housing held for sale in China recorded a continued year-on-year decrease of 5%, while the national investment in real estate development increased by 9.9% as compared to that of the last year.

During the year ended 31 December 2019 (the "Year under Review"), transactions of commercial residential buildings still recorded a decrement. The housing prices and transaction volume in first-tier cities remained stable. While, driven by demand, the supply in second-tier cities increased significantly, the overall demand was offset by the effect of the control policy of the central government and therefore the market growth was not significant. Both the supply and transaction volume in third- and fourth-tier cities decreased, but the housing prices in these cities kept raising, benefiting from the economic spillover effect from surrounding core cities, more affordable housing available and less real estate regulation policies. Although the overall market sentiment remains flat, Xinming China believes the market is only experiencing a temporary structural correction; the potential purchasing power and repeat purchase rates are still substantial. As a result, the Group is still actively looking for investment opportunities in various industries, with the intention of increasing profits and catering for the society's housing demand.

In the meantime, the developing concepts of industrial real estate have put increasing emphasis on issues in relation to the ecosystem, childcare, environmental protection, and smart city. Family shopping habits will also demand a one-stop convenient solution. In view of this, Xinming China will keep abreast of the time and adjust in order to integrate the lifestyle, building materials and child-centric concepts in response to the market's expectation.

BUSINESS REVIEW

During Year under Review, the Group recorded a total revenue of approximately RMB163.3 million, representing a decrease of approximately RMB461.5 million or 73.9% from approximately RMB624.8 million in 2018. The delivered sales and GFA sold were approximately RMB99.6 million and 12,211.7 sq.m., representing a decrease of approximately RMB467.6 million or approximately 82.4% from approximately RMB567.2 million and approximately 74,635.0 sq.m., respectively, in 2018. The average selling price for sales was RMB8,159.3 per sq.m., representing an increase of approximately 7.4% year-on-year, which was mainly because the proportion of sales from Hangzhou Xinming was lower in 2019 as compared to 2018.

Loss attributable to the shareholders of the Company amounted to approximately RMB17.8 million, representing a decrease of approximately RMB60.7 million from profit of approximately RMB42.9 million in 2018 (restated). Loss per share was approximately RMB0.009 (2018: profit of approximately RMB0.023).

During theYear under Review, the Board did not recommend payment of final dividend for the year ended 31 December 2019.

As at 31 December 2019, total assets of the Group amounted to approximately RMB6,743.5 million (31 December 2018: approximately RMB6,836.6 million (restated)); total liabilities were approximately RMB4,662.8 million (31 December 2018: approximately RMB4,744.1 million (restated)); total equity was approximately RMB2,080.7 million (31 December 2018: approximately RMB2,092.5 million (restated)); and net assets per share were approximately RMB 1.11 (31 December 2018: approximately RMB1.11).

Property Development

As at 31 December 2019, the Group's property portfolio consisted of 16 property development projects with an aggregate GFA of approximately 2,237,826 sq.m. 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 RMB99.6 million, representing a decrease of approximately RMB467.6 million or approximately 82.4% as compared to approximately RMB567.2 million in 2018. Total GFA delivered during the Year under Review was approximately 12,211.7 sq.m., representing a decrease of approximately 83.6% as compared to 2018. Property sales remained the largest revenue source to the Group, representing approximately 61.0% of its total revenue. Property sales decreased during the Year under Review, mainly due to (i) despite the Group adjusted marketing strategy in the third quarter and added lifestyle and building material elements to enrich the original theme in the fourth quarter for Shanghai Xinming Children's World ("Shanghai Project"), Shanghai Project recorded no revenue during the Year under Review as tenant sourcing was affected by the China- United States trade war in the first half of the year and there were termination of tenancy agreements in the second half of the year; (ii) the sales target of Chongqing Xinming • China South-western City ("Chongqing Project") and Taizhou Xinming Peninsular, Xinming Lijiang Garden and Wenshang Times (collectively referred to as "Taizhou Projects") set for 2019 was adversely affected due to the impact of China-United States trade war, and the tenant sourcing activity could not be proceeded properly due to the strengthening of housing regulation by the local governments in the second half of the year and the low market investment sentiment; (iii) as the marketing strategy of Hangzhou Xinming • Children's World ("Hangzhou Project") was adjusted, such that part of unsold areas were leased out in the short term during the Year under Review, the property sales of the project only recorded approximately RMB71.0 million during the period, representing a decrease of approximately 77.0% as compared with the same period of last year.

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

Projects	Location	Saleable GFA	Income	Average selling price
		(sq.m.)	(RMB million)	(RMB/sq.m)
Taizhou Xinming Peninsular				
Phase 1	Taizhou	55.6	0.2	3,763.2
Phase 2—Stage 2	Taizhou	—	0.9	—
Xinming Lijiang Garden	Taizhou	2,071.1	10.3	4,975.9
Wenshang Times • Xinming Household Decorations and Fittings City	Taizhou	—	0.4	—
Shanghai Xinming Children's World	Shanghai	(372.8)	(2.2)	5,983.4
Hangzhou Xinming • Children's World	Hangzhou	4,608.8	71.0	15,416.9
Chongqing Xinming • China South-western City phase 1	Chongqing	4,070.6	12.3	3,019.5
Xingmeng International Commercial City	Tengzhou	1,778.4	6.7	3,757.8
Total		12,211.7	99.6	8,159.3

Property Leasing

The Group carries out property leasing business through leasing our commercial properties held for investment and certain unsold commercial properties of the Group. As of 31 December 2019, the actual area leased out was approximately 167,327.3 sq.m., representing approximately 85.9% of the Group's total investment properties held-for-lease and certain commercial properties.

During the Year under Review, the rental income was approximately RMB63.7 million, representing an increase of approximately RMB6.1 million or approximately 10.6% from approximately RMB57.6 million in 2018, mainly due to the increase in the rental income from Red Star Macalline Exhibition Center under Taizhou Property resulting from the raise in the unit rent and the increase in the rental income from the Chongqing Xinming EasyHome project resulting from the increase in the rentable area.

Land Reserves

As at 31 December 2019, the Group's property portfolio consisted of 16 property development projects located in a number of cities throughout China. These projects was at various stages of development, with total GFA amounted to approximately 1,010,185 sq.m., of which approximately 474,805 sq.m. was completed, approximately 55,145 sq.m. was under development, and approximately 480,235 sq.m. was held for future development.

The following table summarizes the Group's land reserve by geographical location as at 31 December 2019:

Location	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 to the total land reserve (%)
Taizhou	199,919	—	—	199,919	19.8
Shanghai	99,586	—	—	99,586	9.9
Chongqing	87,063	25,516	301,155	413,734	41.0
Tengzhou	54,367	29,629	179,080	263,076	26.0
Hangzhou	33,870	—	—	33,870	3.3
Total	474,805	55,145	480,235	1,010,185	100.0

PROSPECTS

Looking forward to the year 2020, China's economic growth is expected to inevitably experience a slowdown due to the deceleration of global economic growth and the novel coronavirus (COVID-19) epidemic. Therefore, it is possible that the monetary policies and purchase & sales restriction policies on the China's property market will be loosen in the short run. However, the "One Policy for One City" will remain as the main theme of the Chinese government on real estate market. Under this policy, it is expected that the housing prices in the third-and-fourth tier cities will return to a reasonable level, but due to the continuous effect of the prevention of the COVID-19 epidemic, the progress of development and sales of residential buildings in first-and-second tier cities will slow down, and thus it is believed that the housing sales will underperform in the short term and the trading volume will be affected to some extent. Xinming China will take this opportunity to make investment in various industries, accelerate the sale of inventories and proactively develop the comprehensive home and maternal, baby and child-centric real estate to improve the placement strategy of the Group.

Revenue

The Group's revenue is primarily generated from property sales and property leasing services. During the Year under Review, the revenue of the Group in 2019 reached approximately RMB163.3 million which contributed approximately 61.0% and 39.0%, respectively, to the total revenue during the Year under Review. Property sales remained the major revenue source of the Group, which recorded a decrease of approximately RMB467.6 million as compared to approximately RMB567.2 million for the same period of last year. Property sales decreased mainly due to the slow progress of sales activities resulting from the impact of China-United States trade war, strengthening of housing regulation by the local governments in the second half of the year and the low market investment sentiment.

Cost of sales

During the Year under Review, the Group's cost of sales was approximately RMB110.3 million, representing a year-on-year decrease of approximately RMB233.8 million or approximately 67.9%. The decrease was primarily attributable to the significant decrease in the total GFA of properties delivered during the Year under Review as compared with last year, which led to the respective decrease in the cost of sales.

Gross profit

During the Year under Review, the gross profit amounted to approximately RMB53.0 million, representing a decrease of approximately RMB227.7 million or approximately 81.1% as compared to approximately RMB280.7 million in the last year. The gross profit margin was approximately 32.4%, representing a decrease of approximately 12.5% as compared to approximately 44.9% in the last year. The decrease in gross profit was mainly due to recoverable of excessive provisions for construction costs of the Taizhou Xinming Peninsular, Xinming Lijiang Garden and Wenshang Times projects resulting from the adjustment of internal engineering structure in 2018, which led to a decrease in cost of sales and an increase in gross profit margin.

Other income and gains

Other income and gains during the Year under Review amounted to approximately RMB1.1 million, decreased by approximately RMB2.1 million or approximately 65.6% as compared to approximately RMB3.2 million in the last year, mainly due to the significant reduction in bank interest and exchange gain.

Distribution and administrative expenses

During the Year under Review, the selling and administrative expenses amounted to approximately RMB70.3 million, representing a decrease of approximately RMB61.1 million or approximately 46.5% as compared to approximately RMB131.4 million in the last year, mainly due to a substantial decrease in property sold during the period which led to a decrease in sales commission and marketing costs of RMB29.5 million. Administrative expense decreased by approximately RMB23.6 million as compared to last year, mainly because of the decrease in staff costs.

Other expenses

Other expenses during the Year under Review was approximately RMB82.5 million, representing a substantial increase of approximately RMB45.4 million or 122.4% as compared to approximately RMB37.1 million in the last year (restated) which was mainly because the provision of bank overdue penalties of approximately RMB26.8 million and the provision of impairment of completed properties held for sale approximately RMB9.7 million.

Change in fair value of investment properties

During the Year under Review, the gain on change in fair value of investment properties amounted to approximately RMB146.8 million, representing an increase of approximately RMB79.0 million or approximately 116.5% as compared to the gain on change in fair value of investment properties of approximately RMB67.8 million in the last year, mainly due to the increase in fair value gains of the investment properties under the Shanghai Project of approximately RMB105.1 million, resulting from the reclassification of properties held for sale to investment properties as a result of the Group's adjustment in its real estate development strategy, integrating the lifestyle and mother-child concept to enhance the value of property lease and improve asset quality.

Finance costs

During the Year under Review, the net interest costs amounted to approximately RMB2.6 million, representing a decrease of approximately RMB4.3 million as compared to approximately RMB6.9 million of last year.

Operating profit

During the Year under Review, the operating profit amounted to approximately RMB53.8 million, representing a decrease of approximately RMB74.3 million or approximately 58.0% as compared to approximately RMB128.1 million in the last year (restated). The decrease was mainly due to the decrease in the revenue from property sales.

Income tax expenses

During the Year under Review, the income tax expenses amounted to approximately RMB65.7 million, representing a significant decrease of approximately RMB40.9 million or approximately 38.4% as compared to approximately RMB106.6 million in the last year, mainly due to the decrease in income tax and land appreciation tax of RMB71.5 million. On the contrary, deferred tax was increased by approximately RMB30.6 million.

Loss attributable to the shareholders

During the Year under Review, the loss attributable to the shareholders amounted to approximately RMB17.8 million, representing a significant decrease of approximately RMB60.7 million as compared to a profit of RMB42.9 million in the corresponding period of last year (restated). The basic loss per share amounted to approximately RMB0.009 per share (2018: basic earnings per share of approximately RMB0.023 per share).

Cash flows

As at 31 December 2019, cash and bank deposits of the Group, including restricted cash, were approximately RMB185.0 million in aggregate (31 December 2018: approximately RMB581.3 million (restated)), representing a decrease of approximately RMB396.3 million or approximately 68.2% mainly due to interest payments and operational project cost.

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 price of the property to the purchasers regardless whether such properties leased by the Company or were for generating rental income purpose. Based on the terms of the existing exclusive management and operation agreements and lease agreements as at 31 December 2019 and for the exclusive management and operation agreement entered into by the Company, in the period from 1 January 2019 to 1 July 2019, the Group would have a maximum net cash outflow of approximately RMB22 million for year 2019, respectively. We are not obliged to pay any agreed fees for the period from 1 July 2019 to 30 June 2024 under the exclusive management and operation agreements which we had entered into as at 31 December 2015.

Borrowings

As at 31 December 2019, the total other borrowings of the Group were approximately RMB1,891.4 million, representing a decrease of approximately RMB75.7 million as compared to approximately RMB1,967.1 million as at 31 December 2018.

The borrowings repayable within one year of the Group was approximately RMB959.9 million, representing a decrease of approximately RMB306.3 million as compared to approximately RMB1,266.2 million as at 31 December 2018. Borrowings repayable after one year was approximately RMB931.5 million, representing an increase of approximately RMB230.7 million as compared to approximately RMB700.8 million as at 31 December 2018.

Trade receivables, prepayments, other receivables and other assets

As at 31 December 2019, the sum of trade receivables, prepayments, other receivables and other assets of the Group were approximately RMB213.2 million, representing an increase of approximately RMB80.4 million as compared to approximately RMB132.8 million as at 31 December 2018 (restated), mainly due to increase in other receivables.

Trade payables, contract liabilities and other payables and accruals

As at 31 December 2019, the sum of total trade payables, contract liabilities and other payables and accruals of the Group was approximately RMB1,054.2 million, representing a decrease of approximately RMB27.3 million as compared to approximately RMB1,081.5 million (restated) as at 31 December 2018. The decrease was mainly due to the decrease in payment of other payables and accruals and contract liabilities being recognised as revenue.

Assets and liabilities

As at 31 December 2019, the total assets of the Group were approximately RMB6,743.5 million, representing a decrease of approximately RMB93.1 million as compared to approximately RMB6,836.6 million as at 31 December 2018(restated). The total current assets were approximately RMB3,321.4 million, representing approximately 49.2% (31 December 2018: approximately 52.8%) of the total assets, decreased by approximately RMB287.7 million as compared to approximately RMB3,609.1 million as at 31 December 2018 (restated). However, the total non-current assets were approximately RMB3,422.1 million, representing approximately 50.8% (31 December 2018: approximately 47.2%) of the total assets, increased by approximately RMB194.6 million as compared to approximately RMB3,227.5 million as at 31 December 2018.

As at 31 December 2019, the total liabilities of the Group were approximately RMB4,662.8 million, representing a decrease of approximately RMB81.3 million as compared to approximately RMB4,744.1 million as at 31 December 2018 (restated). The total current liabilities were approximately RMB3,202.1 million, representing approximately 68.7% (31 December 2018: approximately 69.5%) of the total liabilities, decreased by approximately RMB93.9 million as compared to approximately RMB3,296.0 million as at 31 December 2018 (restated). However, the total non-current liabilities were approximately RMB1,460.7 million, representing approximately 31.3% (31 December 2018: approximately 30.5%) of the total liabilities, increased by approximately RMB12.6 million as compared to approximately RMB1,448.1 million as at 31 December 2018.

As at 31 December 2019, the net current assets of the Group were approximately RMB119.3 million, representing a decrease of approximately RMB193.8 million as compared to approximately RMB313.1 million as at 31 December 2018 (restated).

Current ratio

As at 31 December 2019, the current ratio of the Group, being the ratio of the current assets divided by the current liabilities, was 1.04:1 (31 December 2018: 1.09:1)

Gearing ratio

As at 31 December 2019, the gearing ratio of the Group was calculated based on net debt divided by the sum of total equity and net debt. The Group's net debt consists of other borrowings, less cash and cash equivalents. Total equity includes equity attributable to owners of the parent and non-controlling interests. The gearing ratio of the Group was 45.1% (31 December 2018: 47.9%).

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 convertible 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 convertible 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.

The convertible bonds are guaranteed by the Controlling Shareholder, Mr. Chen Chengshou and the non-executive director, Ms. Gao Qiaoqing, 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.

Mr. Chen has undertaken to, for so long as any convertible bonds remains outstanding, directly or indirectly hold 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.

The actual use of proceeds as of 31 December 2019 (inclusive) sets out below:

Intended use	Intended allocation of net proceeds from the issuance of bonds	Utilisation up to 31 December 2018	Utilisation up to 31 December 2019	Unutilised amount as at 31 December 2019
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
Project development				
The Shandong Xingmeng International Commercial City Project	152.2	152.2	152.2	—
The China South-western City Project	147.8	147.6	147.8	—
Total	300.0	299.8	300.0	—

As of 31 December 2019, the Proceeds had been fully utilised.

Significant investments

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

Material acquisitions and disposals of subsidiaries

During the Year under Review, the Group made acquisitions of the following subsidiaries. On 18 September 2019, the Group acquired 100% interests in Hangzhou Pengyue Trading Company Limited ("Hangzhou Pengyue") and Hangzhou Zhiyao Trading Company Limited ("Hangzhou Zhiyao") from the Controlling Shareholder, Mr. Chen Chengshou and a related party, Xinming Group Limited. Hangzhou Pengyue and Hangzhou Zhiyao are engaged in trading investment. The acquisition was made as part of the Group's strategy to reduce its related party transactions and strengthen internal integration. The transaction considerations for the acquisition were in the form of cash, with RMB1,000 and RMB1,000 paid at the acquisition date, respectively. On 30 October 2019, the Group acquired Zhejiang Jinghang Investment Management Co., Ltd* (浙江靜航投資管理有限公司) ("Zhejiang Jinghang") from individual shareholders. The purchase consideration for the acquisition was in the form of cash, with RMB84,000 paid at the acquisition date.

Guarantees on mortgage facilities

As at 31 December 2019, the Group provided guarantees over the mortgage loans of certain purchasers of approximately RMB28.9 million (31 December 2018: approximately RMB28.0 million).

Assets guarantees

As at 31 December 2019, the Group has pledged or restricted deposits in the bank deposits of RMB2.8 million (31 December 2018: approximately RMB537.7 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 interest in certain subsidiaries of the Group, and jointly guaranteed by the controlling shareholder and executive director of the Group, Mr. Chen Chengshou ("Mr. Chen"), Mr. Chen's children, 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 2018: approximately RMB4.4 million).

Capital commitments

As at 31 December 2019, the capital commitments related to activities of properties under development was approximately RMB274.3 million (31 December 2018: approximately RMB27.1 million).

Exposure to exchange rate fluctuations

The Group operates mainly in Renminbi, and certain bank deposits of the Group are dominated in Hong Kong dollars. Save for above disclosed, the Group was not exposed to any material exchange rate fluctuations 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 2019, the Group has a total of 146 employees (as at 31 December 2018: total 170 employees). The decrease is mainly due to the development period of Shanghai Project and Hangzhou Project have completed, hence, staffs were reduced. The Group continued to promote the upgrading of talents, cultivating and recruiting excellent talents with sales and management experience, improving the allocation system of remuneration linked to performance and maintaining 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.

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.

EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the outbreak of COVID-19 in January 2020 has caused disruptions to many industries. These disruptions have inevitably posed a significant threat to the global economy in 2020. Despite the challenges, governments and international organizations have implemented a series of measures to contain the epidemic. The time duration and scope of these disruptions cannot be accurately assessed at this point in time. Given the dynamic nature of these circumstances, the financial impact will be reflected in the Group's subsequent financial statements. The Group will closely monitor the development of the epidemic and continually assess its impact on the Group's business, financial condition and operations.

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 UNAUDITED 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 unaudited condensed consolidated annual results and financial report for the Year under Review have been reviewed by the Audit Committee.

SCOPE OF WORK OF ERNST & YOUNG

For the reasons explained above under Note on page 1 of this announcement, the unaudited annual results contained herein have not yet been agreed with the Company's auditors. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants.

FURTHER ANNOUNCEMENT

Following the completion of the auditing process, the Company will issue further announcement in relation to the audited annual results for the year ended 31 December 2019 as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein in any event, not later than Friday, 15 May 2020. In addition, the Company will issue further announcement as and when necessary if there are other material development in the completion of the auditing process.

The Company will despatch the annual report as and when appropriate, according to the Listing Rules and, in any event, not later than Friday, 15 May 2020.

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

This unaudited 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 2019 audited annual report will be dispatched to shareholders in due course and will be available on the above websites in due course.

The financial information contained herein in respect of the unaudited annual results of the Group has not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hangzhou, the PRC
30 March 2020

As at the date of this announcement, the executive Directors are Mr. Chen Chengshou, Mr. Feng Cizhao, Mr. Chou Chiu Ho and Mr. Pu Wei; 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.