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)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

INTERIM RESULTS HIGHLIGHTS

- Turnover of the Group amounted to approximately RMB95.1 million, representing a decrease of approximately 8.5% as compared to the same period of last year.
- Gross profit of the Group amounted to approximately RMB40.3 million, representing an increase of approximately 88.8% as compared to the same period of last year.
- Loss attributable to the shareholders of the Company was approximately RMB71.6 million, representing an increase of approximately 10 times as compared to the same period of last year.
- Basic loss per share was approximately RMB0.04.
- The Board did not recommend the payment of interim dividend as at 30 June 2020.

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 2020 (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 2019.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

For the six months ended 30 June 2020

		For the six months ended 30 June	
		2020	2019
		RMB'000	*RMB'000*
	Notes	**(Unaudited)**	(Unaudited)
REVENUE	*4*	**95,132**	103,936
Cost of sales		**(54,842)**	(82,592)
Gross profit		**40,290**	21,344
Other income and gains		**402**	8,494
Selling and distribution costs		**(9,042)**	(17,064)
Administrative expenses		**(27,998)**	(35,956)
Impairment losses on financial assets		**(6,650)**	2,228
Other expenses		**(46,046)**	(16,439)
Changes in fair value of investment properties		**(4,600)**	32,400
Changes in fair value of convertible bonds		**(1,065)**	18,169
Finance costs		**(5,961)**	(2,082)
PROFIT/(LOSS) BEFORE TAX	*5*	**(60,670)**	11,094
Income tax expense	*6*	**(18,321)**	(28,057)
LOSS FOR THE PERIOD		**(78,991)**	(16,963)
ATTRIBUTABLE TO:			
Owners of the parent		**(71,580)**	(6,475)
Non-controlling interests		**(7,411)**	(10,488)
		(78,991)	(16,963)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
Basic			
— For loss for the period (RMB)		**(0.038)**	(0.003)
Diluted			
— For loss for the period (RMB)		**(0.035)**	(0.012)

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
LOSS FOR THE PERIOD	**(78,991)**	(16,963)
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:	**—**	—
OTHER COMPREHENSIVE LOSS, NET OF TAX	**—**	—
TOTAL COMPREHENSIVE LOSS	**(78,991)**	(16,963)
ATTRIBUTABLE TO:		
Owners of the parent	**(71,580)**	(6,475)
Non-controlling interests	**(7,411)**	(10,488)
	(78,991)	(16,963)

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 30 June 2020

	Notes	**30 June 2020 *RMB'000* (Unaudited)**	31 December 2019 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**4,078**	4,646
Investment properties	*9*	**3,314,300**	3,318,900
Right-of-use assets		**528**	1,027
Deferred tax assets		**97,511**	97,511
Total non-current assets		**3,416,417**	3,422,084
CURRENT ASSETS			
Properties under development		**1,487,509**	1,341,803
Completed properties held for sale		**1,532,393**	1,574,542
Trade receivables	*10*	**959**	1,354
Prepayments, deposits and other receivables		**338,862**	211,944
Tax recoverable		**7,239**	6,702
Restricted deposits		**488**	2,830
Cash and cash equivalents		**8,754**	182,225
Total current assets		**3,376,204**	3,321,400
CURRENT LIABILITIES			
Trade payables	*11*	**285,059**	291,668
Other payables and accruals		**778,512**	672,106
Contract liabilities		**212,191**	191,139
Other borrowings	*12*	**1,885,462**	1,890,343
Financial liabilities at fair value through profit or loss	*13*	**274,032**	272,967
Lease liabilities current		**503**	808
Tax payable		**909,868**	914,984
Total current liabilities		**4,345,627**	4,234,015
NET CURRENT LIABILITIES		**(969,423)**	(912,615)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,446,994**	2,509,469

	Notes	**30 June 2020** *RMB'000* **(Unaudited)**	31 December 2019 *RMB'000* (Audited)
NON-CURRENT LIABILITIES			
Other borrowings	*12*	**—**	—
Lease liabilities non-current		**32**	242
Deferred tax liabilities		**545,999**	529,273
Total non-current liabilities		**546,031**	529,515
NET ASSETS		**1,900,963**	1,979,954
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**14,880**	14,880
Reserves		**1,798,749**	1,870,329
		1,813,629	1,885,209
Non-controlling interests		**87,334**	94,745
TOTAL EQUITY		**1,900,963**	1,979,954

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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 was 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 2020 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 2019.

Going Concern basis

As at 30 June 2020, interest payments of RMB102,631,000 relating to certain borrowings of the Group of a principal amount of RMB1,115,497,000 ("In Default Borrowings") were not paid in accordance with the repayment schedules pursuant to the borrowing agreements. These constituted events of defaults which resulted in cross-default of certain borrowings other than those mentioned above, amounting to a principal amount of RMB769,965,000 ("Cross-default Borrowings") as at 30 June 2020. As at the date of this announcement, interest of RMB117,537,000 relating to the In Default Borrowings and the Cross-default Borrowings was overdue.

All of the above conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. In view of such circumstances, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern.

The Company remains committed to address the audit modification in the 2019 annual results announcements dated 15 May 2020 and 22 June 2020 (collectively, the "Results Announcements") in order to remove such audit modification in the auditor's report for the year ending 31 December 2020. In this regard, the Directors have been undertaking a number of measures to improve the Group's liquidity and financial position, and repay overdue interset to financial institutions, which include:

(1) the Group has been actively negotiating with a number of commercial banks for renewal and extension of bank loans and credit facilities;

(2) the Group is negotiating with various financial institutions to negotiate debt restructuring plans and potential investors to issue corporate bonds to raise funds, so as to continue or reduce borrowings and to finance the Group's working capital to improve cash flow in the foreseeable future;

(3) the Group has accelerated the pre-sales and sales of its completed commercial properties, including remaining units of regional commercial property projects and saleable car parks;

(4) the Group has formulated measures to speed up the development of residential properties in Chongqing and Shandong projects, and expedite the process of obtaining pre-sale permits before the end of 2020; and

(5) the Group will continue to take active measures to control administrative costs through various measures including, making personnel changes and reducing capital expenditures.

Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial information on a going concern basis.

2.2 Changes in accounting policies and disclosures

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 2019, except for the adoption of the new and revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform
Amendment to IFRS 16	Covid-19-Related Rent Concessions (early adopted)
Amendments to IAS 1 and IAS 8	Definition of Material

The nature and impact of the revised IFRSs are described below:

(a) 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 has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to IFRS 7, IFRS 9 and ISA 39 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

(c) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any rent concessions.

(d) 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. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

3. OPERATION SEGMENT INFORMATION

For the six months ended 30 June 2020

	Property Development *RMB'000*	**Property Leasing** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
Segment revenue:				
Sales to external customers	**86,282**	**8,850**	**—**	**95,132**
Revenue				**95,132**
Segment results:	**(34,951)**	**1,289**	**(27,008)**	**(60,670)**
Loss before tax				**(60,670)**

For the six months ended 30 June 2019

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

The following table presents the asset and liability information of the Group's operating segments as at 30 June 2020 and 31 December 2019, respectively.

	Property Development	Property Leasing	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Segment assets				
30 June 2020	5,704,247	1,905,685	4,626,297	12,236,329
Reconciliation:				
Elimination of intersegment receivables				(5,443,708)
Total assets				6,792,621
31 December 2019	5,401,716	1,908,108	4,583,403	11,893,227
Reconciliation:				
Elimination of intersegment receivables				(5,149,743)
Total assets				6,743,484
Segment liabilities				
30 June 2020	5,945,336	622,735	3,557,547	10,125,618
Reconciliation:				
Elimination of intersegment payables				(5,233,960)
Total liabilities				4,891,658
31 December 2019	5,913,142	626,447	3,487,545	10,027,134
Reconciliation:				
Elimination of intersegment payables				(5,263,604)
Total liabilities				4,763,530

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	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sale of properties	**63,740**	73,078
Revenue from other sources		
Rental income	**31,392**	30,858
	95,132	103,936

<u>Revenue from contracts with customers</u>

Disaggregated revenue information

For the six months ended 30 June 2020

Segments	**Property development** ***RMB'000***
Type of goods	
Sale of properties	**63,740**
Geographical market	
Mainland China	**63,740**
Timing of revenue recognition	
Revenue from sale of properties at a point in time	**63,740**
Revenue from contracts with customers	
External customers	**63,740**

For the six months ended 30 June 2019

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

5. PROFIT/(LOSS) BEFORE TAX

The Group's profit/loss for the six months ended 30 June 2020 and 2019 is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of properties sold	**44,960**	65,066
Cost of leasing properties	**9,882**	17,526
Reversal of account receivable and other receivables	**6,650**	(2,228)
Auditor's remuneration	**2,019**	1,000
Depreciation of property, plant and equipment	**568**	651
Depreciation of right-of-use assets	**499**	308
Change in fair value of investment properties *(note 9)*	**4,600**	(32,400)
Change in fair value of the convertible bonds *(note 13)*	**1,065**	(18,169)
Realisation of onerous operating leases	**—**	(659)
Foreign exchange gain	**—**	5,804
Bank interest income	**62**	115
Employee benefit expense;		
Wages and salaries	**10,796**	11,673
Pension scheme and social welfare	**726**	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	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax:		
Income tax in the PRC for the period	**467**	3,627
LAT	**1,128**	11,798
Deferred tax	**16,726**	12,632
Total tax charge for the period	**18,321**	28,057

7. DIVIDENDS

The directors did not recommend the payment of an interim dividend in respect of the six months ended 30 June 2020 (six months ended 30 June 2019: 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 2019: 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 RMB71,580,000, adjusted to reflect the fair value change on the convertible bonds of RMB1,065,000. 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 for the basic loss per share presented for the six months ended 30 June 2019 on relevant dilution as the impact of outstanding convertible bonds has anti-dilutive effect on the basic loss per share presented.

9. INVESTMENT PROPERTIES

	RMB'000
At 1 January 2020 (audited)	3,318,900
Change in fair value of investment properties	(4,600)
At 30 June 2020 (unaudited)	3,314,300

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 2020 and 31 December 2019, the Group's investment properties with values of RMB3,314,300,000 and RMB3,318,900,000, respectively, were pledged to secure other borrowings granted to the Group (note 12).

10. TRADE RECEIVABLES

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**24,990**	24,894
Impairment	**(24,031)**	(23,540)
	959	1,354

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 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within one year	**959**	1,354

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

	30 June 2020 *RMB'000* **(Unaudited)**	31 December 2019 *RMB'000* (Audited)
At beginning and end of year (audited)	**23,540**	22,980
Impairment loss, net	**491**	560
	24,031	23,540

11. TRADE PAYABLES

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

	30 June 2020 *RMB'000* **(Unaudited)**	31 December 2019 *RMB'000* (Audited)
Less than one year	**56,359**	56,944
Over one year	**228,700**	234,724
	285,059	291,668

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

12. OTHER BORROWINGS

	30 June 2020			31 December 2019		
	Effective interest rate	**Maturity**		Effective interest rate	Maturity	
	(%)		***RMB'000***	*(%)*		*RMB'000*
Current						
Current portion of long term other borrowings-secured	**5.21-11.67**	**2020-2021**	**1,885,462**	6.80-11.67	2020	1,890,343
			1,885,462			1,890,343
Non-current						
Other borrowings-secured			**—**			—
			—			—
			1,885,462			1,890,343

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
Analysed into:		
Other borrowings repayable:		
Repayable within one year	**1,885,462**	1,890,343
Repayable in the second year	**—**	—
Repayable in the third to fifth years	**—**	—
	1,885,462	1,890,343
	1,885,462	1,890,343

The Group's other borrowings are secured by the pledges of the following assets with carrying values at 30 June 2020 and 31 December 2019:

		30 June 2020	31 December 2019
		RMB'000	*RMB'000*
Equity interest in subsidiaries	(i)	**892,107**	914,580
Investment properties	(ii)	**3,314,300**	3,318,900
Completed properties held for sale	(iii)	**946,630**	956,886
Properties under development	(iv)	**471,488**	398,964

(i) The Group's other borrowings of RMB493,611,000 and RMB311,387,000 (2019: RMB500,000,000 and RMB311,879,000) 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 RMB493,611,000, RMB458,578,000, RMB 311,387,000 and RMB 422,171,000 (2019:RMB500,000,000, RMB458,892,000, RMB311,879,000 and RMB419,121,000) 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 RMB199,715,000 and RMB311,387,000 (2019: RMB200,453,000 and RMB311,879,000) 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 RMB311,387,000 (2019: RMB311,879,000) were secured by properties under development of Chongqing Xinming, subsidiaries of the Company.

(1) The Group's other borrowings of RMB493,611,000 (2019: 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.

(2) The Group's other borrowings of RMB621,886,000 (2019: RMB619,573,000) were jointly guaranteed by (i) the Controlling Shareholder, Mr. Chen Chengshou, and (ii) the non-executive director, Ms. Gao Qiaoqin.

(3) The Group's other borrowings of RMB311,387,000 (2019: 311,879,000) were jointly guaranteed by (i) the Controlling Shareholder, Mr. Chen Chengshou, and (ii) Xinming Group Limited, a related party of the Group.

(4) The Group's other borrowings of RMB458,578,000 (2019: RMB458,892,000) were jointly guaranteed by (i) the Controlling Shareholder, Mr. Chen Chengshou, (ii) the non-executive director, Ms. Gao Qiaoqin, (iii) Xinming Group Limited, a related party of the Group, and (iv) Miss Chen Xi and Mr. Chen Junshi, the daughter and the son of the Controlling Shareholder, Mr. Chen Chengshou.

13. FINANCIAL LIABILITES 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 2020 (audited)	272,967
Net gain from a fair value adjustment recognised in changes in fair value of financial liabilities in profit or loss	1,065
Carrying amount at 30 June 2020 (unaudited)	274,032

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)

RESULTS REVIEW

The Group's total revenue for the Period was approximately RMB95.1 million, representing an approximate decrease of 8.5% from approximately RMB103.9 million for the corresponding period of last year.

Loss attributable to shareholders of the Company for the Period was approximately RMB71.6 million, representing an approximate increase of 10 times in loss as compared with loss of approximately RMB6.5 million for the corresponding period of last year.

During the Period, loss per share was approximately RMB0.04 (loss for the six months ended 30 June 2019: RMB0.003).

As at 30 June 2020, the Group's total assets amounted to approximately RMB6,792.6 million (31 December 2019: approximately RMB6,743.5 million), while total liabilities amounted to approximately RMB4,891.7 million (31 December 2019: approximately RMB4,673.5 million); total equity was approximately RMB1,901.0 million (31 December 2019: approximately RMB1,979.9 million), and net asset value per share was approximately RMB1.01 (31 December 2019: approximately RMB1.05).

During the first half of 2020, due to the impact of the novel coronavirus epidemic, the Central Government continued to maintain the real estate regulation policy, and emphasized the guiding policies of "houses are for living in, not for speculation". Meanwhile, it strengthened the financial support and maximized its efforts to ensure stability in employment, financial operations, foreign trade, foreign investment, investment and expectations and ensure security in job, basic living needs, operations of market entities, food and energy security, stable industrial and supply chains, and the normal functioning of primary-level governments. In the first quarter of 2020, due to the epidemic, the offline sales offices in different areas across the country were closed down, thus the real estate industry was affected to a large extent. Although in the second quarter, the resumption of production nationwide accelerated and the real estate market gradually recovered, Amongst the 30 representative cities, the median of total real estate purchase amount and property price of Jinan, Qingdao, Tianjin, Fuzhou, and other cities dropped as compared to 2019, and the price increase in most cities significantly narrowed. Specifically, the real estate market in Jinan, Qingdao and Tianjin has relatively insufficient demand dynamics. Since 2020, affected by factors such as price-reduction promotions in cities, the overall prices of new houses decreased. The growth of the median and average growth rate of the total price of real estate transactions in most cities significanlty narrowed or some extent as compared to 2019. Moreover, the total sales amount of the top 100 real estate enterprises nationwide from January to June was approximately RMB5.15171 trillion, representing a 3.2% decrease over the last year. In the first half of 2020, new residential property sales continued to fall in key cities compared to that of last year, and the absolute scale was the lowest since 2015.

In the later period when the epidemic was under control in the first half of the year, the market in first tier cities resumed at a relatively fast pace and the accumulated growth for the first half of the year topped the list; the markets in second tier cities resumed gradually, and some hot cities resumed at a relatively fast pace and the housing prices ended its downward trend and was stabilized; the accumulated growth of the market in third and fourth tier representative cities for the first half of the year narrowed. The real estate market of some cities, as affected by multiple factors, showed relatively slow recovery and may face adjustment pressure in the later period. In terms of urban agglomerations, the property markets in the Yangtze River Delta region recovered significantly, and the housing prices in the region for the first half of the year grew by 2.72%, representing an increase of 1.66 percentage points over the same period last year; the cumulative increase in the Pearl River Delta has been at the lowest level in the same period in the past five years; The cumulative performance of Beijing-Tianjin-Hebei and Shandong Peninsula fell for the first time in the past five years, and the market recovery force was relatively weak.

During the Period, the Group recorded property sales revenue of approximately RMB63.7 million, representing a decrease of 12.8% compared to that of the same period last year. It was mainly due to (1) properties sales for project in different region inevitably grinded to halt due to the outbreak of novel coronavirus (COVID-19) in the first quarter of 2020. Despite there was slight improvement on the sales of commercial properties in the second quarter, the sales were still in a weak state; (2) as affected by the mandatory quarantine, prohibition on group gathering and restriction on social distancing measures taken by the local governments in the PRC, tenant sourcing activities could not be performed; and (3) influenced by the weakening of domestic investment and difficulties in destocking, the overall sales of commercial properties were weak. As at 30 June 2020, 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 1,067,287 sq.m., of which approximately 531,907 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.

PROSPECTS

Looking forward to the second half of 2020, under the external international tensions and the global pandemic uncertainties, it is expected that the gross domestic product (GDP) nationwide will grow by less than approximately 3%, and the “one policy for one city” will remain the key theme on which the government establishes its long-term mechanism for the smooth and healthy development of the real estate market. The market remains focusing on “six stabilization” and “six guarantees” to ensure that housing prices will not fluctuate significantly. Against the backdrop that the industry policy for the second half of the year will be relatively stable, as the marginal effect of favorable policies such as the loosened credit and regulation optimization to weaken in the short run, the previous accumulated demand continued to release rapidly, the market demand globally and pace of property purchase may slow down, and the pandemic continued to spread and the pandemic in some areas in China was unstable, the domestic pandemic development and the economic trend in China in the second half of the year remained uncertain to some extent, which will in turn restrict the strength of rebound of the market scale. In the second half of the year, there is a high possibility that the market will be in the adjustment phase. It is expected that the housing prices in the second half of the year will be stable overall. Affected by factors such as structrual upward shifts, the average selling prices will maintain a slight growth.

It is expected that the market demand in first tier cities will be huge. However, due to the implementation of rigorous pandemic prevention measures which delayed the pace of property purchase, compared with cities of other tiers, the rebound of the market scale will be mild. It is expected that the sales volume of real estate in first tier cities in the second half of the year will resume gradually. In second tier cities, the population scale will be large. In recent years, in order to strengthen their competitiveness, cities have been proactively attracting talents so that the toughness of their market and their market demand resilience has become more prominent and the market scale of second tier cities in the second half of the year will have the foundation for the continuous recovery; on the other hand, given that the implementation of the people-land linkage system will further provide room for the development of the real estate market in hot cities. It is expected that the investment focus of enterprises will continue to concentrate on hot cities, particularly those in the developed city clusters in East China, in the second half of the year. For third and fourth tier cities, the demand in some cities has overdrafted. Coupled with the further weakening shantytown renovations in 2020, the demand will continue to be weaker and the sales volume would be under pressure in the second half of the year.

In the coming second half of the year, Xinming China will contribute to accelerate the destocking process as its primary goal and properly adjust the original children-themed real estate according to the changes in market demand and add some elements related to home building materials to cater for consumers’ needs. Taking into account the relatively better geographic location, size and traffic coverage of the Shanghai project, as well as the newly added elements having less competition in the surrounding areas of the project, and other factors including accurately responding to the market’s habit of pursuing convenient home shopping, the Group seized the business opportunities to continue with the development of theme of "integrating the lifestyle and mother-child concept". The Directors believe that the Group's brand has been integrated innovatively to become competitive and has established a unique themed real estate style.

INDUSTRY REVIEW

In the first half of 2020, GDP rebounded from a vertiginous plunge over the first quarter and grew by 3.2% over the second quarter. China's real estate market was affected by the epidemic. In the first quarter, except for housing prices, all other various indicators related to real estate dropped sharply. Since then the overall real estate market maintained a steady yet marginally diminishing recovery. The rapid increase in housing prices in first tier cities, the gradual housing prices in second tier cities, the relatively stable housing prices in third tier cities, the slight pullback of housing prices in fourth tier cities, and the continued differentiation of the real estate markets in different tier cities indicated that the differentiation of the real estate markets shifted from among first, second, third and fourth tier cities to among the metropolitan area and city clusters and the non-metropolitan area and city clusters. Moreover, as the stable economic operation still faces numerous challenges, and major indicators such as consumption and investment are all lower than that of the same period last year; affected by the fact that the domestic economy is still in a downward trend, the market demand for major commercial properties in key cities nationwide decreased in the first half of the year, and the rents were decreased correspondingly. In conclusion, it is inevitable that the sales of commercial and residential properties were adversely affected during the Period.

RESULTS OVERVIEW

During the Period, the Group recorded property sales of approximately RMB63.7 million, representing a decrease of approximately RMB9.4 million or 12.8% from approximately RMB73.1 million of the same period of last year. This was mainly due to a GFA delivered for the property sales during the Period of 7,794.93 sq.m., which represented a decrease of approximately 1,819.01 sq.m. from approximately 9,613.94 sq.m. of the same period of last year, arising from the outbreak of the COVID-19 epidemic and the suspension of investment promotion activities in the first quarter. This was mainly caused by the decrease in GFA delivered from the Hangzhou Project by approximately 2,305.72 sq.m. compared to the same period last year and the decrease in GFA delivered from the Chongqing Project by approximately 1,814.32 sq.m. compared to the same period last year. However, the GFA delivered from the Shanghai Project during the Period increased by approximately 2,265.58 sq.m. as compared with the corresponding period last year, which was mainly arising from the pledging of commercial properties for the repayment of construction debt.

Loss attributable to the shareholders for the Period amounted to approximately RMB71.6 million, representing an increase of 10 times in loss as compared with a loss of approximately RMB6.5 million for the corresponding period last year. The increased loss was mainly attributable to the provision on interest penalty for certain default and cross-default borrowings under the terms of contract of RMB45.0 million and the loss for change on impairment of investment properties of approximately RMB4.6 million during the period. The basic loss per share was RMB0.04.

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2020.

As at 30 June 2020, the Group's total assets amounted to approximately RMB6,792.6 million (31 December 2019: approximately RMB6,743.5 million). Total liabilities were approximately RMB4,891.7 million (31 December 2019: approximately RMB4,763.5 million), total equity was approximately RMB1,901.0 million (31 December 2019: approximately RMB1,980 million), and net assets per share were approximately RMB1.01 (31 December 2019: approximately RMB1.05).

SALES

During the Period, the Group recorded a total revenue of approximately RMB95.1 million, representing an approximate 8.5% decrease from approximately RMB103.9 million for the corresponding period last year. During the Period, the Group recorded property sales revenue of approximately RMB63.7 million, representing 67.0% of its total revenue. Total delivered GFA was approximately 7,794.93 sq.m., representing a decrease of approximately 18.9% compared to the same period of last year. This was mainly due to (1) properties sales for project in different region inevitably grinded to halt due to the outbreak of (COVID-19) in the first quarter of 2020. Despite the slight improvement in the sales of commercial properties in the second quarter, the sales were still in a weak state; (2) as affected by the mandatory quarantine, prohibition on group gathering and restriction on social distancing measures taken by the local governments in the PRC, tenant sourcing activities could not be performed; and (3) influenced by the weakening of domestic investment and difficulties in destocking, the overall sales of commercial properties were weak.

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

	As at 30 June			
	2020		2019	
	(RMB million) **(Unaudited)**	***(%)***	*(RMB million)* (Unaudited)	*(%)*
Sales of properties	**63.7**	**67**	73.1	70.3
Rental income	**31.4**	**33**	30.8	29.7
Total revenue	**95.1**	**100.0**	103.9	100.0

Property sales

During the Period, the Group recorded property sales of approximately RMB63.7 million, representing a decrease of approximately RMB9.4 million or 12.8% from approximately RMB73.1 million of the same period of last year. This was mainly due to a GFA delivered for the property sales during the Period of 7,794.93 sq.m., which represented a decrease of approximately 1,819.01 sq.m. from approximately 9,613.94 sq.m. of the same period of last year, arising from the outbreak of the COVID-19 epidemic and the suspension of investment promotion activities in the first quarter. This was mainly caused by the decrease in GFA delivered from the Hangzhou Project by approximately 2,305.72 sq.m. compared to the same period last year and the decrease in GFA delivered from the Chongqing Project by approximately 1,814.32 sq.m. compared to the same period last year. However, the GFA delivered from the Shanghai Project during the Period increased by approximately 2,265.58 sq.m. as compared with the corresponding period last year, which was mainly arising from the pledging of commercial properties for the repayment of construction debt.

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 at 30 June 2020, the actual area leased out was approximately 205,770.47 sq.m., representing approximately 88% 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 RMB31.4 million, representing an increase of approximately RMB0.6 million or 2% from approximately RMB30.8 million for the same period of last year, mainly due to the increase in the unit price of rental for Block A of Wenshang Times.

Gross profit

During the Period, gross profit amounted to approximately RMB40.3 million, representing an increase of approximately RMB19.0 million or approximately 88.8% compared to RMB21.3 million for the same period of last year. Gross profit margin was approximately 42.3%, compared to approximately 20.5% in the same period of last year, which resulted in a 21.8% increase. This was mainly due to the increase of gross margin arising from the increase of unit selling price of each project. It is expected that the Group's gross profit margin will maintain a gradual uptrend in the second half of 2020.

Other income and gains

During the Period, other income and gains amounted to approximately RMB0.4 million, a significant decrease of approximately RMB8.1 million compared to the approximate RMB8.5 million from the same period last year due to foreign exchange and government subsidy amounting to RMB8.3 million were incurred during the same period of last year.

Sales and administration expenses

During the Period, sales and administration expenses amounted to approximately RMB37.0 million, representing a decrease of approximately RMB16.0 million or 30.2% compared to approximately RMB53.0 million for the same period last year. Sales expenses decreased by approximately RMB8.0 million, mainly due to the decrease of advertising and sales commissions for the Hangzhou Project during the Period. Administrative expenses decreased by approximately RMB8.0 million compared with the same period last year, mainly due to decrease in the number of staff.

Other expenses

During the Period, other expenses amounted to approximately RMB46.0 million, representing an increase of approximately RMB29.6 million or 180.5% compared to approximately RMB16.4 million for the same period last year. This was mainly due to the provision on interest penalty for certain default and cross-default borrowings under the terms of contract of not more than RMB46.0 million during the period.

Operating loss

During the Period, the operating loss was approximately RMB79.0 million, representing an increase of approximately RMB62.0 million or approximately 3.6 times compared to the loss of approximately RMB17.0 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 RMB4.6 million, representing an increase of loss of approximately RMB37.0 million compared to the gain of approximately RMB32.4 million from the same period last year. Such increase was mainly due to the loss on the change in valuation of investment properties of Wenshang Times in Taizhou A Zone and Shanghai Xinming.

Net finance costs

During the Period, net interest costs amounted to approximately RMB6.0 million, representing an increase of approximately RMB3.9 million or approximately 186% compared with approximately RMB2.1 million recorded for the same period last year. This was mainly due to a decrease of interest capitalisation of financing and an increase of bank interest rate.

Income tax expenses

During the Period, income tax expenses were approximately RMB18.3 million, representing a decrease of approximately RMB9.7 million or 34.6% than the income tax expense of approximately RMB28.0 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 RMB71.6 million, representing an increase of approximately RMB65.1 million or approximately 10 times compared to the loss of approximately RMB6.5 million for the corresponding period last year. The basic loss per share was approximately RMB0.04, increasing from approximately RMB0.003 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	2,739.57	5.2	1,910
Shanghai Xinming • Children's City	Jiading District, Shanghai Municipality	Commercial	2,730.52	35.4	12,972
Hangzhou Xinming • Children's World	Hangzhou	Commercial	570.88	14.9	26,084
Chongqing Xinming • China South-western City Phase 1	Dazu District, Chongqing	Commercial	782.61	4.0	5,097
Xingmeng International Commercial City	Tengzhou City, Shandong Province	Commercial	971.35	4.2	4,330
Total			7,794.93	63.7	8,177

Land reserve

As at 30 June 2020, 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 1,067,287 sq.m., of which approximately 531,907 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 2020:

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	197,179	—	—	197,179	18.5	100	Residential, commercial
Shanghai	1	96,856	—	—	96,856	9.0	79	Commercial, office
Chongqing	3	151,177	25,516	301,155	477,848	44.8	95	Residential, commercial
Tengzhou	1	53,396	29,629	179,080	262,105	24.6	75	Residential, commercial
Hangzhou	1	33,299	—	—	33,299	3.1	100	Commercial
Total	16	531,907	55,145	480,235	1,067,287	100.0		

Since the publication of the Group's annual report for the year ended 31 December 2019, 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 at 30 June 2020, the Group's cash and bank deposits, including restricted cash, were approximately RMB9.2 million (31 December 2019: approximately RMB185 million), representing a decrease of approximately RMB175.8 million or approximately 95%, mainly due to the payment of bank interest and repayment of other payable.

During the Period, net cash used in operating activities was approximately RMB9.6 million (for the six months ended 30 June 2019, generated from approximately RMB508.8 million), representing an increase of RMB518.4 million. Net cash generated from investment activities was approximately RMB0.06 million (for the six months ended 30 June 2019, approximately RMB0.1 million). Net cash used in financing activities was approximately RMB164.9 million (for the six months ended 30 June 2019, net cash used in was approximately RMB333.5 million).

Trade receivables, prepayments, deposits and other receivables

As at 30 June 2020, the Group's total assets in trade receivables, prepayments, deposits and other receivables were approximately RMB339.8 million, representing an increase of approximately RMB126.5 million compared to approximately RMB213.3 million as at 31 December 2019, mainly due to the increase of other receivables and prepayments.

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

As at 30 June 2020, the Group's total trade payables, other payables and accruals and contract liabilities were approximately RMB1,275.8 million, representing an increase of approximately RMB120.9 million compared to approximately RMB1,154.9 million as at 31 December 2019, mainly due to an increase in other payables and accruals.

Assets and liabilities

As at 30 June 2020, the Group's total assets were approximately RMB6,792.6 million, representing an increase of approximately RMB49.1 million compared to approximately RMB6,743.5 million as at 31 December 2019. Total current assets were approximately RMB3,376.2 million, representing approximately 49.7% (31 December 2019: approximately 49.2%) of total assets and an increase of approximately RMB54.8 million compared to approximately RMB3,321.4 million as at 31 December 2019. However, total non-current assets were approximately RMB3,416.4 million, representing approximately 50.3% (31 December 2019: approximately 50.8%) of total assets and a decrease of approximately RMB5.7 million compared to approximately RMB3,422.1 million as at 31 December 2019.

As at 30 June 2020, the Group's total liabilities were approximately RMB4,891.7 million, representing an increase of approximately RMB128.2 million compared to approximately RMB4,763.5 million as at 31 December 2019. Total current liabilities were approximately RMB4,345.6 million, representing approximately 88.8% (31 December 2019: approximately 88.9%) of total liabilities and an increase of approximately RMB111.6 million compared to approximately RMB4,234.0 million as at 31 December 2019. However, total non-current liabilities were approximately RMB546.0 million, representing approximately 11.2% (31 December 2019: approximately 11.1%) of total liabilities and an increase of approximately RMB16.5 million compared to approximately RMB529.5 million as at 31 December 2019.

As at 30 June 2020, the Group had net current liabilities of approximately RMB969.4 million, representing an increase of approximately RMB56.8 million compared to net current liabilities of approximately RMB912.6 million as at 31 December 2019, mainly due to an increase of other payables.

Current ratio

As at 30 June 2020, the current ratio of the Group, being the ratio of the current assets divided by the current liabilities, was 0.78:1 (31 December 2019: 0.78:1).

Gearing ratio

As at 30 June 2020, 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 53.1% (31 December 2019: 50.0%).

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 remain 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 at 30 June 2020, the Group's total other borrowings were approximately RMB1,885.5 million, representing a decrease of approximately RMB4.8 million compared to approximately RMB1,890.3 million as at 31 December 2019. Please refer to note 12 in the interim condensed consolidated financial statements for details.

The Group's approximately RMB1,885.5 million of borrowings repayable within one year represents a decrease of approximately RMB4.8 million compared to approximately RMB1,890.3 million as at 31 December 2019. Borrowings repayable after one year were approximately RMB0 million, same with 31 December 2019.

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

Disclaimer of opinion of 2019 annual report

As at 30 June 2020, interest payments of RMB102,631,000 relating to certain borrowings of the Group of a principal amount of RMB1,115,497,000 ("**In Default Borrowings**") were not paid in accordance with the repayment schedules pursuant to the borrowing agreements. These constituted events of defaults which resulted in cross-default of certain borrowings other than those mentioned above, amounting to a principal amount of RMB769,965,000 ("**Cross-default Borrowings**") as at 30 June 2020. As at the date of this annoucnement , interest of RMB162,891,000 relating to the In Default Borrowings and the Cross-default Borrowings was overdue.

The Company remains committed to address the audit modification in the 2019 annual results announcements dated 15 May 2020 and 22 June 2020 (collectively, the "**Results Announcements**") in order to remove such audit modification in the auditor's report for the year ending 31 December 2020. In this regard, the Directors have been undertaking a number of measures to improve the Group's liquidity and financial position, and repay overdue interset to financial institutions, which include:

(1) the Group has been actively negotiating with a number of commercial banks for renewal and extension of bank loans and credit facilities;

(2) the Group is negotiating with various financial institutions to negotiate debt restructuring plans and potential investors to issue corporate bonds to raise funds, so as to continue or reduce borrowings and to finance the Group's working capital to improve cash flow in the foreseeable future;

(3) the Group has accelerated the pre-sales and sales of its completed commencial properties, including remaining units of regional commercial property projects and saleable car parks;

(4) the Group has formulated measures to speed up the development of residential properties in Chongqing and Shandong projects, and expedite the process of obtaining pre-sale permits before the end of 2020; and

(5) the Group will continue to take active measures to control administrative costs through various measures including of making personnel changes and reducing capital expenditures.

Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial information on a going concern basis.

The Company will keep its shareholders informed by publishing further announcement setting out any developments and updates on the renewal of or extension for repayment of outstanding borrowings and the re-financing of such borrowings. The Directors are of the view that the audit modification would be removed in the auditor's report for the year ending 31 December 2020 after taking into account the Company's action plan mentioned in the Results Announcements and the latest progress of the measures.

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 at 30 June 2020, the Group provided guarantees for the mortgage loans given by certain purchasers of approximately RMB29.0 million (31 December 2019: approximately RMB28.9 million).

Asset guarantees

As at 30 June 2020, the Group had pledged or restricted deposits in the bank deposits of approximately RMB0.5 million (31 December 2019: approximately RMB2.8 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 million, (six months ended 30 June 2019: approximately RMB0 million).

Capital commitments

As at 30 June 2020, capital commitments related to activities of properties under development were approximately RMB235.6 million (31 December 2019: approximately RMB274.3 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 the future.

Employees

As at 30 June 2020, the Group had a total of 108 employees (30 June 2019: 146 in total), decreased by 38 employees, mainly due to the (1) Hangzhou Xinming Property was almost completed, the closing work was supervised by functional departments of the Group, and project staffs were divided; and (2) consolidation of interdepartmental functions and post downsizing of Chongqing Project and Shandong Project, the completion of Hangzhou and Taizhou Projects and a consequent reduction in demand for the operating team. 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 2020.

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 2020 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

31 August 2020

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

* *for identification purpose only.*

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