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**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 2021**

### **INTERIM RESULTS HIGHLIGHTS**

- Revenue of the Group amounted to approximately RMB31.1 million, representing a decrease of approximately 67.3% as compared to the same period of last year.
- Gross profit of the Group amounted to approximately RMB26.1 million, representing a decrease of approximately 35.2% as compared to the same period of last year.
- Loss attributable to the owners of the Company was approximately RMB286.5 million, representing an increase of approximately 3 times in loss as compared to the same period of last year.
- Basic loss per share was approximately RMB0.153.
- The Board did not recommend the payment of interim dividend for the six months ended 30 June 2021.

### **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 2021 (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 2020.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME**

		<b>For the six months ended 30 June</b>	
		<b>2021</b>	<b>2020</b>
		<b>RMB'000</b>	<b>RMB'000</b>
	<i>Notes</i>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>REVENUE</b>	<b>4</b>	<b>31,086</b>	95,132
Cost of sales		<u>(4,980)</u>	<u>(54,842)</u>
Gross profit		<b>26,106</b>	40,290
Other income and gains	<b>5</b>	<b>2,370</b>	402
Selling and distribution costs		<b>(12,065)</b>	(9,042)
Administrative expenses		<b>(21,319)</b>	(27,998)
Other expenses		<b>(292,037)</b>	(52,696)
Changes in fair value of investment properties		<b>3,000</b>	(4,600)
Changes in fair value of convertible bonds		<b>—</b>	(1,065)
Finance costs	<b>6</b>	<u>(656)</u>	<u>(5,961)</u>
<b>LOSS BEFORE INCOME TAX</b>	<b>6</b>	<b>(294,601)</b>	(60,670)
Income tax expenses	<b>7</b>	<u>(981)</u>	<u>(18,321)</u>
<b>LOSS FOR THE PERIOD AND TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>		<u><b>(295,582)</b></u>	<u>(78,991)</u>
<b>LOSS FOR THE PERIOD AND TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO:</b>			
Owners of the Company		<b>(286,529)</b>	(71,580)
Non-controlling interests		<u>(9,053)</u>	<u>(7,411)</u>
		<u><b>(295,582)</b></u>	<u>(78,991)</u>
<b>LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>	<b>9</b>		
Basic (RMB)		<u><b>(0.153)</b></u>	<u>(0.038)</u>
Diluted (RMB)		<u><b>(0.153)</b></u>	<u>(0.035)</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

		At 30 June 2021 <i>RMB'000</i> (Unaudited)	At 31 December 2020 <i>RMB'000</i> (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		950	4,009
Investment properties	11	3,299,000	3,296,000
Deferred tax assets		86,143	86,199
		<u>3,386,093</u>	<u>3,386,208</u>
<b>CURRENT ASSETS</b>			
Properties under development		1,489,658	1,390,487
Completed properties held for sale		1,441,359	1,429,376
Trade receivables	12	30,968	24,541
Prepayments, other receivables and other assets		153,855	183,797
Restricted deposits		2,833	2,573
Cash and cash equivalents		36,858	5,249
		<u>3,155,531</u>	<u>3,036,023</u>
<b>CURRENT LIABILITIES</b>			
Trade payables	13	378,208	374,613
Other payables and accruals	14	1,598,953	1,358,450
Contract liabilities		402,832	212,072
Interest-bearing bank and other borrowings	15	1,865,386	1,873,909
Tax payable		893,410	905,520
Convertible bonds	16	252,604	252,604
		<u>5,391,393</u>	<u>4,977,168</u>
<b>NET CURRENT LIABILITIES</b>		<u>(2,235,862)</u>	<u>(1,941,145)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u><u>1,150,231</u></u>	<u><u>1,445,063</u></u>

	At 30 June 2021 <i>RMB'000</i> (Unaudited)	At 31 December 2020 <i>RMB'000</i> (Audited)
<b>NON-CURRENT LIABILITIES</b>		
Deferred tax liabilities	<u>581,763</u>	<u>581,013</u>
	<u>581,763</u>	<u>581,013</u>
<b>NET ASSETS</b>	<u><u>568,468</u></u>	<u><u>864,050</u></u>
<b>EQUITY</b>		
Issued capital	14,880	14,880
Reserves	<u>583,044</u>	<u>869,573</u>
	597,924	884,453
Non-controlling interests	<u>(29,456)</u>	<u>(20,403)</u>
<b>TOTAL EQUITY</b>	<u><u>568,468</u></u>	<u><u>864,050</u></u>

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
<b>OPERATING ACTIVITIES</b>		
Loss before income tax	(294,601)	(60,670)
<b>Adjustments for:</b>		
Bank interest income	(99)	(62)
Changes in fair value of convertible bonds	—	1,065
Changes in fair value of investment properties	(3,000)	4,600
Depreciation of property, plant and equipment	51	568
Depreciation of right-of-use assets	—	499
Finance costs	656	5,961
Foreign exchange gain	—	(1,019)
Impairment of financial assets, net	—	6,650
Impairment of properties under development	65,364	—
Interest penalties	206,912	—
Write off of property, plant and equipment	3,020	—
	(21,697)	(42,408)
<b>Operating cash flows before changes in working capital</b>		
<b>Changes in working capital:</b>		
Properties under development and completed properties held for sale	(73,463)	26,446
Trade receivables	(6,427)	255
Prepayments, other receivables and other assets	29,942	(29,347)
Restricted deposits	(260)	2,341
Trade payables	3,595	(6,567)
Other payables and accruals	(3,667)	25,859
Contract liabilities	190,760	21,052
	118,783	(2,369)
Cash generated from (used in) operations		
	(12,285)	(7,249)
Tax paid		
	106,498	(9,618)
<b>NET CASH FROM (USED IN) OPERATING ACTIVITIES</b>		

	For the six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
<b>INVESTING ACTIVITIES</b>		
Bank interest income	99	62
Purchases of property, plant and equipment	(12)	—
	<u>87</u>	<u>62</u>
<b>NET CASH FROM INVESTING ACTIVITIES</b>		
<b>FINANCING ACTIVITIES</b>		
Interest paid	(36,453)	(76,246)
Increase in other receivables	—	(33,320)
Decrease in other payables	—	(51,013)
Repayment of interest-bearing bank and other borrowings	(8,523)	(3,816)
Repayment of BE City Loan ( <i>Note 14</i> )	(30,000)	—
Repayment of lease liabilities	—	(539)
	<u>(74,976)</u>	<u>(164,934)</u>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
	<b>31,609</b>	<b>(174,490)</b>
Cash and cash equivalents at the beginning of the reporting period	5,249	182,225
Effect of foreign exchange rate changes, net	—	1,019
	<u>5,249</u>	<u>183,244</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD, REPRESENTED BY BANK BALANCES AND CASH</b>		
	<b><u>36,858</u></b>	<b><u>8,754</u></b>

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 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. In the opinion of the directors of the Company, the ultimate holding company is Xinxing Company Limited and the ultimate controlling shareholder is Mr. Chen Chengshou (the “**Controlling Shareholder**”). The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The address of the Company’s registered office is located at Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands.

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

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

### 2.1 BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2021 (the “**Interim Financial Statements**”) have been prepared in accordance with International Accounting Standard (“**IAS**”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (the “**IASB**”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

The Interim Financial Statements are presented in Renminbi (“**RMB**”) and all amounts are rounded to the nearest thousand (“**RMB’000**”) except when otherwise indicated.

The preparation of the Interim Financial Statements in conformity with IAS 34 requires the management of the Group to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a period to date basis. Actual results may differ from these estimates.

The Interim Financial Statements include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since 31 December 2020, and therefore, do not include all of the information required for full set of financial statements prepared in accordance with the International Financial Reporting Standards (“**IFRSs**”), which collective term includes all applicable individual IFRSs, IASs and Interpretations issued by the IASB. They shall be read in conjunction with the Group’s audited consolidated financial statements for the year ended 31 December 2020 (the “**Annual Report**”).

The Interim Financial Statements have been prepared on historical cost basis except for investment properties and convertible bonds which are measured at fair value.

The accounting policies and methods of computation applied in the preparation of the Interim Financial Statements are consistent with those applied in preparing the Annual Report except for the adoption of the new/revised IFRSs, IASs and Interpretations which are relevant to the Group as detailed in note 2.2 below (hereinafter collectively referred to as the “**new/revised IFRSs**”) which are effective for current interim period.

### ***Going Concern***

The Group incurred a net loss of approximately RMB295,582,000 for the six months ended 30 June 2021. At 30 June 2021, the Group’s current liabilities exceeded its current assets by approximately RMB2,235,862,000.

At 30 June 2021, borrowings with total principal amount of approximately RMB1,865,386,000 and convertible bonds amounting approximately RMB252,604,000 and interest payable of approximately RMB279,514,000 were overdue.

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

In this regard, the management of the Company have been undertaking a number of measures to improve the Group’s liquidity and financial position, and repay overdue interest to financial institutions, which include:

- (i) continuously negotiating with the Group’s existing lenders such that no action will be taken by the relevant lenders to demand immediate repayment of the borrowings with interest payments in default, including those with cross-default terms;
- (ii) continuously negotiating with various financial institutions on the renewal of or extension for repayment of outstanding borrowings, including those with overdue principals and interests;
- (iii) continuously negotiating with various financial institutions and potential lenders/investors to identify various options for additionally financing the Group’s working capital and commitments in the foreseeable future;
- (iv) accelerating the pre-sale and sale of properties under development and completed properties, such as Shandong Project and Chongqing Project and controlling costs and containing capital expenditure so as to generate adequate net cash inflows;
- (v) actively looking for large property development enterprises and cooperating with investors to develop properties under development of the Group through joint efforts; and
- (vi) actively procuring and negotiating the preliminary terms with large property development enterprises for the sale of individual property development project or whole commercial property at a price deemed appropriate.

Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the Interim Financial Statements on a going concern basis.



## 2.2 ADOPTION OF NEW/REVISED IFRSs

In the current interim period, the Group has adopted for the first time the following new/ revised IFRSs issued by the IASB, which are effective for the current period.

Amendments to IAS 39,  
IFRSs 4, 7, 9 and 16

Interest Rate Benchmark Reform — Phase 2

The adoption of the new/revised IFRSs in the current period had no material impact on the Group's financial position and performance for the current and prior periods and/or on the disclosures set out in the Interim Financial Statements.

At the date of authorisation of the Interim Financial Statements, the IASB has issued a number of new/revised IFRSs that are not yet effective for the current period, which the Group has not early adopted. The directors of the Company do not anticipate that the adoption of the new/ revised IFRSs in future periods will have any material impact on the consolidated financial statements of the Group.

## 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.

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

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

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

**For the six months ended 30 June 2021**

	<b>Property development RMB'000</b>	<b>Property leasing RMB'000</b>	<b>Others RMB'000</b>	<b>Consolidated RMB'000</b>
<b>Segment revenue</b>				
Sales to external customers	<u>2,431</u>	<u>28,655</u>	<u>—</u>	<u>31,086</u>
<b>Segment results</b>	<u>(196,277)</u>	<u>(24,583)</u>	<u>(73,741)</u>	<u>(294,601)</u>
Loss before income tax				<u>(294,601)</u>
<b>Other segment information</b>				
Additions to property, plant and equipment	12	—	—	12
Bank interest income	13	86	—	99
Changes in fair value of investment properties	—	3,000	—	3,000
Depreciation of property, plant and equipment	(36)	(1)	(14)	(51)
Finance costs (excluding interest on lease liabilities)	(656)	—	—	(656)
Impairment of properties under development	(65,364)	—	—	(65,364)
Interest penalties	(153,397)	(29,396)	(24,119)	(206,912)
Write off of property, plant and equipment	<u>(3,020)</u>	<u>—</u>	<u>—</u>	<u>(3,020)</u>

**For the six months ended 30 June 2020**

	Property development <i>RMB'000</i>	Property leasing <i>RMB'000</i>	Others <i>RMB'000</i>	Consolidated <i>RMB'000</i>
<b>Segment revenue</b>				
Sales to external customers	<u>86,282</u>	<u>8,850</u>	<u>—</u>	<u>95,132</u>
<b>Segment results</b>				
	<u>(34,951)</u>	<u>1,289</u>	<u>(27,008)</u>	<u>(60,670)</u>
Loss before income tax				<u>(60,670)</u>
<b>Other segment information</b>				
Bank interest income	8	51	3	62
Changes in fair value of convertible bonds	—	—	(1,065)	(1,065)
Changes in fair value of investment properties	—	(4,600)	—	(4,600)
Depreciation of property, plant and equipment	(540)	(1)	(27)	(568)
Depreciation of right-of-use assets	—	(197)	(302)	(499)
Finance costs (excluding interest on lease liabilities)	(5,961)	—	—	(5,961)
Impairment of trade receivables, net	—	(491)	—	(491)
Impairment of financial assets included in prepayments, other receivables and other assets, net	<u>(727)</u>	<u>(536)</u>	<u>(4,896)</u>	<u>(6,159)</u>

**Geographical information**

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

**Information about major customers**

None of the customers individually contributed 10% or more of the Group's revenue for the six months ended 30 June 2021 and 2020.

#### 4. REVENUE

	For the six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
<b>Revenue from contracts with customers within IFRS 15</b>		
Sales of properties	2,431	63,740
<b>Revenue from other sources</b>		
Gross rental income from investment properties operating leases		
— other lease payments, including fixed payments	<u>28,655</u>	<u>31,392</u>
	<u><u>31,086</u></u>	<u><u>95,132</u></u>

##### (a) Disaggregated revenue information

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

	For the six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Geographical region:		
— The PRC	<u>2,431</u>	<u>63,740</u>
Timing of revenue recognition:		
— at a point in time	<u>2,431</u>	<u>63,740</u>
Type of transaction price:		
— fixed price	<u>2,431</u>	<u>63,740</u>

##### (b) Performance obligations

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

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

## 5. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
<b>Other income</b>		
Bank interest income	99	62
Government grants	10	—
Others	679	340
	<u>788</u>	<u>402</u>
<b>Gains</b>		
Exchange gain	1,582	—
	<u>1,582</u>	<u>—</u>
	<u>2,370</u>	<u>402</u>

## 6. LOSS BEFORE INCOME TAX

This is stated after charging (crediting):

	For the six months ended 30 June	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
<b>Finance costs</b>		
Interest on interest-bearing bank and other borrowings	103,139	77,440
Interest on lease liabilities	—	24
Interest expense arising from revenue contracts	572	—
	<u>103,711</u>	<u>77,464</u>
Total interest expenses	103,711	77,464
Less: Interest capitalised	(103,055)	(71,503)
	<u>656</u>	<u>5,961</u>

	<b>For the six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Staff costs (excluding directors' emoluments)</b>		
Salaries, allowances and benefits-in-kind	<b>10,434</b>	10,796
Contribution to defined contribution plans	<b>1,279</b>	726
	<u><b>11,713</b></u>	<u>11,522</u>
<b>Other items</b>		
Auditor's remuneration	<b>208</b>	2,019
Cost of properties sold	<b>1,935</b>	44,960
Cost of leasing properties	<b>3,045</b>	9,882
Depreciation of property, plant and equipment	<b>51</b>	568
Depreciation of right-of-use assets	—	499
Impairment of financial assets, net (included in "other expenses")		
— Impairment of trade receivables, net	—	491
— Impairment of financial assets included in prepayments, other receivables and other assets, net	—	6,159
	<u>—</u>	<u>6,650</u>
Impairment of properties under development (included in "other expenses") ( <i>Note 10</i> )	<b>65,364</b>	—
Interest penalties (included in "other expenses")	<b>206,912</b>	45,004
Lease payments not included in the measurement of lease liabilities	<b>116</b>	6
Write off of property, plant and equipment	<b>3,020</b>	—
	<u><b>3,020</b></u>	<u>—</u>

## 7. INCOME TAX

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Current tax</b>		
PRC Enterprise Income Tax	56	467
Land appreciation tax ("LAT")	175	1,128
	<u>231</u>	<u>1,595</u>
<b>Deferred tax</b>	<u>750</u>	<u>16,726</u>
<b>Total income tax expenses for the period</b>	<u><u>981</u></u>	<u><u>18,321</u></u>

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 operated. Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "BVI"), the Group's entities incorporated in the Cayman Islands and the BVI are not subject to any income tax.

The Group's subsidiaries incorporated in Hong Kong are not liable for income tax as they did not have any assessable income arising in Hong Kong during both interim periods.

The Group's entities established in the PRC are subject to PRC Enterprise Income Tax at a statutory rate of 25%.

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

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

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

## 8. DIVIDENDS

The directors did not recommend the payment of an interim dividend in respect of the six months ended 30 June 2021 (six months ended 30 June 2020: nil).

## 9. LOSS PER SHARE

For the six months ended 30 June 2021, the calculation of the basic loss per share is based on the loss for the period attributable to owners of the Company amounting approximately RMB286,529,000, and the weighted average number of ordinary shares of 1,878,622,000 in issue. The diluted loss per share was same as basic loss per share as there was no potential ordinary shares outstanding for the current interim period.

For the six months ended 30 June 2020, the calculation of the basic loss per share is based on the loss for the period attributable to owners of the Company amounting approximately RMB71,580,000, and the weighted average number of ordinary shares of 1,878,622,000 in issue. The calculation of the diluted loss per share is based on the loss for the period attributable to owners of the Company amounting approximately RMB71,580,000, adjusted to reflect the changes in fair value of the convertible bonds of approximately RMB1,065,000. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the prior interim 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 the convertible bonds into ordinary shares of 215,827,000 shares.

## 10. IMPAIRMENT OF PROPERTIES UNDER DEVELOPMENT

The Group makes estimates of the selling prices, the costs of completion of properties under development, and the costs to be incurred in selling the properties based on prevailing market conditions. Based on the assessment, the net realisable value of one of the properties under development is lower than its carrying amount and impairment of approximately RMB65,364,000 was recognised in profit or loss during the six months ended 30 June 2021.

No impairment of the properties under development was recognised in profit or loss during the six months ended 30 June 2020.

## 11. INVESTMENT PROPERTIES

	<i>RMB'000</i>
At 1 January 2021 (audited)	3,296,000
Changes in fair value	<u>3,000</u>
At 30 June 2021 (unaudited)	<u><u>3,299,000</u></u>

The Group's investment properties consist of commercial properties completed in the PRC. The Group's investment properties were revalued on 30 June 2021 based on valuations performed by an independent professionally qualified valuer at approximately RMB3,299,000,000 (2020: RMB3,296,000,000).

At 30 June 2021, the Group's investment properties with aggregate values of RMB3,299,000,000 (2020: RMB3,296,000,000) were pledged to secure interest-bearing bank and other borrowings granted to the Group (note 15).



## 12. TRADE RECEIVABLES

	At 30 June 2021 <i>RMB'000</i> (Unaudited)	At 31 December 2020 <i>RMB'000</i> (Audited)
Trade receivables	54,832	48,405
Less: Allowance for impairment	<u>(23,864)</u>	<u>(23,864)</u>
	<u><b>30,968</b></u>	<u><b>24,541</b></u>

Trade receivables represent rentals receivable from tenants which are normally payable on demand and sales income receivables from customers which are payable in accordance with the terms of the related sales and purchase agreements.

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:

	At 30 June 2021 <i>RMB'000</i> (Unaudited)	At 31 December 2020 <i>RMB'000</i> (Audited)
Within one year	<u><b>30,968</b></u>	<u><b>24,541</b></u>

An ageing analysis of the trade receivables by due date and net of loss allowance as at the end of the reporting period is as follows:

	At 30 June 2021 <i>RMB'000</i> (Unaudited)	At 31 December 2020 <i>RMB'000</i> (Audited)
Past due		
Less than 1 month	—	24,541
1 to 3 months	11,116	—
3 months to 1 year	19,852	—
More than 1 year	<u>—</u>	<u>—</u>
	<u><b>30,968</b></u>	<u><b>24,541</b></u>

### 13. TRADE PAYABLES

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

	At 30 June 2021 <i>RMB'000</i> (Unaudited)	At 31 December 2020 <i>RMB'000</i> (Audited)
Less than one year	49,236	33,155
Over one year	328,972	341,458
	<u>378,208</u>	<u>374,613</u>

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

### 14. OTHER PAYABLES AND ACCRUALS

Included in other payables and accruals at 30 June 2021 was a loan of RMB70,000,000 (31 December 2020: RMB100,000,000) from 北控城投控股集團有限公司 (BE City Investment Holding Group Limited\*) (“**BE City Investment**”) which carries interest rate of 15% per annum and is repayable after one year from date of drawdown (the “**BE City Loan**”). The BE City Loan is secured by a charge on 75% equity interest in a subsidiary of the Company and a corporate guarantee of a subsidiary of the Company.

BE City Investment is an affiliate of Beijing Enterprises City Investment Holding Group (Hong Kong) Limited (北控城投控股集團(香港)有限公司) who entered into a sales and purchase agreement with Mr. Chen Chengshou, the Controlling Shareholder for purchase of 554,193,490 shares of the Company from Mr. Chen Chengshou (the “**Disposal**”). The Disposal was terminated pursuant to a termination agreement dated 6 August 2021 (the “**Termination**”).

Details of the Disposal and the Termination are set out in the Company’s announcements dated 27 October, 28 October 2020, 24 November 2020 and 6 August 2021.

\* *English name is for identification purpose only.*

## 15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	At 30 June 2021			At 31 December 2020		
	Effective interest rate %	Maturity	<i>RMB'000</i> (Unaudited)	Effective interest rate %	Maturity	<i>RMB'000</i> (Audited)
<b>Current</b>						
Current portion of long term bank and other borrowings, secured	<u>6.80-11.50</u>	<u>On demand or within one year</u>	<u>1,865,386</u>	<u>6.80-11.67</u>	<u>On demand or within one year</u>	<u>1,873,909</u>
				<b>At</b>	<b>At</b>	
				<b>30 June</b>	31 December	
				<b>2021</b>	2020	
				<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>	
<b>Analysed into:</b>						
Bank and other borrowings repayable on demand or within one year				<u><b>1,865,386</b></u>	<u>1,873,909</u>	

At 30 June 2021, interest payments of approximately RMB279,514,000 (31 December 2020: RMB242,977,000) relating to borrowings of the Group of total principal amount of approximately RMB1,865,386,000 (31 December 2020: RMB1,873,909,000) were not paid in accordance with the repayment schedules pursuant to the borrowing agreements which constituted events of defaults.

In connection with the default and cross-default borrowings (if applicable), the Group was subject to a penalty of RMB614,018,000 (31 December 2020: RMB407,106,000) which were included in other payables and accruals at 30 June 2021.

The Group's borrowings are secured by the pledges of the following assets at 30 June 2021 as follows:

- (i) The Group's other borrowings of approximately RMB493,000,000 and RMB311,612,000 (31 December 2020: RMB500,000,000 and RMB311,879,000) were secured by the 100% (31 December 2020: 100%) equity interest in 台州溫商時代置業有限公司 (Taizhou Wenshang Times Property Limited) ("**Wenshang Times**") and 95% (31 December 2020: 95% equity interest) 重慶新明置業股份有限公司 (Chongqing Xinming Property Company Limited) ("**Chongqing Xinming**"), subsidiaries of the Company, respectively.

The Group's borrowings of approximately RMB493,000,000, RMB452,778,000, RMB410,806,000 and RMB311,612,000 (31 December 2020: RMB500,000,000, RMB454,892,000, RMB410,817,000 and RMB311,879,000) were secured by investment properties of Wenshang Times, 台州新明置業投資有限公司 (Taizhou Xinming Property Investment Limited) ("**Taizhou Investment**"), 上海新明環球置業有限公司 (Shanghai Xinming Global Property Limited) ("**Shanghai Xinming**") and Chongqing Xinming, subsidiaries of the Company, respectively with aggregate carrying values of approximately RMB3,299,000,000 (31 December 2020: RMB3,296,000,000).

- (ii) The Group's borrowings of approximately RMB311,612,000 (31 December 2020: RMB311,879,000) were jointly secured by completed properties held for sale of Chongqing Xinming and Wenshang Times with aggregate carrying amounts of approximately RMB651,897,000 (31 December 2020: RMB649,243,000).

The Group's borrowings of approximately RMB197,190,000 (31 December 2020: RMB196,320,000) were secured by completed properties held for sale of 杭州新明置業投資有限公司 (Hangzhou Xinming Property Investment Limited) ("**Hangzhou Xinming**"), a subsidiary of the Company with carrying amount of approximately RMB237,350,000 (31 December 2020: RMB233,000,000).

- (iii) The Group's borrowings of approximately RMB311,612,000 (31 December 2020: RMB311,879,000) were secured by properties under development of Chongqing Xinming, a subsidiary of the Company with carrying amount of RMB659,674,000 (31 December 2020: RMB605,503,000).

- (iv) The Group's borrowings of approximately RMB493,000,000 (31 December 2020: RMB500,000,000) were jointly guaranteed by (i) the Controlling Shareholder, Mr. Chen Chengshou, (ii) the non-executive director, Ms. Gao Qiaoqin, (iii) a subsidiary of the Company and (iv) Xinming Group Limited, a related party of the Group.

The Group's borrowings of approximately RMB910,817,000 (31 December 2020: RMB919,016,000) were jointly guaranteed by (i) the Controlling Shareholder, Mr. Chen Chengshou, (ii) the non-executive director, Ms. Gao Qiaoqin and (iii) a subsidiary of the Company.

The Group's borrowings of approximately RMB311,612,000 (31 December 2020: 311,879,000) were jointly guaranteed by (i) the Controlling Shareholder, Mr. Chen Chengshou, and (ii) the non-executive director, Ms. Gao Qiaoqin, (iii) a subsidiary of the Company and (iv) Xinming Group Limited, a related party of the Group.

The Group's borrowings of approximately RMB452,778,000 (31 December 2020: RMB454,893,000) were jointly guaranteed by (i) the Controlling Shareholder, Mr. Chen Chengshou, (ii) the non-executive director, Ms. Gao Qiaoqin, (iii) Xinming Group Limited, a related party of the Group, (iv) Miss Chen Xi and Mr. Chen Junshi, the daughter and the son of the Controlling Shareholder, Mr. Chen Chengshou and (v) a subsidiary of the Company.

## 16. CONVERTIBLE BONDS

On 1 June 2018, the Company issued convertible bonds in the aggregate principal amount of HK\$300,000,000 (equivalent to approximately RMB248,258,000) (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 (the "Coupon Rate") and are payable in arrears every six months.

The convertible bonds were jointly 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 matured on 1 June 2020 and the outstanding principal amount was not yet settled up to 30 June 2021.

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

	<i>RMB'000</i>
At 1 January 2021 (audited)	<u>252,604</u>
Change in fair value	<u>—</u>
At 30 June 2021 (unaudited)	<u>252,604</u>

The Group's Convertible Bonds were valued by management of the Group by using discounted cash flow method with the following key assumptions:

Discount rate	Coupon Rate
---------------	-------------

The fair value of the Convertible Bonds was categorised into level 3 fair value hierarchy as defined in HKFRS 13, *Fair Value Measurement*. The significant unobservable input into this valuation approach is the discount rate. An increase in the discount rate used in isolation would result in a decrease in the fair value measurement of the Convertible Bonds.

## MANAGEMENT DISCUSSION AND ANALYSIS

(Including financial review)

### RESULTS REVIEW

The Group's total revenue for the Period was approximately RMB31.1 million, representing an approximate decrease of 67.3% from approximately RMB95.1 million for the corresponding period of last year.

Loss attributable to owners of the Company for the Period was approximately RMB286.5 million, representing an approximate increase of 3 times in loss as compared with loss of approximately RMB71.6 million for the corresponding period of last year.

During the Period, loss per share was approximately RMB0.153 (six months ended 30 June 2020: RMB0.035).

As at 30 June 2021, the Group's total assets amounted to approximately RMB6,541.6 million (31 December 2020: approximately RMB6,422.2 million), while total liabilities amounted to approximately RMB5,973.2 million (31 December 2020: approximately RMB5,558.2 million); total equity was approximately RMB568.5 million (31 December 2020: approximately RMB864.1 million), and net asset value per share was approximately RMB0.30 (31 December 2020: approximately RMB0.46).

In the first half of 2021, the global economy continued to be shadowed by the COVID-19 (“COVID-19”) pandemic. There are still many economic uncertainties abroad. In contrast, the successful control of the pandemic and the extensive promotion of the nationwide COVID-19 vaccination program in China have facilitated a steady economic recovery. The Chinese government is accelerating the establishment of a new development pattern featuring the major part of domestic big cycle and the interactive promotion of domestic and international dual cycles, with a focus on supply-side structural reforms and a emphasis on demand-side management. The year 2021 marks the beginning of the “14th Five-Year Plan”, and the government has clearly stated the principle of housing properties are for living in but not for speculation, equal emphasis on both property leasing and property purchase, and the adoption of differentiated regulatory policies for different cities, to promote the stable and healthy development of the real estate market. The establishment of a long-term real estate financial management mechanism will continue to accelerate, and real estate financial supervision will continue to be strengthened to prevent excessive financialization of the real estate market as well as to prevent and resolve systemic financial risks.

Local governments have successively promulgated corresponding policies to promote the steady and healthy development of the real estate market. More than 20 cities have successively tightened regulation, including the tightening of purchase restrictions, loan restrictions, price restrictions and sales restrictions, and the increase in real estate transaction taxes and fees, coupled with new measure such as second-hand housing reference prices and credit-based lottery for new houses, etc. Although the central government's implementation of real estate market regulation and control policies continued to be tightened, facing the current tightened mortgage bank borrowings for the domestic properties, the longer repayment schedule of the purchasers who applied for mortgage bank borrowings and the slowest recovery of funds, the sales performance of real estate enterprises maintained steady growth. From January to May of 2021, the investment in real estate development nationwide reached RMB5,431.8 billion, an increase of 18.3% year-on-year; the construction area of houses of real estate developers was 8,399.62 million square meters, an increase of 10.1% year-on-year. The sales area of commercial housing was 663.83 million square meters, a year-on-year increase of 36.3%; the sales of commercial housing was approximately RMB7,053.4 billion, an increase of 52.4%. Among them, the average sales value of top 100 real estate enterprises was approximately RMB69.30 billion, a year-on-year increase of 40.0%. In the first half of 2021, the real estate market in China was characterized by “mild adjustment in sales area, steady increase in average sales prices, high level of newly started construction, and medium- and high-speed growth in investment”.

During the Period, the Group recorded revenue from sales of properties of approximately RMB2.4 million, representing a decrease of approximately 97.1% compared to that of the same period of last year. It was mainly due to the pandemic impact during the Period which reduced the demands in commercial property market. The Group attempted to sell all remaining inventory of all projects in a short period of time, but just recorded realized sales of approximately RMB2.4 million for the projects of Wenshang Times, Hangzhou Xinming and Shandong Tengzhou Xingmeng International Commercial City (“**Shandong Project**”), and recorded a decrease of approximately 60% for overall average selling price as compared to the corresponding period last year.

The entire Shanghai Xinming Project is under negotiation for sales, at the same time sales and marketing campaign and preparation for pre-sales have been completed, which enables the project to experience positive cash inflow and reduces related debts in due course.

The commercial and residential planning of Chongqing Project is undergoing adjustment and negotiation with large property developers on the possibilities of jointly developing the commercial and residential project is still ongoing. In the meantime, the marketing and sales of the commercial inventory are under preparation.

During the Period, two pre-sale activities of the residential part for Shandong Project were completed up to the date of this announcement. The recorded pre-sale deposits of the residential contracts as at 30 June 2021 were approximately RMB402.8 million (31 December 2020: RMB212.1 million). In the second half of the year, the Group will strive to complete another two pre-sale activities, thus further increasing the cash inflows. It's expected that the relevant pre-sales will be recognised as revenue upon the completion of legal registration and transfer for the relevant residential properties in the second half of the year.



## PROSPECTS

It is expected that in the second half of 2021, the pace of development of the real estate market in China will slow down, and the overall sales volume will be under slight pressure of adjustment. In the context of the continuous advancement of new urbanization, the concentration of key resources, such as population and land, in urban agglomerations and central cities will accelerate, which is expected to create more benefits. In the context of “housing properties are for living in but not for speculation”, the real estate market control has become more stringent, while the policy of the “three red lines” continued to bring impact. In the first half of 2021, the financing amount of 100 typical real estate enterprises was RMB609 billion, a year-on-year decrease of 34%, the lowest level since 2018. Real estate financial funding are under great pressure. It is expected that in order to speed up payment collection, in the short term, real estate enterprises will increase their marketing efforts, offering more discount and conducting promotional campaigns on various festivals, as well as price-cutting promotion through various platform channels.

As part of the efforts of the central government to curb excessive market speculation, nearly 60 cities including Guangzhou, Chongqing, Chengdu, Hangzhou, Suzhou, and Ningbo raised mortgage interest rates. The rise in mortgage interest rates in 40% of cities has resulted in more control on real estate speculation activities. Mortgage interest rates will maintain an upward trend, and the cost of buying houses will continue to increase, further cracking down on real estate speculation, and housing prices is expected to remain stable.

The Group expects that in the second half of 2021, the investment sentiment will improve with the pandemic in China being under control and higher vaccination rate. It is expected that new merchandising strategy will be commenced in late September and the promotional sale of the remaining commercial properties under Shanghai, Chongqing and Taizhou projects will speed up de-stocking and recovery of funds. Second phase of residential properties sales under Shandong project is under preparation. At the same time, Xinming China will actively look for the feasibility of revitalizing various assets, including but not limited to changing the use of the properties and selling the entire property, and negotiating with different financial institutions on the outstanding borrowings of the Group, with a view to improving the debt and financial leverage.



## **INDUSTRY REVIEW**

In the first half of 2021, the successful control of the pandemic and the extensive promotion of the nationwide COVID-19 vaccination program in China have facilitated a steady economic recovery. Local governments have successively promulgated corresponding policies to promote the steady and healthy development of the real estate market. More than 20 cities have successively tightened regulation, including the tightening of purchase restrictions, loan restrictions, price restrictions and sales restrictions, and the increase in real estate transaction taxes and fees, coupled with new measure such as second-hand housing reference prices and credit-based lottery for new houses, etc. It is expected that the pace of development of the real estate market in China will slow down, and the overall sales volume will be under slight pressure of adjustment. The central government continues to strengthen housing control, and bank loan extensions and financing channels are tightening, while the real estate financing funding gap is widening. Real estate financial funding are under great pressure. It is expected that in order to speed up payment collection, in the short term, real estate enterprises will increase their marketing efforts, offering more discount and conducting promotional campaigns on various festivals, as well as price-cutting promotion through various platform channels.

## **RESULTS OVERVIEW**

During the Period, the Group recorded a total revenue of approximately RMB31.1 million, representing a decrease of approximately 67.3% from approximately RMB95.1 million of the same period of last year. The sales revenue and GFA of delivered properties were approximately RMB2.4 million and approximately 739.4 sq.m., respectively, representing respective decrease of approximately 96.1% and 91% as compared to the corresponding period of last year; The average selling price for the contracted sales was approximately RMB3,288 per sq.m., representing a decrease of approximately 59.8% compared with approximately RMB8,177.0 for the corresponding period of last year. It was mainly due to the pandemic impact during the Period which reduced the demands in commercial properties market. In order to sell the remaining commercial properties inventory of Wenshang Times, Hangzhou Xinming and Shandong Project, the Group adopted a rapid sales and fund recovery strategy which resulted in a significant discount of selling price.

Loss attributable to the owners of the Company for the Period amounted to approximately RMB286.5 million, representing a decrease of 3 times from a loss of approximately RMB71.6 million for the corresponding period of last year. The increase in significant loss was mainly due to the decline in GFA of the Group's projects that was sold during the Period. Besides, the increase in other expenses was mainly due to interest penalty and provision for loan default amounting to approximately RMB207.0 million charged relating to certain defaulted borrowings during the Period pursuant to the contractual terms, as well as the impairment of certain properties under development of approximately RMB65.4 million. The loss per share was approximately RMB0.153.

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2021.

As at 30 June 2021, the Group's total assets amounted to approximately RMB6,541.6 million (31 December 2020: approximately RMB6,422.2 million). Total liabilities were approximately RMB5,973.2 million (31 December 2020: approximately RMB5,558.2 million), total equity was approximately RMB568.5 million (31 December 2020: approximately RMB864.1 million), and net assets per share were approximately RMB0.3 (31 December 2020: approximately RMB0.46).

## SALES

During the Period, the Group recorded a total revenue of approximately RMB31.1 million, representing an approximate 67.3% decrease from approximately RMB95.1 million for the corresponding period of last year. During the Period, the Group recorded property sales revenue of approximately RMB2.4 million, representing approximately 7.7% of its total revenue. Total GFA contracted was approximately 739.4 sq.m., representing a decrease of approximately 90.5% as compared to the same period of last year, which was mainly attributed to the pandemic impact during the Period which reduced the demands in commercial properties market causing the significant decrease of sales area. In order to sell the remaining commercial properties inventory of Wenshang Times, Hangzhou Xinming and Shandong Project, the Group adopted a rapid sales and fund recovery strategy which resulted in a significant discount of selling price.

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

	For the six months ended 30 June			
	2021		2020	
	<i>(RMB million)</i>	<i>(%)</i>	<i>(RMB million)</i>	<i>(%)</i>
	<b>(Unaudited)</b>		<b>(Unaudited)</b>	
Sales of properties	<b>2.4</b>	<b>7.7</b>	63.7	67.0
Rental income	<b>28.7</b>	<b>92.3</b>	31.4	33.0
Total revenue	<b>31.1</b>	<b>100%</b>	95.1	100%

## **Property sales**

During the Period, the Group recorded property sales of approximately RMB2.4 million, representing a decrease of approximately RMB61.3 million or 96.2% from approximately RMB63.7 million for the same period of last year. This was mainly because the GFA delivered of the property sales during the Period decreased from approximately 7,794.93 sq.m. for the same period of last year by approximately 7,055.53 sq.m. or approximately 90.5% to approximately 739.4 sq.m., mainly due to the pandemic impact which reduced the demands in commercial properties markets.

## **Property leasing**

The Group's property leasing business consists of leasing the Group's commercial properties held for investment and the sold commercial properties leased back from third parties by the Group. As of 30 June 2021, the actual area leased out was approximately 180,005.97 sq.m., representing approximately 84% 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 RMB28.7 million, representing a decrease of approximately RMB2.7 million or 8.6% from approximately RMB31.4 million for the same period of last year, mainly due to the rent-free preferential policy that the Group proposed to part of the new and existing tenants, resulting in the decrease in rental income.

## **Gross profit**

During the Period, gross profit amounted to approximately RMB26.1 million, representing a decrease of approximately RMB14.2 million or approximately 35.2% compared to RMB40.3 million for the same period of last year. Gross profit margin was approximately 84%, representing an increase of approximately 41.7% compared to approximately 42.3% in the same period of last year, due to the portion of rental income was increased from 33% in the same period of last year to 92.3% of the Group's total revenue in this Period. It is expected that the Group's gross profit margin will maintain steady in the second half of 2021.

## **Other income and gains**

During the Period, other income and gains amounted to approximately RMB2.4 million, a significant increase of approximately RMB2.0 million or 7 times compared to the approximately RMB0.4 million for the same period of last year, which was mainly derived from the exchange gain arising from the revaluation of assets and liabilities denominated in other currencies during the Period.

### **Selling and administrative expenses**

During the Period, selling and administrative expenses amounted to approximately RMB33.3 million, representing a decrease of approximately RMB3.7 million or 10% compared to approximately RMB37.0 million for the same period last year. Distribution expenses increased by approximately RMB3.0 million, mainly due to the increase of expenses in the merchandising activities of Shandong Project.

### **Other expenses**

During the Period, other expenses amounted to approximately RMB292.0 million, representing a significant increase of approximately RMB239.3 million or 4.54 times as compared to approximately RMB52.7 million for the same period of last year. This was mainly due to (i) the impairment of certain properties under development of approximately RMB65.4 million adversely impacted by the pandemic and domestic commercial properties market, resulting in the expected decrease of realisable value; (ii) the relevant interest penalty and penalty provision for loan default amount charged during the Period of approximately RMB207.0 million.

### **Operating loss**

During the Period, the operating loss was approximately RMB295.6 million, representing a significant increase of approximately RMB216.6 million or approximately 274.2% compared to the loss of approximately RMB79.0 million for the same period of last year.

### **Changes in fair value of investment properties**

During the Period, the gain on changes in fair value of investment properties amounted to the profit of approximately RMB3.0 million, representing an increase in approximately RMB7.6 million compared to the loss of approximately RMB4.6 million for the same period of last year. Such increase was mainly due to the increase in the gain on changes in fair value of the investment properties of Taizhou Property (台州置業) and Wenshang Times of approximately RMB9 million. On the contrary, the loss on changes in fair value of investment properties of Shanghai Project amounted to approximately RMB6 million.

### **Net finance costs**

During the Period, net interest costs amounted to approximately RMB0.7 million, representing a decrease of approximately RMB5.3 million or approximately 88.3% compared to approximately RMB6.0 million for the same period of last year. This was mainly due to an increase in capitalised interest.

## Income tax expenses

During the Period, income tax expenses were approximately RMB1.0 million, representing a decrease of approximately RMB17.3 million or 94.5% as compared with the income tax of approximately RMB18.3 million for the same period last year. This was mainly due to the decrease in taxable profits and land value-added tax.

## Loss attributable to owners of the Company

During the Period, the loss attributable to owners of the Company amounted to approximately RMB286.5 million, representing an increase in loss of approximately RMB214.9 million or approximately 3 times compared to the loss of approximately RMB71.6 million for the corresponding period of last year. The basic loss per share was approximately RMB0.153, an increase from loss per share of approximately RMB0.118 for the same period of 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 sold (sq.m.)	Income (RMB million)	Average selling price (RMB/sq.m)
Taizhou Xinming Peninsular	Jiaojiang District, Taizhou City	Residential and commercial	—	—	—
Xinming Lijiang Garden	Jiaojiang District, Taizhou City	Residential and commercial	—	—	—
Wenshang Times • Xinming Household Decorations and Fittings City	Jiaojiang District, Taizhou City	Commercial	—	—	—
Wenshang Times • Times Furniture Expo Centre (formerly known as Xinming Apartment)	Jiaojiang District, Taizhou City	Residential	345.15	1.0	2,925.66
Shanghai Xinming • Children's World	Jiading District, Shanghai Municipality	Commercial	—	—	—
Chongqing Xinming • China South-western City Phase 1	Dazu District, Chongqing	Commercial	—	—	—
Xingmeng International Commercial City	Tengzhou City, Shandong Province	Commercial	324.45	0.9	2,983.68
Hangzhou Xinming • Children's World	Gongshu District, Hangzhou City	Commercial	69.8	0.5	6,494.75
Total			<u>739.4</u>	<u>2.4</u>	<u>3,288.04</u>

## Land reserve

As at 30 June 2021, 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 997,020 sq.m., of which approximately 461,639 sq.m. were completed. Approximately 55,145 sq.m. were still under development, and approximately 480,236 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 2021:

Location	Number of projects	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 to the Group (%)	Project type
Taizhou	10	193,182	—	—	193,182	19.4	100	Residential, commercial and warehousing
Shanghai	1	96,214	—	—	96,214	9.6	79	Commercial, office
Chongqing	3	86,167	25,516	301,156	412,839	41.4	95	Residential, commercial
Tengzhou	1	53,284	29,629	179,080	261,993	26.3	75	Residential, commercial
Hangzhou	1	32,792	—	—	32,792	3.3	100	Commercial
<b>Total</b>	<b>16</b>	<b>461,639</b>	<b>55,145</b>	<b>480,236</b>	<b>997,020</b>	<b>100.0</b>		

Since the publication of the Group's annual report for the year ended 31 December 2020, 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 2021, the Group's cash and bank deposits, including restricted cash, were a total of approximately RMB39.7 million (31 December 2020: approximately RMB7.8 million), representing an increase of approximately RMB31.9 million or approximately 4 times mainly due to the increase in net cash inflow from operating activities.

During the Period, net cash generated from operating activities of the Group was approximately RMB106.5 million (for the six months ended 30 June 2020: net cash used of approximately RMB9.6 million). Net cash generated from investment activities was approximately RMB0.09 million (for the six months ended 30 June 2020: net cash generated of approximately RMB0.06 million). Net cash used in financing activities was approximately RMB75.0 million (for the six months ended 30 June 2020: net cash used of approximately RMB164.9 million).

## **Trade receivables, prepayments, other receivables and other assets**

As at 30 June 2021, the sum of trade receivables, prepayments, other receivables and other assets of the Group was approximately RMB184.8 million, representing a decrease of approximately RMB23.5 million compared to approximately RMB208.3 million as at 31 December 2020 due to the decrease of other receivables for debt repayment.

## **Trade payables, contract liabilities, other payables and accruals**

As at 30 June 2021, the sum of trade payables, contract liabilities, other payables and accruals of the Group was approximately RMB1,977.2 million, representing an increase of approximately RMB244.1 million as compared to approximately RMB1,733.1 million as at 31 December 2020 due to abovementioned provision of interest penalties.

## **Assets and liabilities**

As at 30 June 2021, the Group's total assets were approximately RMB6,541.6 million, representing an increase of approximately RMB119.4 million compared to approximately RMB6,422.2 million as at 31 December 2020. Total current assets were approximately RMB3,155.5 million, representing an increase of approximately RMB119.5 million from approximately RMB3,036.0 million as at 31 December 2020 and accounting for approximately 48.2% of total assets (31 December 2020: 47.3%). Total non-current assets were approximately RMB3,386.1 million, representing a decrease of approximately RMB0.1 million from approximately RMB3,386.2 million as at 31 December 2020 and accounting for approximately 51.8% of total assets (31 December 2020: 52.7%).



As at 30 June 2021, the Group's total liabilities were approximately RMB5,973.2 million, representing an increase of approximately RMB415.0 million compared to approximately RMB5,558.2 million as at 31 December 2020. Total current liabilities were approximately RMB5,391.4 million, representing an increase of approximately RMB414.2 million compared to approximately RMB4,977.2 million as at 31 December 2020 and accounting for approximately 90.3% of total liabilities (31 December 2020: 89.5%). Total non-current liabilities were approximately RMB581.8 million, representing a slight increase of approximately RMB0.8 million from approximately RMB581.0 million as at 31 December 2020 and accounting for approximately 9.7% of total liabilities (31 December 2020: approximately 10.5%).

As at 30 June 2021, the Group had net current liabilities of approximately RMB2,235.9 million, representing an increase of approximately RMB294.8 million from approximately RMB1,941.1 million as at 31 December 2020.

### **Current ratio**

As at 30 June 2021, the current ratio of the Group, being the ratio of the current assets divided by the current liabilities, was 0.59 (31 December 2020: 0.61).

### **Gearing ratio**

As at 30 June 2021, the gearing ratio of the Group was 78.5% (31 December 2020: 71.1%) as calculated by the total bank borrowings and other borrowings less cash and cash equivalents as a percentage of total equity and net debt.

### **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 before 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 matured on 1 June 2020.

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

The principal amount of approximately RMB252.6 million (equivalent to HK\$300 million) and interests have not been settled as of the date of this announcement.



## Capital structure

The Group's operations were financed mainly by shareholder's equity, financing of loans from bank for the Group and internal resources. 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. The bank borrowings denominated in Renminbi of the Group as of 30 June 2021 were approximately RMB1,865.4 million (31 December 2020: RMB1,873.9 million).

## Borrowings

As at 30 June 2021, the Group's total bank borrowings and other borrowings were approximately RMB1,865.4 million, representing a decrease of approximately RMB8.5 million compared to approximately RMB1,873.9 million as at 31 December 2020. Please refer to note 15 to the condensed consolidated financial statements for details.

The Group's borrowings repayable on demand or within one year were approximately RMB1,865.4 million, representing a decrease of approximately RMB8.5 million compared to approximately RMB1,873.9 million as at 31 December 2020. Please refer to note 15 to the condensed consolidated financial statements for details.

## Disclaimer of opinion of 2020 annual report

As at 30 June 2021, interest payments of RMB279,514,000 relating to certain borrowings of the Group of a principal amount of RMB1,865,386,000 ("**In Default Borrowings**") were not paid in accordance with the repayment schedules pursuant to the borrowing agreements which constituted events of defaults. As at the date of this announcement, interest of RMB665,725,000 relating to the In Default Borrowings was overdue.

The Company remains committed to address the audit modification in the 2020 annual report dated 21 April 2021 in order to remove such audit modification in the auditor's report for the year ending 31 December 2021. In this regard, the management of the Company have been undertaking a number of measures to improve the Group's liquidity and financial position, and repay overdue interest to financial institutions, which include:

- (i) continuously negotiating with the Group's existing lenders such that no action will be taken by the relevant lenders to demand immediate repayment of the borrowings with interest payments in default, including those with cross-default terms;
- (ii) continuously negotiating with various financial institutions on the renewal of or extension for repayment of outstanding borrowings, including those with overdue principals and interests;

- (iii) continuously negotiating with various financial institutions and potential lenders/ investors to identify various options for additionally financing the Group's working capital and commitments in the foreseeable future;
- (iv) accelerating the pre-sale and sale of properties under development and completed properties, such as Shandong Project and Chongqing Project and controlling costs and containing capital expenditure so as to generate adequate net cash inflows;
- (v) actively looking for large property development enterprises and cooperating with investors to develop properties under development of the Group through joint efforts; and
- (vi) actively procuring and negotiating the preliminary terms with large property development enterprises for the sale of individual property development project or whole commercial property at a price deemed appropriate.

Accordingly, the Directors are satisfied that it is appropriate to prepare the unaudited condensed consolidated financial statements for the Period 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 2021 should the Company is able to successfully implement the action plan mentioned in this announcement and the other relevant 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 2021, the Group provided guarantees for the mortgage loans given by certain purchasers of approximately RMB50.4 million (31 December 2020: approximately RMB16.1 million).

## **Asset guarantees**

As at 30 June 2021, the Group had pledged or restricted bank deposits of approximately RMB39.7 million (31 December 2020: approximately RMB7.8 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 subsidiaries of the Group. These were jointly guaranteed by Mr Chen, the Group's controlling shareholder and an executive Director, the daughter and son of Mr Chen, Miss Chen, Miss Chen, Ms Gao, a non-executive Director and Xinming Group Limited, a related Group company, free of charge.

## **Capital expenditure**

During the Period, the Group's total capital expenditure was approximately RMB0.01 million in respect of purchase of property, plant and equipment (six months ended 30 June 2020: approximately RMB0 million).

## **Capital commitments**

As at 30 June 2021, capital commitments related to activities of properties under development were approximately RMB286.2 million (31 December 2020: approximately RMB387.8 million).

## **Exposure to exchange rate fluctuations**

The Group operates mainly in Renminbi, though certain bank deposits of the Group 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 2021, the Group has a total of 88 employees (30 June 2020: a total of 108 employees). The decrease was mainly due to the adoption of a cost efficiency campaign. The Group continuously promoted the upgrading of talents, cultivated and recruited excellent talents with sales and management experience, improved the allocation system of remuneration linked to performance and maintained harmonious labor relations. The remuneration of employees of the Group will be based on their performance, experience and the prevailing market remuneration. Moreover, the Group has also adopted a share option scheme and a share award scheme.

## **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.

## **PLEDGE OF ASSETS**

Save as disclosed in notes 14 and 15 to the unaudited consolidated financial statements, there was no other pledge of assets.

## **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. Khor Khie Liem Alex (being the chairman of the Audit Committee), Mr. Lo Wa Kei, Roy and Mr. Fong Wo, Felix. The Company's unaudited condensed consolidated interim results announcement 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 2021.

## 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 2021 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

30 August 2021

*As at the date of this announcement, the executive Directors are Mr. Chen Chengshou, Mr. Feng Cizhao and Mr. Pu Wei; the non-executive Directors are Ms. Gao Qiaoqin, Mr. Chou Chiu Ho and Mr. Choi Clifford Wai Hong; and the independent non-executive Directors are Mr. Fong Wo Felix, Mr. Khor Khie Liem Alex and Mr. Lo Wa Kei Roy.*

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