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**新明中国控股**

XINMING CHINA

**Xinming China Holdings Limited**

**新明中國控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2699)**

## **ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023**

### **INTERIM RESULTS HIGHLIGHTS**

- Revenue of the Group amounted to approximately RMB233.0 million, representing an increase of approximately 9 times as compared to the same period of last year.
- Gross profit of the Group amounted to approximately RMB35.9 million, representing an increase of approximately 93.1% as compared to the same period of last year.
- Loss attributable to the owners of the Company was approximately RMB251.5 million, representing a decrease of approximately 73.2% in loss as compared to the same period of last year.
- Basic loss per share was approximately RMB0.134.
- The Board did not recommend the payment of interim dividend for the six months ended 30 June 2023.

### **INTERIM RESULTS**

The board (the “**Board**”) of directors (the “**Directors**”) of Xinming China Holdings Limited (the “**Company**” or “**Xinming China**”) announces the unaudited interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2023 (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 2022.

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

		<b>For the six months ended 30 June</b>	
		<b>2023</b>	<b>2022</b>
		<b>RMB'000</b>	<b>RMB'000</b>
	<i>Notes</i>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>REVENUE</b>	4	<b>233,001</b>	23,167
Cost of sales		<u>(197,081)</u>	<u>(4,568)</u>
Gross profit		<b>35,920</b>	18,599
Other income and gains and losses	5	<b>(4,122)</b>	4,901
Selling and distribution costs		<b>(2,383)</b>	(7,699)
Administrative expenses		<b>(19,236)</b>	(29,542)
Other expenses		<b>(226,506)</b>	(334,535)
Changes in fair value of investment properties	11	<b>(17,900)</b>	(95,000)
Changes in fair value of convertible bonds	16	–	(11,603)
Loss on court-ordered sale of an investment property	11	–	(686,590)
Finance costs	6	<u>(36,374)</u>	<u>(1,645)</u>
<b>LOSS BEFORE INCOME TAX</b>	6	<b>(270,601)</b>	(1,143,114)
Income tax (expenses)/credit	7	<u>(11,000)</u>	<u>172,237</u>
<b>LOSS FOR THE PERIOD AND TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>		<u><b>(281,601)</b></u>	<u>(970,877)</u>
<b>LOSS FOR THE PERIOD AND TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO:</b>			
Owners of the Company		<b>(251,484)</b>	(939,857)
Non-controlling interests		<u>(30,117)</u>	<u>(31,020)</u>
		<u><b>(281,601)</b></u>	<u>(970,877)</u>
<b>LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>	9		
Basic (RMB)		<u><b>(0.134)</b></u>	<u>(0.500)</u>
Diluted (RMB)		<u><b>(0.134)</b></u>	<u>(0.500)</u>

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2023 <i>RMB'000</i> (Unaudited)	At 31 December 2022 <i>RMB'000</i> (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		691	698
Investment properties	11	918,200	936,100
Deferred tax assets		206,181	202,268
		<b>1,125,072</b>	1,139,066
<b>CURRENT ASSETS</b>			
Properties under development		459,719	709,464
Completed properties held for sale		604,389	712,804
Trade receivables	12	1,526	1,245
Prepayments, other receivables and other assets		41,356	56,291
Restricted deposits		520	522
Cash and cash equivalents		1,253	7,434
		<b>1,108,763</b>	1,487,760
<b>CURRENT LIABILITIES</b>			
Trade payables	13	568,648	340,017
Other payables and accruals		1,515,553	1,449,765
Contract liabilities		194,331	619,895
Interest-bearing bank and other borrowings	14	1,279,465	1,279,755
Tax payable		887,734	872,084
Convertible bonds	15	270,755	268,848
		<b>4,716,486</b>	4,830,364
<b>NET CURRENT LIABILITIES</b>		<b>(3,607,723)</b>	(3,342,604)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>(2,482,651)</b>	(2,203,538)

	At 30 June 2023 <i>RMB'000</i> (Unaudited)	At 31 December 2022 <i>RMB'000</i> (Audited)
<b>NON-CURRENT LIABILITIES</b>		
Deferred tax liabilities	<u>165,835</u>	<u>163,347</u>
<b>NET LIABILITIES</b>	<b><u>(2,648,486)</u></b>	<b><u>(2,366,885)</u></b>
<b>EQUITY</b>		
Issued capital	14,880	14,880
Reserves	<u>(2,496,274)</u>	<u>(2,244,790)</u>
	(2,481,394)	(2,229,910)
Non-controlling interests	<u>(167,092)</u>	<u>(136,975)</u>
<b>TOTAL DEFICITS</b>	<b><u>(2,648,486)</u></b>	<b><u>(2,366,885)</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 2023 (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 2022, 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 2022 (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 RMB281,601,000 for the six months ended 30 June 2023. At 30 June 2023, the Group's current liabilities exceeded its current assets by approximately RMB3,607,723,000.

At 30 June 2023, borrowings with total principal amount of approximately RMB1,279,465,000 and convertible bonds amounting approximately RMB270,755,000 were overdue pursuant to the relevant borrowing agreements.

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 various financial institutions on the renewal of or extension for repayment of outstanding borrowings, including those with overdue principals and interests. The management has been continuously negotiating with the Group's existing lenders on the renewal of or extension for repayment of outstanding borrowings 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 and hope to extend the due date and the repayment schedules of the outstanding borrowings. As of the date of this announcement, other than the ongoing court auction in respect of certain properties held by Hangzhou Xinming, there is no other court proceedings relating to the outstanding borrowings of the Group.
- (ii) continuously negotiating with various financial institutions and potential lenders/investors to identify various opportunities for additionally financing the Group's working capital and commitments in the foreseeable future. As of the date of this announcement, the Company negotiated with current and other banks and financial institutions using the lands held by the Group as guarantees on the additional financing.
- (iii) accelerating the pre-sale and sale of properties under development and completed properties, such as Shandong Project and controlling costs and containing capital expenditure so as to generate adequate net cash inflows for the Group. The sale of the phase 3 of Shandong Project was completed. The pre-sale of the phase 4 of Shandong residential project has commenced since September 2023. Majority of the net proceeds from Shandong project has been and will be used for the repayment of the outstanding borrowing.
- (iv) actively procuring and formulating the preliminary terms with large property developer to sale individual property development project or whole commercial property at an appropriate price. The Company has been negotiating with certain potential purchaser regarding the sale of the whole Shanghai property development project. The management estimated that most of the net proceeds from the Shanghai Project will be used for the repayment of the outstanding borrowing. The sale of the Shanghai Project might constitute a transaction of the Company subject to announcement pursuant to Chapter 14 of the Listing Rules and subject to the relevant requirements under the Listing Rules.

- (v) actively accelerate the de-stocking of its properties. The Company sells the residential property in Shandong and the whole or portion of commercial properties in Taizhou, Hangzhou and Shanghai as a package, with a view to accelerating the recovery of working capital to improve its liability and financial gearing conditions.

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 applied the following new and amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the Group's condensed consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	<i>Insurance Contracts</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to IAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

The application of the amendments to IFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

## 3. SEGMENT INFORMATION

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

- (a) the 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 2023**

	<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>230,883</u>	<u>2,118</u>	<u>–</u>	<u>233,001</u>
<b>Segment results</b>				
	<u>(211,377)</u>	<u>(23,111)</u>	<u>(36,113)</u>	<u>(270,601)</u>
Loss before income tax				<u>(270,601)</u>
<b>Other segment information</b>				
Bank interest income	16	87	–	103
Depreciation of property, plant and equipment	4	–	3	7
Impairment of properties under development	50,308	–	–	50,308
Finance costs	34,825	–	1,549	36,374
Changes in fair value of investment properties (loss)	–	(17,900)	–	(17,900)
Impairment of completed properties held for sale	9,153	–	–	9,153
Interest penalties	<u>118,072</u>	<u>–</u>	<u>39,357</u>	<u>157,429</u>



For the six months ended 30 June 2022

	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	2,948	20,219	–	23,167
<b>Segment results</b>				
	(280,571)	(785,405)	(77,138)	(1,143,114)
Loss before income tax				(1,143,114)
<b>Other segment information</b>				
Bank interest income	22	10	–	32
Changes in fair value of convertible bonds (loss)	–	–	(11,603)	(11,603)
Changes in fair value of investment properties (loss)	–	(95,000)	–	(95,000)
Depreciation of property, plant and equipment	14	–	11	25
Finance costs	96	–	1,549	1,645
Impairment of completed properties held for sale	55,083	–	–	55,083
Interest penalties	217,542	–	61,744	279,286
Loss on court-ordered sale of an investment property	–	686,590	–	686,590

#### 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 2023 and 2022.

#### 4. REVENUE

	<b>For the six months ended 30 June</b>	
	<b>2023</b>	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
<b>Revenue from contracts with customers within IFRS 15</b>		
Sales of properties	230,883	2,948
<b>Revenue from other sources</b>		
Gross rental income from investment properties operating leases		
– other lease payments, including fixed payments	2,118	20,219
	<u>233,001</u>	<u>23,167</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:

	<b>For the six months ended 30 June</b>	
	<b>2023</b>	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Geographical region:		
– The PRC	<u>230,883</u>	<u>2,948</u>
Timing of revenue recognition:		
– at a point in time	<u>230,883</u>	<u>2,948</u>
Type of transaction price:		
– fixed price	<u>230,883</u>	<u>2,948</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	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>Other income</b>		
Bank interest income	103	32
Government grants	16	32
Others	150	234
	<u>269</u>	<u>298</u>
<b>Gains and losses</b>		
Exchange (losses) gain, net	(4,391)	4,603
	<u>(4,122)</u>	<u>4,901</u>

## 6. LOSS BEFORE INCOME TAX

This is stated after charging (crediting):

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>Finance costs</b>		
Interest on interest-bearing bank and other borrowings	47,643	5,624
Less: Interest capitalised	(11,269)	(3,979)
<b>Total finance costs</b>	<u>36,374</u>	<u>1,645</u>

	<b>For the six months ended 30 June</b>	
	<b>2023</b>	<b>2022</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	5,311	4,927
Contribution to defined contribution plans	831	1,041
	<u>6,142</u>	<u>5,968</u>
<b>Other items</b>		
Auditor's remuneration	–	213
Cost of properties sold	195,481	1,331
Cost of leasing properties	1,600	3,237
Depreciation of property, plant and equipment	7	25
Impairment of properties under development (included in "other expenses")	50,308	–
Impairment of completed properties held for sale ( <i>Note 10</i> )	9,153	55,083
Interest penalties (included in "other expenses")	157,429	279,286
Lease payments not included in the measurement of lease liabilities	211	374
	<u>211</u>	<u>374</u>

## 7. INCOME TAX

	<b>For the six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Current tax</b>		
PRC Enterprise Income Tax	–	–
Land appreciation tax ("LAT")	14,711	–
	<u>14,711</u>	<u>–</u>
<b>Deferred tax</b>	<u>(3,711)</u>	<u>(172,237)</u>
<b>Total income tax charge (credit) for the period</b>	<u>11,000</u>	<u>(172,237)</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.

No provision for income tax had been made for the six months ended 30 June 2023 as the relevant Group's entities reported tax losses.

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 2023 (six months ended 30 June 2022: nil).

## 9. LOSS PER SHARE

For the six months ended 30 June 2023, the calculation of the basic loss per share is based on the loss for the period attributable to owners of the Company amounting approximately RMB251,484,000 (30 June 2022: RMB939,857,000), and the weighted average number of ordinary shares of 1,878,622,000 (30 June 2022: 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 periods ended 30 June 2023 and 2022.

## 10. IMPAIRMENT OF COMPLETED PROPERTIES HELD FOR SALE

The Group makes estimates of the selling prices, the costs of completion of completed properties held for sale, 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 completed properties held for sale is lower than its carrying amount and impairment of approximately RMB9,153,000 (2022: RMB55,083,000) was recognised in profit or loss during the six months ended 30 June 2023.

## 11. INVESTMENT PROPERTIES

	<i>RMB'000</i>
<b>Fair value</b>	
At 1 January 2023 (audited)	936,100
Change in fair value	<u>(17,900)</u>
At 30 June 2023 (unaudited)	<u><u>918,200</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 2023 based on valuations performed by the director of the Company at approximately RMB918,200,000 (31 December 2022: RMB936,100,000).

At 30 June 2023, the Group's investment properties with aggregate values of RMB918,200,000 (31 December 2022: RMB936,100,000) were pledged to secure interest-bearing bank and other borrowings granted to the Group (note 14).

## 12. TRADE RECEIVABLES

	At 30 June 2023 <i>RMB'000</i> (Unaudited)	At 31 December 2022 <i>RMB'000</i> (Audited)
Trade receivables	28,739	28,368
Less: Allowance for impairment	<u>(27,213)</u>	<u>(27,123)</u>
	<u><b>1,526</b></u>	<u><b>1,245</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 2023 <i>RMB'000</i> (Unaudited)	At 31 December 2022 <i>RMB'000</i> (Audited)
Within one year	<u><b>1,526</b></u>	<u><b>1,245</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 2023 <i>RMB'000</i> (Unaudited)	At 31 December 2022 <i>RMB'000</i> (Audited)
Past due		
Within 1 year	<u><b>1,526</b></u>	<u><b>1,245</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 <b>30 June</b> <b>2023</b> <i>RMB'000</i> <b>(Unaudited)</b>	At 31 December 2022 <i>RMB'000</i> <b>(Audited)</b>
Less than one year	<b>93,323</b>	17,804
Over one year	<b>475,325</b>	322,213
	<b>568,648</b>	340,017

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

### 14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	At 30 June 2023			At 31 December 2022		
	Effective interest rate %	Maturity	<i>RMB'000</i> <b>(Unaudited)</b>	Effective interest rate %	Maturity	<i>RMB'000</i> <b>(Audited)</b>
<b>Current</b>						
Current portion of long term bank and other borrowings, secured	<b>6.80–15.00</b>	<b>On demand or within one year</b>	<b>1,279,465</b>	6.90–12.00	On demand or within one year	<b>1,279,755</b>

	At <b>30 June</b> <b>2023</b> <i>RMB'000</i>	At 31 December 2022 <i>RMB'000</i>
<b>Analysed into:</b>		
Bank and other borrowings repayable on demand or within one year	<b>1,279,465</b>	1,279,755

At 30 June 2023, the Group's borrowings amounting approximately RMB1,279,465,000 (31 December 2022: RMB1,279,755,000) were overdue pursuant to the relevant agreement which constituted events of defaults.

The Group's borrowings are secured by the pledges of the following assets 30 June 2023 as follows:

- (i) At 30 June 2023, the Group's borrowings of approximately RMB239,606,216 (31 December 2022: RMB239,897,009) were secured by the 100% equity interest in 台州溫商時代置業有限公司 (Taizhou Wenshang Times Property Limited\*) ("**Wenshang Times**"), a subsidiary of the Company.

At 30 June 2023, the Group's borrowings of approximately RMB1,114,606,216 (31 December 2022: RMB1,114,897,009) were secured by the Group's investment properties with aggregate carrying values of approximately RMB918,200,000 (2022: RMB936,100,000).

- (ii) At 31 December 2022, the Group's borrowings of approximately RMB164,858,329 were secured by completed properties held for sale Hangzhou Xinming, a subsidiary of the Company with carrying amount of approximately RMB88,300,000.

- (iii) At 30 June 2023, the Group's borrowings of approximately RMB239,606,216 (31 December 2022: RMB239,897,009) 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.

At 30 June 2023, the Group's borrowings of approximately RMB824,464,545 (31 December 2022: RMB824,755,338) were jointly guaranteed by (i) the Controlling Shareholders, Mr. Chen Chengshou, (ii) the non-executive director, Ms. Gao Qiaoqin, and (iii) a subsidiary of the Company.

At 30 June 2023, the Group's borrowings of approximately RMB455,000,000 (31 December 2022: RMB455,000,000) were jointly guaranteed by (i) the Controlling Shareholders, 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 and (v) a subsidiary of the Company.

## 15. CONVERTIBLE BONDS

On 1 June 2018, the Company issued convertible bonds in the aggregate principal amount of HK\$300,000,000 (equivalent to approximately RMB256,115,000 (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 31 May 2020 and the outstanding principal amount was not yet settled up to 30 June 2023.

\* For identification purposes only



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

	<i>RMB'000</i>
At 1 January 2023 (audited)	268,848
Exchange difference	1,907
	<hr/>
At 30 June 2023	270,755
	<hr/> <hr/>

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

Details of the fair value measurement are set out in note 16.

## 16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	At 30 June 2023 <i>RMB'000</i> (Unaudited)	At 31 December 2022 <i>RMB'000</i> (Audited)	At 30 June 2023 <i>RMB'000</i> (Unaudited)	At 31 December 2022 <i>RMB'000</i> (Audited)
<b>Financial liabilities</b>				
Convertible bonds	<u>270,755</u>	<u>268,848</u>	<u>270,755</u>	<u>268,848</u>

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

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

### Fair value hierarchy

#### *Liabilities measured at fair value*

	Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Convertible bonds</b>				
At 30 June 2023 (Unaudited)	<u>–</u>	<u>–</u>	<u>270,755</u>	<u>270,755</u>
At 31 December 2022 (Audited)	<u>–</u>	<u>–</u>	<u>268,848</u>	<u>268,848</u>

*At 30 June 2023 and 31 December 2022*

<b>Liability</b>	<b>Fair value hierarchy</b>	<b>Valuation technique</b>	<b>Unobservable input</b>	<b>Relationship of unobservable inputs to fair value</b>
Convertible bonds	Level 3	Discounted cash flow method	Discount rate	The higher the discount rate, the lower the fair value

During the six months ended 30 June 2023, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfer into or out of Level 3 for both financial assets and financial liabilities.

The details of the movements of the recurring fair value measurements categorised as Level 3 of the fair value hierarchy are as follows:

	<b>Convertible bonds</b> <i>RMB'000</i>
At 1 January 2023 (audited)	268,848
Change in fair value	<u>1,907</u>
<b>At 30 June 2023 (unaudited)</b>	<b><u><u>270,755</u></u></b>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

(Including financial review)

### **RESULTS REVIEW**

The Group's total revenue for the Period was approximately RMB233.0 million, representing an approximate increase of 9 times from approximately RMB23.2 million for the corresponding period of last year.

Loss attributable to owners of the Company for the Period was approximately RMB251.5 million, representing an approximate decrease of 73.2% in loss as compared with loss of approximately RMB939.9 million for the corresponding period of last year.

During the Period, loss per share was approximately RMB0.134 (six months ended 30 June 2022: RMB0.500).

As at 30 June 2023, the Group's total assets amounted to approximately RMB2,233.8 million (31 December 2022: approximately RMB2,626.8 million), while total liabilities amounted to approximately RMB4,882.3 million (31 December 2022: approximately RMB4,993.7 million); total deficits was approximately RMB2,648.5 million (31 December 2022: approximately RMB2,366.9 million), and net liabilities per share was approximately RMB1.41 (31 December 2022: net liabilities per share of approximately RMB1.26).

During the Period, the Group recorded revenue from sales of properties of approximately RMB230.9 million, representing an increase of approximately 7.7 times compared to that of the same period of last year. It was mainly due to the return to normal status and release of purchasing power after pandemic.

### **BUSINESS AND FINANCIAL OVERVIEW**

During the Period, the Group recorded a total revenue of approximately RMB233.0 million, representing an increase of approximately 9 times from approximately RMB23.2 million of the same period of last year. The sales revenue and GFA of delivered properties were approximately RMB230.9 million and approximately 34,870 sq.m., respectively, representing respective increase of approximately 7.7 times and 37.5 times as compared to the corresponding period of last year; The average selling price for the contracted sales was approximately RMB6,621 per sq.m., representing a significant increase of approximately 103.3% compared with approximately RMB3,257 per sq.m. for the corresponding period of last year. It was mainly due to the pandemic impact during the Period which resulted in weak demands in commercial properties market. In order to sell the remaining commercial properties inventory of Wenshang Times, Taizhou Xinming Peninsular and Xinming Lijiang Garden 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 RMB251.5 million, representing a decrease of 73.2% from a loss of approximately RMB939.9 million for the corresponding period of last year. The significant decrease in loss was mainly because the recovery of sales and business activities after release of government pandemic control.

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2023.

As at 30 June 2023, the Group's total assets amounted to approximately RMB2,233.8 million (31 December 2022: approximately RMB2,626.8 million). Total liabilities were approximately RMB4,882.3 million (31 December 2022: approximately RMB4,993.7 million), total deficits was approximately RMB2,648.5 million (31 December 2022: total deficits of approximately RMB2,366.9 million), and net liabilities per share was approximately RMB1.41 (31 December 2022: net liabilities per share of approximately RMB1.26).

## SALES

During the Period, the Group recorded a total revenue of approximately RMB233.0 million, representing an approximate 9 times increase from approximately RMB23.2 million for the corresponding period of last year. During the Period, property sales revenue was approximately RMB230.9 million, representing approximately 99.1% of its total revenue. Total GFA sold was approximately 34,870 sq.m., representing an increase of approximately 37.5 times as compared to the same period of last year, which was mainly attributed to the recovery of sales and business activities after release of government pandemic control.

The following table shows revenue by operating segment for the periods indicated:

	<b>For the six months ended 30 June</b>			
	<b>2023</b>		<b>2022</b>	
	<i>(RMB million)</i>	<i>(%)</i>	<i>(RMB million)</i>	<i>(%)</i>
	<b>(Unaudited)</b>		<b>(Unaudited)</b>	
Sales of properties	<b>230.9</b>	<b>99.1</b>	2.9	12.6
Rental income	<b>2.1</b>	<b>0.9</b>	20.2	87.4
Total revenue	<b><u>233.0</u></b>	<b><u>100</u></b>	<b><u>23.1</u></b>	<b><u>100</u></b>

## Property sales

During the Period, the Group recorded property sales revenue of approximately RMB230.9 million, representing an increase of approximately RMB227.9 million or 7.7 times from approximately RMB2.9 million for the same period of last year. This was mainly because of the recovery of sales and business activities after release of government pandemic control. The GFA delivered of the property sales during the Period increased from approximately 905.76 sq.m. for the same period of last year to approximately 34,870 sq.m..

## **Property leasing**

The Group carries out property leasing business through leasing its commercial properties held for investment and leasing the sold commercial properties leased back from third parties purchasers by the Group. As of 30 June 2023, the actual area leased out of the Group's investment properties held-for-lease and the sold commercial properties leased back from third parties purchasers was approximately 28,286.78 sq.m., representing approximately 45.5% of the total investment properties held-for-lease and the sold commercial properties leased back from third parties purchasers.

During the Period, rental income amounted to approximately RMB2.1 million, representing a decrease of approximately RMB18.1 million or 89.6% from approximately RMB20.2 million for the same period of last year, mainly due to the Group's adjustment of plans during the Period which adjusted the rental area of such property and caused most of the tenants to move out, resulting in a decrease in rental.

## **Gross profit**

During the Period, gross profit amounted to approximately RMB35.9 million, representing an increase of approximately RMB17.3 million or approximately 93.1% compared to RMB18.6 million for the same period of last year. Gross profit margin was approximately 15.4%, a decrease compared to approximately 80.3% in the same period of last year, due to the decrease in the portion of rental income from 87.3% in the same period of last year to 0.9% 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 2023.

## **Other income and gains and losses**

During the Period, other income and gains and losses amounted to approximately RMB(4.1) million compared to approximately RMB4.9 million for the same period of last year, which was mainly derived from the exchange losses 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 RMB21.6 million, representing a decrease of approximately RMB15.6 million or approximately 41.9% compared to approximately RMB37.2 million for the same period last year. Selling and distribution expenses decreased by approximately RMB5.3 million, mainly due to the reduction of merchandising activities of commercial projects. Administrative expenses decreased by approximately RMB10.3 million, mainly due to the adoption of cost control measures over the Group.

## Other expenses

During the Period, other expenses amounted to approximately RMB226.5 million, representing a decrease of approximately RMB108.0 million or approximately 32.3% as compared to approximately RMB334.5 million for the same period of last year. During the Period, (i) the impairment of certain completed properties held for sale of approximately RMB9.0 million was adversely impacted by the domestic commercial properties market, resulting in the expected decrease of realisable value; (ii) liquidated damages on borrowings amounted to approximately RMB157.0 million. Breakdown of other expenses is set out below:

	For the six months ended 30 June	
	2023 <i>RMB million</i>	2022 <i>RMB million</i>
Liquidated damages on borrowings	157.0	279.2
Impairment of properties under development	50.0	–
Impairment of completed properties held for sale	9.0	55.1
Others	10.5	0.2
Total	<u>226.5</u>	<u>334.5</u>

## Operating loss

During the Period, the operating loss was approximately RMB270.6 million, representing a decrease of approximately RMB872.5 million or approximately 76.3% compared to the loss of approximately RMB1,143.1 million for the same period of last year, mainly due to the recovery from sales of properties.

## Changes in fair value of investment properties

During the Period, the loss on changes in fair value of investment properties amounted to approximately RMB17.9 million, representing a decrease in the loss of approximately RMB77.1 million compared to the loss on changes of approximately RMB95.0 million for the same period of last year. Such decrease was mainly due to recovery of market condition after pandemic period.

## Net finance costs

During the Period, finance costs amounted to approximately RMB36.4 million, representing an increase of approximately RMB34.7 million or approximately 21.1 times compared to approximately RMB1.6 million for the same period of last year. This was mainly due to a decrease in the proportion of capitalised interest.

## Income tax credit/expenses

During the Period, income tax expenses amounted to approximately RMB11.0 million, representing an increase of approximately RMB183.2 million, as compared with the income tax credit of approximately RMB172.2 million for the same period of last year. This was mainly due to change on deferred tax movement.

## Loss attributable to owners of the Company

During the Period, the loss attributable to owners of the Company amounted to approximately RMB251.5 million, representing a decrease in loss of approximately RMB688.4 million or 73.2% compared to the loss of approximately RMB939.9 million for the corresponding period of last year. The basic loss per share decreased to approximately RMB0.134 compared to approximately RMB0.500 for the same period of last year.

## Business performance

The table below sets forth a summary of our property sales 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	245.1	0.7	2,856
Xinming Lijiang Garden	Jiaojiang District, Taizhou City	Residential and commercial	–	–	4,408
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	–	–	2,984
Shanghai Xinming • Children’s World	Jiading District, Shanghai Municipality	Commercial	–	–	–
Xingmeng International Commercial City	Tengzhou City, Shandong Province	Residential and commercial	34,625	230.2	6,649
Hangzhou Xinming • Children’s World	Gongshu District, Hangzhou City	Commercial	–	–	–
Total			<u>34,870</u>	<u>230.9</u>	<u>6,621</u>

## **Land reserve**

As at 30 June 2023, the Group's property portfolio included 7 property development projects in cities throughout China. These were at different stages of development, with total GFA amounting to approximately 407,443 sq.m., of which approximately 306,443 sq.m. were completed. Approximately 22,000 sq.m. were still under development, and approximately 79,000 sq.m. were being held for future development.

Since the publication of the Group's annual report for the year ended 31 December 2022, there was no material change in the possible future development of the Group's business and the Group's outlook for the Period.

## **Cash and cash equivalents**

As at 30 June 2023, the Group's cash and bank deposits, including restricted cash, were a total of approximately RMB1.8 million (31 December 2022: approximately RMB8.0 million), representing a decrease of approximately RMB6.2 million or approximately 77.7%.

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

As at 30 June 2023, the sum of trade receivables, prepayments, other receivables and other assets of the Group was approximately RMB42.9 million, representing a decrease of approximately RMB14.7 million or approximately 25.5% compared to approximately RMB57.5 million as at 31 December 2022 due to the decrease in subcontractor deposits.

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

As at 30 June 2023, the sum of trade payables, contract liabilities, other payables and accruals of the Group was approximately RMB2,278.5 million, representing a decrease of approximately RMB131.1 million or approximately 5.4% as compared to approximately RMB2,409.7 million as at 31 December 2022 due to the relevant interest penalty and penalty provision for loan default amount charged.

## **Assets and liabilities**

As at 30 June 2023, the Group's total assets were approximately RMB2,233.8 million, representing a decrease of approximately RMB393.0 million compared to approximately RMB2,626.8 million as at 31 December 2022. Total current assets were approximately RMB1,108.8 million, representing a decrease of approximately RMB379.0 million from approximately RMB1,487.8 million as at 31 December 2022 and accounting for approximately 49.6% of total assets (31 December 2022: 56.6%). Total non-current assets were approximately RMB1,125.1 million, representing a decrease of approximately RMB14.0 million from approximately RMB1,139.1 million as at 31 December 2022 and accounting for approximately 50.4% of total assets (31 December 2022: 43.4%).



As at 30 June 2023, the Group's total liabilities were approximately RMB4,882.3 million, representing a decrease of approximately RMB111.4 million compared to approximately RMB4,993.7 million as at 31 December 2022. Total current liabilities were approximately RMB4,716.5 million, representing a decrease of approximately RMB113.9 million compared to approximately RMB4,830.4 million as at 31 December 2022 and accounting for approximately 96.6% of total liabilities (31 December 2022: 96.7%). Total non-current liabilities were approximately RMB165.8 million, representing an increase of approximately RMB2.5 million from approximately RMB163.3 million as at 31 December 2022 and accounting for approximately 3.4% of total liabilities (31 December 2022: approximately 3.3%).

As at 30 June 2023, the Group had net current liabilities of approximately RMB3,607.7 million, representing an increase of approximately RMB265.1 million from approximately RMB3,342.6 million as at 31 December 2022.

### **Current ratio**

As at 30 June 2023, the current ratio of the Group, being the ratio of the current assets divided by the current liabilities, was 0.24:1 (31 December 2022: 0.31:1).

### **Gearing ratio**

As at 30 June 2023, the gearing ratio of the Group was (140.8)% (31 December 2022: (186.5)%) as calculated by interest-bearing bank and other borrowings and convertible bonds, 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 convertible bonds bear interest at a rate of 6.5% plus 1% handling fee per annum, and the interest is payable in arrears every half year. The convertible bonds can be converted into shares at the conversion price of HK\$1.39 per 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 RMB270.8 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 interest-bearing bank and other borrowings denominated in Renminbi of the Group as of 30 June 2023 were approximately RMB1,279.5 million (31 December 2022: RMB1,279.8 million).

## Borrowings

As at 30 June 2023, the Group's total interest-bearing bank and other borrowings were approximately RMB1,279.5 million, compared to approximately RMB1,279.8 million as at 31 December 2022. Details of the borrowings are set out in note 14 to the condensed consolidated financial statements.

The Group's interest-bearing bank and other borrowings repayable on demand or within one year were approximately RMB1,279.5 million, compared to approximately RMB1,279.8 million as at 31 December 2022. Details of the borrowings are set out in note 14 to the condensed consolidated financial statements.

## Disclaimer of opinion of 2022 annual report

As at 30 June 2023, interest payments of RMB407.4 million relating to certain borrowings of the Group of a principal amount of RMB1,279.5 million ("**Outstanding Borrowings**") were not paid in accordance with the repayment schedules pursuant to the borrowing agreements which constituted events of defaults.

The Company remains committed to address the audit modification disclosed in the 2022 annual results announcement dated 20 September 2024. In this regard, the Management has 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 various financial institutions on the renewal of or extension for repayment of outstanding borrowings, including those with overdue principals and interests. The Management has been continuously negotiating with the Group's existing lenders on the renewal of or extension for repayment of outstanding borrowings 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 and hope to extend the due date and the repayment schedules of the outstanding borrowings. As of 30 June 2023, the outstanding amount of the total principal is RMB1,279.5 million, and the overdue the outstanding amount of the total interests is approximately RMB407.4 million. As of the date of this announcement,

other than the ongoing court auction in respect of certain properties held by Hangzhou Xinming, there is no other court proceedings relating to the outstanding borrowings of the Group.

- (ii) continuously negotiating with various financial institutions and potential lenders/ investors to identify various opportunities for additionally financing the Group's working capital and commitments in the foreseeable future. As of the date of this announcement, the Company negotiated with current and other banks and financial institutions using the lands held by the Group as guarantees on the additional financing.
- (iii) accelerating the pre-sale and sale of properties under development and completed properties, such as Shandong Project and controlling costs and containing capital expenditure so as to generate adequate net cash inflows for the Group. As at the date of this announcement, the sale of the phase 3 of Shandong Project was completed. The pre-sale of the phase 4 of Shandong residential project has commenced since September 2023. Majority of the net proceeds from the Shandong Project has been and will be used for the repayment of the outstanding borrowings.
- (iv) actively procuring and formulating the preliminary terms with large property developers to sell individual property development projects or whole commercial properties at an appropriate price. The Company has been negotiating with certain potential purchaser regarding the sale of the whole Shanghai property development project. The management estimated that most of the net proceeds from the Shanghai Project will be used for the repayment of the outstanding borrowing. The sale of the Shanghai Project might constitute a transaction of the Company subject to announcement pursuant to Chapter 14 of the Listing Rules and subject to the relevant requirements under the Listing Rules.
- (v) actively accelerate the de-stocking of its properties by selling the residential property in Shandong and the whole or portion of commercial properties in Taizhou, Hangzhou and Shanghai as a package, with a view to accelerating the recovery of working capital to improve its liability and financial gearing conditions.

Taking into account the above plan and measures, 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(s) setting out any developments and updates on the renewal of or extension for repayment of Outstanding Borrowings and the re-financing of such borrowings.

### **Significant investments held**

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

### **Future plans for material investment and capital assets**

The Group had no other 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 2023, the Group provided guarantees for the mortgage loans given by certain purchasers of approximately RMB30.6 million (31 December 2022: approximately RMB237.0 million).

### **Asset guarantees**

As at 30 June 2023, the Group had pledged or restricted bank deposits of approximately RMB0.5 million (31 December 2022: approximately RMB0.5 million). In addition, a portion of the other borrowings of the Group were secured by several properties under 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, his son and daughter, Mr. 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 million in respect of purchase of property, plant and equipment (six months ended 30 June 2022: approximately RMB0 million).

### **Capital commitments**

As at 30 June 2023, capital commitments related to activities of properties under development were approximately RMB3.7 million (31 December 2022: approximately RMB5.4 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 foreign exchange rate fluctuation risk and has not engaged in foreign currency hedging policies. However, the Group will closely monitor the foreign 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 2023, the Group has a total of 56 employees (as at 30 June 2022: a total of 63 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 C1 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 C.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 C3 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 five independent non-executive Directors, Mr. Khor Khie Liem Alex (being the chairman of the Audit Committee), Mr. Chiu Kung Chak, Mr. Lau Wai Leung, Alfred, Ms. Huang Chunlian and Ms. Lee Yin Man. 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

The Group has no significant events took place after the end of the period.

## PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT ON WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The interim results announcement has been published on the websites of the Company (www.xinm.com.cn) and the Stock Exchange (www.hkexnews.hk). The 2023 interim report will be dispatched to shareholders in due course and will also be available at the Company’s and the Stock Exchange’s websites in due course.

## CONTINUED SUSPENSION OF TRADING

Reference is made to the announcement of the Company dated 23 June 2023, whereby the Company received a letter from the Stock Exchange setting out the guidance for the resumption of trading in the shares of the Company on the Stock Exchange.

Trading in the shares of the Company on the Stock Exchange will remain suspended until further announcement by the Company. Shareholders and potential investors should exercise caution when dealing in shares of the Company.

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

Hangzhou, the PRC  
20 September 2024

*As at the date of this announcement, the executive Directors are Mr. Chen Chengshou, Mr. Feng Cizhao, Mr. Cao Zhiqiang and Mr. Zhou Fenli; the non-executive Directors are Ms. Gao Qiaoqin, Mr. Choi Clifford Wai Hong and Mr. Zhou Zhencun; and the independent non-executive Directors are Mr. Khor Khie Liem Alex, Mr. Chiu Kung Chak, Mr. Lau Wai Leung, Alfred, Ms. Huang Chunlian and Ms. Lee Yin Man.*

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