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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 2022

INTERIM RESULTS HIGHLIGHTS

- Revenue of the Group amounted to approximately RMB23.1 million, representing a decrease of approximately 25.7% as compared to the same period of last year.
- Gross profit of the Group amounted to approximately RMB18.6 million, representing a decrease of approximately 28.8% as compared to the same period of last year.
- Loss attributable to the owners of the Company was approximately RMB939.9 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 RMB0.500.
- The Board did not recommend the payment of interim dividend for the six months ended 30 June 2022.

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 2022 (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 2021.

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

		For the six months ended 30 June	
		2022	2021
		RMB'000	RMB'000
	<i>Notes</i>	(Unaudited)	(Unaudited)
REVENUE	4	23,167	31,086
Cost of sales		<u>(4,568)</u>	<u>(4,980)</u>
Gross profit		18,599	26,106
Other income and gains	5	4,901	2,370
Selling and distribution costs		(7,699)	(12,065)
Administrative expenses		(29,542)	(21,319)
Other expenses		(334,535)	(292,037)
Changes in fair value of investment properties	11	(95,000)	3,000
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>(1,645)</u>	<u>(656)</u>
LOSS BEFORE INCOME TAX	6	(1,143,114)	(294,601)
Income tax credit (expenses)	7	<u>172,237</u>	<u>(981)</u>
LOSS FOR THE PERIOD AND TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		<u>(970,877)</u>	<u>(295,582)</u>
LOSS FOR THE PERIOD AND TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		(939,857)	(286,529)
Non-controlling interests		<u>(31,020)</u>	<u>(9,053)</u>
		<u>(970,877)</u>	<u>(295,582)</u>
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	9		
Basic (RMB)		<u>(0.500)</u>	<u>(0.153)</u>
Diluted (RMB)		<u>(0.500)</u>	<u>(0.153)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2022 <i>RMB'000</i> (Unaudited)	At 31 December 2021 <i>RMB'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		721	746
Investment properties	11	1,924,000	2,988,000
Deferred tax assets		76,087	76,087
		<u>2,000,808</u>	<u>3,064,833</u>
CURRENT ASSETS			
Properties under development		659,682	850,985
Completed properties held for sale		1,277,616	1,140,728
Trade receivables	12	43,953	33,515
Prepayments, other receivables and other assets		137,014	113,068
Restricted deposits		520	326
Cash and cash equivalents		14,615	20,219
		<u>2,133,400</u>	<u>2,158,841</u>
CURRENT LIABILITIES			
Trade payables	13	248,462	322,213
Other payables and accruals	14	1,500,950	1,279,694
Contract liabilities		573,097	432,901
Interest-bearing bank and other borrowings	15	1,314,859	1,561,250
Tax payable		882,650	881,915
Convertible bonds	16	256,115	244,512
		<u>4,776,133</u>	<u>4,722,485</u>
NET CURRENT LIABILITIES		<u>(2,642,733)</u>	<u>(2,563,644)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(641,925)</u>	<u>501,189</u>

	At 30 June 2022 <i>RMB'000</i> (Unaudited)	At 31 December 2021 <i>RMB'000</i> (Audited)
NON-CURRENT LIABILITIES		
Deferred tax liabilities	<u>306,233</u>	<u>478,470</u>
	<u>306,233</u>	<u>478,470</u>
NET (LIABILITIES) ASSETS	<u><u>(948,158)</u></u>	<u><u>22,719</u></u>
EQUITY		
Issued capital	14,880	14,880
Reserves	<u>(934,219)</u>	<u>5,638</u>
	<u>(919,339)</u>	20,518
Non-controlling interests	<u>(28,819)</u>	<u>2,201</u>
TOTAL (DEFICITS) EQUITY	<u><u>(948,158)</u></u>	<u><u>22,719</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
OPERATING ACTIVITIES		
Loss before income tax	(1,143,114)	(294,601)
Adjustments for:		
Bank interest income	(32)	(99)
Changes in fair value of convertible bonds	11,603	—
Changes in fair value of investment properties	95,000	(3,000)
Depreciation of property, plant and equipment	25	51
Finance costs	1,645	656
Impairment of completed properties held for sale	55,083	—
Impairment of properties under development	—	65,364
Interest penalties	279,286	206,912
Loss on court-ordered sale of an investment property	686,590	—
Write off of property, plant and equipment	—	3,020
	<hr/>	<hr/>
Operating cash flows before changes in working capital	(13,914)	(21,697)
Changes in working capital:		
Properties under development and completed properties held for sale	3,311	(73,463)
Trade receivables	(10,438)	(6,427)
Prepayments, other receivables and other assets	(23,946)	29,942
Restricted deposits	(194)	(260)
Trade payables	(73,751)	3,595
Other payables and accruals	(14,436)	(3,667)
Contract liabilities	140,196	190,760
	<hr/>	<hr/>
Cash generated from operations	6,828	118,783
	<hr/>	<hr/>
Tax refunded (paid)	735	(12,285)
	<hr/>	<hr/>
NET CASH FROM OPERATING ACTIVITIES	7,563	106,498

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
INVESTING ACTIVITIES		
Bank interest income	32	99
Purchases of property, plant and equipment	—	(12)
	<u>32</u>	<u>(12)</u>
NET CASH FROM INVESTING ACTIVITIES	32	87
FINANCING ACTIVITIES		
Interest paid	(3,199)	(36,453)
New borrowings raised (<i>Note 14</i>)	33,000	—
Repayment of interest-bearing bank and other borrowings	—	(8,523)
Repayment of BE City Loan (<i>Note 14</i>)	(43,000)	(30,000)
	<u>(13,199)</u>	<u>(74,976)</u>
NET CASH USED IN FINANCING ACTIVITIES	(13,199)	(74,976)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		
	(5,604)	31,609
Cash and cash equivalents at the beginning of the reporting period	<u>20,219</u>	<u>5,249</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD, REPRESENTED BY BANK BALANCES AND CASH	<u>14,615</u>	<u>36,858</u>

Major non-cash transaction:

During the six months ended 30 June 2022, the net proceed from the court-ordered sale of an investment property of approximately RMB267,214,000 after deduction of transaction cost and other tax was used for partial settlement of the Group's borrowings. Details of the court-ordered sale of an investment property are set out in note 11.

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 2022 (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 2021, 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 2021 (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 RMB970,877,000 for the six months ended 30 June 2022. At 30 June 2022, the Group’s current liabilities exceeded its current assets by approximately RMB2,642,733,000.

At 30 June 2022, borrowings with total principal amount of approximately RMB1,294,037,000 and convertible bonds amounting approximately RMB256,115,000 and interest payable of approximately RMB224,286,000 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 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 IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to IAS 16	Proceeds before Intended Use
Amendments to IAS 37	Cost of Fulfilling a Contract
Amendments to IFRS 3	Reference to the Conceptual Framework
Annual Improvements to IFRSs	2018–2020 Cycle

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 2022

	Property development RMB'000	Property leasing RMB'000	Others RMB'000	Consolidated RMB'000
Segment revenue				
Sales to external customers	<u>2,948</u>	<u>20,219</u>	<u>—</u>	<u>23,167</u>
Segment results				
	<u>(280,571)</u>	<u>(785,405)</u>	<u>(77,138)</u>	<u>(1,143,114)</u>
Loss before income tax				<u>(1,143,114)</u>
Other segment information				
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	<u>—</u>	<u>686,590</u>	<u>—</u>	<u>686,590</u>

For the six months ended 30 June 2021

	Property development <i>RMB'000</i>	Property leasing <i>RMB'000</i>	Others <i>RMB'000</i>	Consolidated <i>RMB'000</i>
Segment revenue				
Sales to external customers	2,431	28,655	—	31,086
Segment results				
	(196,277)	(24,583)	(73,741)	(294,601)
Loss before income tax				(294,601)
Other segment information				
Additions to property, plant and equipment	12	—	—	12
Bank interest income	13	86	—	99
Changes in fair value of investment properties (gain)	—	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	3,020	—	—	3,020

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 2022 and 2021.

4. REVENUE

	For the six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Revenue from contracts with customers within IFRS 15		
Sales of properties	2,948	2,431
Revenue from other sources		
Gross rental income from investment properties operating leases		
— other lease payments, including fixed payments	20,219	28,655
	<u>23,167</u>	<u>31,086</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	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Geographical region:		
— The PRC	<u>2,948</u>	<u>2,431</u>
Timing of revenue recognition:		
— at a point in time	<u>2,948</u>	<u>2,431</u>
Type of transaction price:		
— fixed price	<u>2,948</u>	<u>2,431</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	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
Other income		
Bank interest income	32	99
Government grants	32	10
Others	234	679
	<u>298</u>	<u>788</u>
Gains		
Exchange gain, net	4,603	1,582
	<u>4,603</u>	<u>1,582</u>
	<u>4,901</u>	<u>2,370</u>

6. LOSS BEFORE INCOME TAX

This is stated after charging (crediting):

	For the six months ended 30 June	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
Finance costs		
Interest on interest-bearing bank and other borrowings	5,624	103,139
Interest expense arising from revenue contracts	—	572
	<u>5,624</u>	<u>103,711</u>
Total interest expenses	5,624	103,711
Less: Interest capitalised	(3,979)	(103,055)
	<u>(3,979)</u>	<u>(103,055)</u>
Total finance costs	<u>1,645</u>	<u>656</u>

	For the six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Staff costs (excluding directors' emoluments)		
Salaries, allowances and benefits-in-kind	4,927	10,434
Contribution to defined contribution plans	<u>1,041</u>	<u>1,279</u>
	<u>5,968</u>	<u>11,713</u>
Other items		
Auditor's remuneration	213	208
Cost of properties sold	1,331	1,935
Cost of leasing properties	3,237	3,045
Depreciation of property, plant and equipment	25	51
Impairment of properties under development (included in "other expenses")	—	65,364
Impairment of completed properties held for sale (<i>Note 10</i>)	55,083	—
Interest penalties (included in "other expenses")	279,286	206,912
Lease payments not included in the measurement of lease liabilities	374	116
Write off of property, plant and equipment	<u>—</u>	<u>3,020</u>

7. INCOME TAX

	For the six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current tax		
PRC Enterprise Income Tax	—	56
Land appreciation tax ("LAT")	<u>—</u>	<u>175</u>
	—	231
Deferred tax	<u>(172,237)</u>	<u>750</u>
Total income tax (credit) expenses for the period	<u>(172,237)</u>	<u>981</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 2022 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 2022 (six months ended 30 June 2021: nil).

9. LOSS PER SHARE

For the six months ended 30 June 2022, the calculation of the basic loss per share is based on the loss for the period attributable to owners of the Company amounting approximately RMB 939,857,000 (30 June 2021: RMB286,529,000), and the weighted average number of ordinary shares of 1,878,622,000 (30 June 2021: 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 2022 and 2021.

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 RMB55,083,000 was recognised in profit or loss during the six months ended 30 June 2022.

No impairment of the completed properties held for sale was recognised in profit or loss during the six months ended 30 June 2021.

11. INVESTMENT PROPERTIES

	<i>RMB'000</i>
At 1 January 2022 (audited)	2,988,000
Disposal upon court-ordered sale (<i>Note</i>)	(969,000)
Changes in fair value	<u>(95,000)</u>
At 30 June 2022 (unaudited)	<u><u>1,924,000</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 2022 based on valuations performed by an independent professionally qualified valuer at approximately RMB1,924,000,000 (2021: RMB2,988,000,000).

At 30 June 2022, the Group's investment properties with aggregate values of RMB1,924,000,000 (2021: RMB2,988,000,000) were pledged to secure interest-bearing bank and other borrowings granted to the Group (note 15).

Note:

In January 2022, 浙江省浙商資產管理有限公司 (Zhejiang Zheshang Asset Management Company Limited*) ("**Zhejiang Zheshang**") has filed an enforcement notice applying to 浙江省溫州市中級人民法院 (Zhejiang Wenzhou Intermediate People's Court*) (the "**Wenzhou Court**") for an enforcement order to auction and sell the entire ownership of the investment property held by Wenshang Times located at Wenshang Times Red Star Macalline Household Products Market, No. 1990 Donghuan Road, Jiaojiang District, Taizhou City, Zhejiang Province, The PRC (the "**Taizhou Properties**") since Wenshang Times was unable to repay the overdue borrowings with principal amount of RMB493,000,000 together with interest and penalty payments not less than RMB95 million to Zhejiang Zheshang (the "**Total Outstanding Sum**").

On 13 May 2022, the Wenzhou Court proceeded to hold an initial auction. On 31 May 2022, Wenshang Times received an auction confirmation (the "**Auction Confirmation**") issued by the Wenzhou Court. Under the Auction Confirmation, the entire ownership of the Taizhou Properties has been auctioned off to an independent third party at the auction price of RMB282,410,000 to repay the Total Outstanding Sum.

At 31 December 2021, the Taizhou Properties were stated at fair value of RMB969,000,000 and accordingly the loss on court-ordered sale of approximately RMB686,590,000 was charged to profit or loss for the six months ended 30 June 2022.

Details of above are set out in the Company's announcement dated 31 May 2022.

* *English name is for identification purpose only.*

12. TRADE RECEIVABLES

	At 30 June 2022 <i>RMB'000</i> (Unaudited)	At 31 December 2021 <i>RMB'000</i> (Audited)
Trade receivables	68,228	57,790
Less: Allowance for impairment	<u>(24,275)</u>	<u>(24,275)</u>
	<u>43,953</u>	<u>33,515</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 2022 <i>RMB'000</i> (Unaudited)	At 31 December 2021 <i>RMB'000</i> (Audited)
Within one year	41,306	33,515
More than one year	<u>2,647</u>	<u>—</u>
	<u>43,953</u>	<u>33,515</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 2022 <i>RMB'000</i> (Unaudited)	At 31 December 2021 <i>RMB'000</i> (Audited)
Past due		
Within 1 year	41,306	33,515
More than 1 year	<u>2,647</u>	<u>—</u>
	<u>43,953</u>	<u>33,515</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 2022 <i>RMB'000</i> (Unaudited)	At 31 December 2021 <i>RMB'000</i> (Audited)
Less than one year	16,477	239
Over one year	<u>231,985</u>	<u>321,974</u>
	<u><u>248,462</u></u>	<u><u>322,213</u></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 RMB43,000,000 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 (“**BE Investment Loan**”). The BE Investment Loan was secured by a charge on 75% equity interest in a subsidiary of the Company and a corporate guarantee of a subsidiary of the Company (collectively the “**Charges**”).

During the six months ended 30 June 2022, BE City Investment, 北控城市開發有限公司 (BE City Development Limited) (“**BE City Development**”) and the Group entered into a loan transfer agreement pursuant to which BE City Development has provided a loan of RMB33,000,000 in cash to the Group for partial settlement of BE Investment Loan and the Charges were transferred to loan from BE City Development upon full settlement of BE Investment Loan. The remaining balance of BE Investment Loan of RMB10,000,000 was also settled during the six months ended 30 June 2022.

At 30 June 2022, the loan from BE City Development of RMB39,000,000 (“**BE Development Loan**”) which carries interest rate of 24% per annum and is repayable within one year. The BE Development Loan was secured by charge on 75% equity interest in a subsidiary of the Company and corporate guarantee of a subsidiary of the Company.

* *English name is for identification purpose only.*

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	At 30 June 2022			At 31 December 2021		
	Effective interest rate %	Maturity	RMB'000 (Unaudited)	Effective interest rate %	Maturity	RMB'000 (Audited)
Current						
Current portion of long term bank and other borrowings, secured	<u>6.80-15.00</u>	<u>On demand or within one year</u>	<u>1,314,859</u>	<u>6.80-11.50</u>	<u>On demand or within one year</u>	<u>1,561,250</u>
				At	At	
				30 June	31 December	
				2022	2021	
				RMB'000	RMB'000	

Analysed into:

Bank and other borrowings repayable on demand or within one year

1,314,859 1,561,250

At 30 June 2022, the Group's borrowings amounting approximately RMB1,294,037,000 (31 December 2021: RMB1,561,250,000) were overdue pursuant to the relevant agreement which constituted events of defaults.

In connection with the default and cross-default borrowings (if applicable), the Group was subject to a penalty of approximately RMB817,400,000 (31 December 2021: RMB535,499,000) which were included in other payables and accruals at 30 June 2022.

The Group's borrowings are secured by the pledges of the following assets at 30 June 2022 as follows:

- (i) The Group's borrowings of approximately RMB225,786,000 (31 December 2021: RMB493,000,000) were secured by the 100% (31 December 2021: 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.

The Group's borrowings of approximately RMB1,100,786,000 (31 December 2021: RMB1,368,000,000) were secured by the Group's investment properties with aggregate carrying values of approximately RMB1,924,000,000 (31 December 2021: RMB2,988,000,000).

The completed properties held for sale held by 山東興盟置業有限公司 (Shandong Xinmeng Property Limited) ("Shangdong Xinmeng") with carrying amount of approximately RMB213,183,000 (31 December 2021: RMB213,183,000) was pledged for the Group's borrowing of approximately RMB225,786,000 (31 December 2021: RMB493,000,000).

- (ii) The Group's borrowings of approximately RMB193,250,000 (31 December 2021: RMB193,250,000) 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 RMB229,438,000 (31 December 2021: RMB229,000,000).
- (iii) The Group's borrowings of approximately RMB225,786,000 (31 December 2021: RMB493,000,000) 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 RMB613,251,000 (31 December 2021: RMB613,251,000) 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 RMB455,000,000 (31 December 2021: RMB455,000,000) were jointly guaranteed by (i) the Controlling Shareholder, Mr. Chen Chengshou, (ii) the non-executive director, Ms. Gao Qiaoqin, (iii) Xinming Group Limited, a related party of the Group, (iv) Miss Chen Xi and Mr. Chen Junshi, the daughter and 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 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 2022.

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 2022 (audited)	244,512
Change in fair value	11,603
	<hr/>
At 30 June 2022 (unaudited)	256,115
	<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 19.

17. CAPITAL COMMITMENTS

	At 30 June 2022 <i>RMB'000</i> (Unaudited)	At 31 December 2021 <i>RMB'000</i> (Audited)
Contracted, but not provided for properties under development	<u>426,996</u>	<u>431,390</u>

18. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the Interim Financial Statements were as follows:

	At 30 June 2022 <i>RMB'000</i> (Unaudited)	At 31 December 2021 <i>RMB'000</i> (Audited)
Guarantees in respect of mortgage facilities granted to purchasers of the Group's properties	<u>216,200</u>	<u>103,270</u>

The Group provided guarantees in respect of mortgage facilities granted by certain banks to the purchasers of the Group's completed properties held for sale. Pursuant to the terms of the guarantee agreements, in case of default on mortgage payments by the purchasers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted to banks. The Group is then entitled to take over the legal titles of the related properties. The Group's guarantee period commences from the date of grant of the relevant mortgage loan and ends after the execution of individual purchaser's collateral agreement.

The Group did not incur any material losses during the six months ended 30 June 2022 and 2021 in respect of the guarantees provided for mortgage facilities granted to purchasers of the Group's completed properties held for sale. The directors of the Company considered that in case of default on payments, the net realisable value of the related properties would be sufficient to repay the outstanding mortgage loans together with any accrued interest and penalty, and therefore no provision has been made in connection with the guarantees.

19. 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 2022 <i>RMB'000</i> (Unaudited)	At 31 December 2021 <i>RMB'000</i> (Audited)	At 30 June 2022 <i>RMB'000</i> (Unaudited)	At 31 December 2021 <i>RMB'000</i> (Audited)
Financial liabilities				
Convertible bonds	<u>256,115</u>	<u>244,512</u>	<u>256,115</u>	<u>244,512</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>
Convertible bonds				
At 30 June 2022 (Unaudited)	<u>—</u>	<u>—</u>	<u>256,115</u>	<u>256,115</u>
At 31 December 2021 (Audited)	<u>—</u>	<u>—</u>	<u>244,512</u>	<u>244,512</u>

At 30 June 2022 and 31 December 2021

Liability	Fair value hierarchy	Valuation technique	Unobservable input	Relationship of unobservable inputs to fair value
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 2022, 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:

	Convertible bonds RMB'000
At 1 January 2022 (audited)	244,512
Change in fair value	<u>11,603</u>
At 30 June 2022 (unaudited)	<u>256,115</u>

20. EVENTS AFTER THE REPORTING PERIOD

In addition to information disclosed elsewhere in the Interim Financial Statements, subsequent to 30 June 2022, the Group has the following subsequent events:

- (a) In August 2022, Zhejiang Wenzhou Intermediate People's Court (浙江省溫州市中級人民法院) has enforced an order to auction and sell the land use right held by Hangzhou Xinming Property Investment Limited (杭州新明置業投資有限公司) ("**Hangzhou Xinming**"), in respect of the 20 immovable properties located at Tower 2, Xinming Commercial Centre, Gongshu District, Hangzhou City, the PRC and Xiaohe Road, Gongshu District, Hangzhou City, the PRC which are classified as completed properties held for sale with carrying amount of approximately RMB35,924,000 since Hangzhou Xinming was unable to repay the overdue borrowings with principal amount of approximately RMB193,250,000 plus interests and penalty owed to Zhejiang Zheshang Asset Management Company Limited* (浙江省浙商資產管理有限公司) ("**Zhejiang Zheshang**").

On 29 August 2022, an auction in respect of the said land use right of Hangzhou Xinming has taken place but the said land use right had not been sold in the said auction because no bids had been received by the end of the said auction. As of the date of this announcement, the said land use right remains with Hangzhou Xinming.

For further details, please refer to the announcement of the Company dated 12 August 2022.

- (b) On 20 June 2022, the Company received a petition (the "**Petition**") from a former director of the Company, Mr. Chou Chiu Ho in the matter of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32, Laws of Hong Kong) filed in the High Court of The Hong Kong Special Administrative Region (the "**High Court**") under Companies Winding-up Proceedings No. 214 of 2022 that the Company may be wound up by the High Court on the ground that the Company is insolvent and unable to pay its debts. The Petition has been heard on 24 August 2022, at which the High Court, upon the submission from the parties including the opposing creditors, ordered that the hearing of the Petition be adjourned to Wednesday, 28 September 2022.

For further details, please refer to the announcements of the Company dated 21 June 2022, 24 June 2022 and 24 August 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

(Including financial review)

RESULTS REVIEW

The Group's total revenue for the Period was approximately RMB23.1 million, representing an approximate decrease of 25.7% from approximately RMB31.1 million for the corresponding period of last year.

Loss attributable to owners of the Company for the Period was approximately RMB939.9 million, representing an approximate increase of 2.3 times in loss as compared with loss of approximately RMB286.5 million for the corresponding period of last year.

During the Period, loss per share was approximately RMB0.5 (six months ended 30 June 2021: RMB0.153).

As at 30 June 2022, the Group's total assets amounted to approximately RMB4,134.2 million (31 December 2021: approximately RMB5,223.7 million), while total liabilities amounted to approximately RMB5,082.4 million (31 December 2021: approximately RMB5,201.0 million); total deficits was approximately RMB948.2 million (31 December 2021: total equity of approximately RMB22.7 million), and net liabilities per share was approximately RMB0.5 (31 December 2021: net asset value per share of approximately RMB0.01).

In the first half of 2022, the Chinese government has been actively facing the high-risk transmission risk of COVID-19 (“**COVID-19**”) since April 2022, and has taken severe prevention and control measures, including the lockdown of Shanghai and the implementation of strict quarantine measures in various provinces and cities. Finally, the epidemic was controlled to the lowest level. Since late May 2022, the central government has supported local governments to improve real estate policies based on local conditions, support rigid and improved housing demand, optimize the supervision of commercial housing pre-sale funds, and promote the steady and healthy development of the real estate market on the basis of adhering to the principle of “**housing properties are for living in but not for speculation**”. The policy to relax the binding of real estate has led to inconsistent market responses across the country. The tier-one and tier-two cities have recovered faster, while the tier-three and tier-four cities are relatively slow.

Local governments have successively launched corresponding deregulation policies, mainly including: (1) reduction of the down payment ratio; (2) the central bank lowered the lower limit of the mortgage rate for first-time homebuyers, home purchasing subsidies, adjustment and quota adjustment of the proportion of provident fund loans and other financial policies; (3) introduce housing purchase support policies for second child and third child families; (4) relax the settlement restrictions; (5) adjustment of purchase, loan and sales restriction policies.

From January to June 2022, the investment in real estate development nationwide reached RMB6,831.4 billion, a decrease of 5.4% year-on-year; among them, residential investment amounted to RMB5,180.4 billion, representing a decrease of 4.5%. The construction area of houses of real estate developers was 8,488.12 million square meters, a decrease of 2.8% year-on-year. Of the total Gross Floor Area (“GFA”), 664.23 million square meters was for new property developments, down 34.4% year-on-year. Of the total GFA, 286.36 million square meters was completed, down 21.5% year-on-year. The above data were affected by the tightened mortgage bank borrowings for the domestic properties in the first half of the year and the repeated severe epidemic, and the domestic real estate market showed a downturn.

During the Period, the Group recorded revenue from sales of properties of approximately RMB2.9 million, representing an increase of approximately 20.8% compared to that of the same period of last year. It was mainly due to the pandemic impact during the Period which resulted in weak 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 commercial sales for the projects of Wenshang Times, Taizhou Xinming Peninsular and Xinming Lijiang Garden, and recorded non-significant change for overall average selling price as compared to the corresponding period last year.

As at 31 May 2022, the entire ownership of the land use right of Wenshang Times Red Star Macalline Household Products Market has been transferred to bidder by auction, with the auction price of RMB282,410,000 for partial settlement of the Group's borrowings. The loss on disposal of investment properties was recorded approximately RMB686.6 million after transaction. The details are set out in inside information announcement dated 31 May 2022.

During the Period, the third phase of 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 2022 were approximately RMB140.2 million (31 December 2021: RMB244.7 million). In the second half of the year, the Group will strive to complete the fourth times of 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 2022, affected by the frequent outbreaks of epidemics and international political turmoil, the general environment is in a downturn, economic pressure has increased significantly, the expected income of citizens has decreased, and mortgage disputes over uncompleted houses have led to a sharp decline in citizens' willingness to borrow for house purchase. The "deregulation" of the property market policy did not make the market recover quickly. The price of newly-built residences rose slightly month on month, but the overall performance of the real estate market remained sluggish, and the prices of most projects were flat or reduced.

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 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.

It is expected that in the second half of 2022, under the control of the epidemic in China and the improvement of the investment atmosphere, the Group will commence the promotional sale of the remaining commercial properties, which will speed up de-stocking and recovery of funds. The pre-sale, marketing and promotion of residential properties in the fourth times of the Shandong Project will be prepared. At the same time, Xinming China will actively look for the feasibility of revitalizing various assets, including but not limited to selling the entire property, identifying potential lenders or investors to provide additional financing to the Group, and negotiating with different financial institutions on the outstanding borrowings of the Group, extending the repayment schedules of existing borrowings, with a view to improving the debt and financial leverage.

INDUSTRY REVIEW

In the first half of 2022, the Chinese government has been actively facing the high-risk transmission risk of COVID-19 (“COVID-19”) since April, and has taken severe prevention and control measures, including the lockdown of Shanghai and the implementation of strict quarantine measures in all provinces and cities. Finally, the epidemic was controlled to the lowest level. Since late May 2022, the central government has supported local governments to improve real estate policies based on local conditions, support rigid and improved housing demand, optimize the supervision of commercial housing pre-sale funds, and promote the steady and healthy development of the real estate market on the basis of adhering to the principle of “housing properties are for living in but not for speculation”. The policy to relax the binding of real estate has led to inconsistent market responses across the country. The tier-one and tier-two cities have recovered faster, while the tier-three and tier-four cities are relatively slow.

RESULTS OVERVIEW

During the Period, the Group recorded a total revenue of approximately RMB23.1 million, representing a decrease of approximately 25.7% from approximately RMB31.1 million of the same period of last year. The sales revenue and GFA of delivered properties were approximately RMB2.9 million and approximately 905.76 sq.m., respectively, representing respective increase of approximately 20.8% and 22.5% as compared to the corresponding period of last year; The average selling price for the contracted sales was approximately RMB3,257 per sq.m., representing a decrease of approximately 0.9% compared with approximately RMB3,288 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 RMB939.9 million, representing an significant increase of 2.3 times from a loss of approximately RMB286.5 million for the corresponding period of last year. The significant increase in loss was mainly because the entire ownership of the land use right of Wenshang Times Red Star Macalline Household Products Market has been transferred to bidder by the Group by auction during the Period, which was recorded the loss on investment properties of approximately RMB686.6 million. Besides, the increase in other expenses was mainly due to interest penalty and penalty provision for loan default amounting to approximately RMB279.2 million charged relating to certain defaulted borrowings during the Period pursuant to the contractual terms, as well as the impairment of certain completed properties held for sale of approximately RMB55.1 million. The loss per share was approximately RMB0.5.

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2022.

As at 30 June 2022, the Group's total assets amounted to approximately RMB4,134.2 million (31 December 2021: approximately RMB5,223.7 million). Total liabilities were approximately RMB5,082.4 million (31 December 2021: approximately RMB5,201.0 million), total deficits was approximately RMB948.2 million (31 December 2021: total equity of approximately RMB22.7 million), and net liabilities per share was approximately RMB0.5 (31 December 2021: net asset value per share of approximately RMB0.01).

SALES

During the Period, the Group recorded a total revenue of approximately RMB23.1 million, representing an approximate 25.7% decrease from approximately RMB31.1 million for the corresponding period of last year. During the Period, property sales revenue was approximately RMB2.9 million, representing approximately 12.6% of its total revenue. Total GFA sold was approximately 905.76 sq.m., representing an increase of approximately 22.5% as compared to the same period of last year, which was mainly attributed to the pandemic impact during the Period which resulted in weak demands in commercial properties market causing the significant decrease of sales area. In order to sell the remaining commercial properties inventory of Wenshang Times, Taizhou Xinming Peninsular and Xinming Peninsular Lijiang Garden 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 periods indicated:

	For the six months ended 30 June			
	2022		2021	
	<i>(RMB million)</i>	<i>(%)</i>	<i>(RMB million)</i>	<i>(%)</i>
	(Unaudited)		(Unaudited)	
Sales of properties	2.9	12.6	2.4	7.7
Rental income	20.2	87.4	28.7	92.3
Total revenue	23.1	100	31.1	100%

Property sales

During the Period, the Group recorded property sales revenue of approximately RMB2.9 million, representing an increase of approximately RMB0.5 million or 20.8% from approximately RMB2.4 million for the same period of last year. This was mainly because the promotion of sales activities suspended due to the pandemic impact which resulted in weak demands in commercial properties markets. The GFA delivered of the property sales during the Period increased from approximately 739.4 sq.m. for the same period of last year to approximately 905.76 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 2022, 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 79,557.82 sq.m., representing approximately 91.8% 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 RMB20.2 million, representing a decrease of approximately RMB8.5 million or 29.6% from approximately RMB28.7 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 during the Period, and Chongqing Project Company was not consolidated in the consolidated financial report of the Group from 2022, resulting in the decrease in rental income.

Gross profit

During the Period, gross profit amounted to approximately RMB18.6 million, representing a decrease of approximately RMB7.5 million or approximately 28.7% compared to RMB26.1 million for the same period of last year. Gross profit margin was approximately 80.3%, representing a decrease of approximately 3.7% compared to approximately 84% in the same period of last year, due to the decrease in the portion of rental income from 92.3% in the same period of last year to 87.1% 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 2022.

Other income and gains

During the Period, other income and gains amounted to approximately RMB4.9 million, a significant increase of approximately RMB2.5 million or approximately 104.2% compared to approximately RMB2.4 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 RMB37.2 million, representing an increase of approximately RMB3.9 million or approximately 11.7% compared to approximately RMB33.4 million for the same period last year. Distribution expenses significantly decreased by approximately RMB4.4 million, mainly due to the reduction of merchandising activities of commercial projects. On the contrary, administrative expenses increased by approximately RMB8.2 million, mainly due to the related taxes of approximately RMB15.2 million resulting from the court-ordered sale of an investment property.

Other expenses

During the Period, other expenses amounted to approximately RMB334.5 million, representing an increase of approximately RMB42.5 million or approximately 14.6% as compared to approximately RMB292.0 million for the same period of last year. During the Period, (i) the impairment of certain completed properties held for sale of approximately RMB55.1 million was 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 amounted to approximately RMB279.2 million. Breakdown of other expenses is set out below:

	For the six months ended	
	30 June	
	2022	2021
	<i>RMB million</i>	<i>RMB million</i>
Bank charges	—	0.1
Penalty expenses	279.2	111.5
Impairment of properties under development	—	65.4
Impairment of completed properties held for sale	55.1	—
Liquidated damages on borrowings	—	95.4
Write off disposal of property, plant and equipment	—	3.0
Others	0.2	16.6
	<hr/>	<hr/>
Total	334.5	292.0
	<hr/> <hr/>	<hr/> <hr/>

Operating loss

During the Period, the operating loss was approximately RMB970.9 million, representing a significant increase of approximately RMB675.3 million or approximately 2.3 times compared to the loss of approximately RMB295.6 million for the same period of last year, mainly due to the loss on court-ordered sale of an investment property.

Changes in fair value of investment properties

During the Period, the loss on changes in fair value of investment properties amounted to approximately RMB95.0 million, representing an increase in the loss of approximately RMB98.0 million compared to the gain on changes of approximately RMB3.0 million for the same period of last year. Such increase was mainly due to the decrease in changes in fair value of the investment properties of Shanghai Xinming Children's World Project and Xinming International Household Products Mall and Exhibition Center.

Net finance costs

During the Period, net interest costs amounted to approximately RMB1.6 million, representing an increase of approximately RMB0.9 million or approximately 128.6% compared to approximately RMB0.7 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 credit amounted to approximately RMB172.2 million, representing a significant decrease of approximately RMB173.2 million as compared with the income tax expenses of approximately RMB1.0 million for the same period last year. This was mainly due to change on deferred tax movement as a result of the court-ordered sale of an investment property.

Loss attributable to owners of the Company

During the Period, the loss attributable to owners of the Company amounted to approximately RMB939.9 million, representing a significant increase in loss of approximately RMB653.4 million or approximately 2.3 times compared to the loss of approximately RMB286.5 million for the corresponding period of last year. The basic loss per share increased from loss per share of approximately RMB0.153 for the same period of last year to loss per share of approximately RMB0.5.

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	356.42	1.0	2,862
Xinming Lijiang Garden	Jiaojiang District, Taizhou City	Residential and commercial	204.19	0.9	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	345.15	1.0	2,984
Shanghai Xinming • Children’s World	Jiading District, Shanghai Municipality	Commercial	—	—	—
Xingmeng International Commercial City	Tengzhou City, Shandong Province	Commercial	—	—	—
Hangzhou Xinming • Children’s World	Gongshu District, Hangzhou City	Commercial	—	—	—
Total			<u>905.76</u>	<u>2.9</u>	<u>3,257</u>

Land reserve

As at 30 June 2022, the Group's property portfolio included 13 property development projects in cities throughout China. These were at different stages of development, with total GFA amounting to approximately 471,478 sq.m., of which approximately 335,872 sq.m. were completed. Approximately 97,599 sq.m. were still under development, and approximately 38,007 sq.m. were being held for future development.

The table below sets forth a summary of the Group's land reserve classified by geographical location as at 30 June 2022:

Location	Number of projects	Saleable	Planned GFA		Total land reserve (sq.m.)	Proportion of total land reserve (%)	Equity interest to the Group (%)	Project type
		GFA remaining unsold/GFA held for investment (sq.m.)	GFA under development (sq.m.)	for future development (sq.m.)				
Taizhou	10	125,382	—	—	125,382	26.6	100	Residential, commercial and warehousing
Shanghai	1	94,785	—	—	94,785	20.1	79	Commercial, office
Tengzhou	1	82,913	97,599	38,007	218,519	46.3	75	Residential, commercial
Hangzhou	1	32,792	—	—	32,792	7.0	100	Commercial
Total	13	335,872	97,599	38,007	471,478	100.0		

Since the publication of the Group's annual report for the year ended 31 December 2021, 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 2022, the Group's cash and bank deposits, including restricted cash, were a total of approximately RMB14.6 million (31 December 2021: approximately RMB20.2 million), representing a decrease of approximately RMB5.6 million or approximately 27.7% mainly due to the decrease in pre-sale amount of Shandong residential project during the Period.

During the Period, net cash generated from operating activities of the Group was approximately RMB7.6 million (for the six months ended 30 June 2021: net cash generated of approximately RMB106.5 million). Net cash generated from investment activities was approximately RMB0.03 million (for the six months ended 30 June 2021: net cash generated of approximately RMB0.09 million). Net cash used in financing activities was approximately RMB13.2 million (for the six months ended 30 June 2021: net cash used of approximately RMB75.0 million).

Trade receivables, prepayments, other receivables and other assets

As at 30 June 2022, the sum of trade receivables, prepayments, other receivables and other assets of the Group was approximately RMB181.0 million, representing an increase of approximately RMB34.4 million compared to approximately RMB146.6 million as at 31 December 2021 due to the increase in prepaid expenses for Shandong construction projects.

Trade payables, contract liabilities, other payables and accruals

As at 30 June 2022, the sum of trade payables, contract liabilities, other payables and accruals of the Group was approximately RMB2,322.5 million, representing an increase of approximately RMB287.7 million as compared to approximately RMB2,034.8 million as at 31 December 2021 due to the relevant interest penalty and penalty provision for loan default amount charged.

Assets and liabilities

As at 30 June 2022, the Group's total assets were approximately RMB4,134.2 million, representing a decrease of approximately RMB1,089.5 million compared to approximately RMB5,223.7 million as at 31 December 2021. Total current assets were approximately RMB2,133.4 million, representing a decrease of approximately RMB25.4 million from approximately RMB2,158.8 million as at 31 December 2021 and accounting for approximately 51.6% of total assets (31 December 2021: 47.3%). Total non-current assets were approximately RMB2,000.8 million, representing a decrease of approximately RMB1,064.0 million from approximately RMB3,064.8 million as at 31 December 2021 which was mainly due to court-ordered sale of investment properties of Wenshang Times Red Star Macalline Household Products Market and accounting for approximately 48.4% of total assets (31 December 2021: 52.7%).

As at 30 June 2022, the Group's total liabilities were approximately RMB5,082.4 million, representing a decrease of approximately RMB118.6 million compared to approximately RMB5,201.0 million as at 31 December 2021. Total current liabilities were approximately RMB4,776.1 million, representing an increase of approximately RMB53.6 million compared to approximately RMB4,722.5 million as at 31 December 2021 and accounting for approximately 94.0% of total liabilities (31 December 2021: 90.8%). Total non-current liabilities were approximately RMB306.2 million, representing a decrease of approximately RMB172.3 million from approximately RMB478.5 million as at 31 December 2021 and accounting for approximately 6.0% of total liabilities (31 December 2021: approximately 9.2%).

As at 30 June 2022, the Group had net current liabilities of approximately RMB2,642.7 million, representing an increase of approximately RMB79.1 million from approximately RMB2,563.6 million as at 31 December 2021.

Current ratio

As at 30 June 2022, the current ratio of the Group, being the ratio of the current assets divided by the current liabilities, was 0.45 (31 December 2021: 0.46).

Gearing ratio

As at 30 June 2022, the gearing ratio of the Group was 255.9% (31 December 2021: 98.7%) 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 RMB256.1 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 2022 were approximately RMB1,314.9 million (31 December 2021: RMB1,561.3 million).

Borrowings

As at 30 June 2022, the Group's total interest-bearing bank and other borrowings were approximately RMB1,314.9 million, representing a decrease of approximately RMB246.4 million compared to approximately RMB1,561.3 million as at 31 December 2021. Details of the borrowings are set out in note 15 to the condensed consolidated financial statements.

The Group's interest-bearing bank and other borrowings repayable on demand or within one year were approximately RMB1,314.9 million, representing a decrease of approximately RMB246.4 million compared to approximately RMB1,561.3 million as at 31 December 2021. Details of the borrowings are set out in note 15 to the condensed consolidated financial statements.

Disclaimer of opinion of 2021 annual report

As at 30 June 2022, interest payments of RMB224,286,000 relating to certain borrowings of the Group of a principal amount of RMB1,294,037,000 ("**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 announced in the 2021 annual report dated 24 June 2022 in order to remove such audit modification in the annual auditor's report as of 31 December 2022. 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. As of 30 June 2022, the outstanding amount of the total principal was RMB1,294.0 million, and the overdue outstanding amount of the total interests were approximately RMB224.3 million. The Management has been in continuous discussions with its two major lenders, being Zhejiang Zheshang Asset

Management Company Limited* (浙江省浙商資產管理有限公司) (“**Zheshang Asset Management**”) and Zhejiang Chouzhou Commercial Bank in relation to the above outstanding amounts. As disclosed in the announcement of the Company dated 31 May 2022, the Zhejiang Wenzhou Intermediate People’s Court (浙江省溫州市中級人民法院) had ordered the auction of the Taizhou Property at the auction price of RMB282.41 million to the relevant bidder on 31 May 2022 and such proceeds will be used for repayment of part of the loans owed to Zheshang Asset Management. In addition, the management of the Company will use its best endeavours to negotiate with its major lenders to prevent any court-ordered auction of the Group’s pledged properties.

- (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 intends to obtain additional financing from other financial institutions using immovable property of the Group by the end of 2022 on terms deemed appropriate by the Group.
- (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. During the Period, the third phase of pre-sale activities of the residential part for Shandong Project were completed and the Group will strive to complete the fourth times of pre-sale activities of the residential part for Shandong Project, which may further increase the cash inflows of the Group. Majority of the net proceeds from 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 project or whole commercial property at an appropriate price. The Company actively procured and formulated the preliminary terms with large property developer to sell individual property development project or whole commercial property at an appropriate price. The Company has been negotiating with certain potential purchasers and have done preliminary due diligence work regarding the sale of the whole Shanghai property development project by the end of 2022 at price deemed appropriate by the Group, which enables the project to experience positive cash inflow and reduces related debts in due course. 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 accelerating the sale of its properties. The Company intends to sell the whole or portion of commercial properties in Taizhou and/or Shanghai by the end of 2022, with a view to accelerating the recovery of working capital to improve its liability and financial gearing conditions.

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 2022 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 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 2022, the Group provided guarantees for the mortgage loans given by certain purchasers of approximately RMB216.2 million (31 December 2021: approximately RMB103.3 million).

Asset guarantees

As at 30 June 2022, the Group had pledged or restricted bank deposits of approximately RMB0.5 million (31 December 2021: approximately RMB0.3 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 2021: approximately RMB0 million).

Capital commitments

As at 30 June 2022, capital commitments related to activities of properties under development were approximately RMB427.0 million (31 December 2021: approximately RMB431.4 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 2022, the Group has a total of 63 employees (as at 30 June 2021: a total of 88 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 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 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. Chiu Kung Chak and Mr. Lau Wai Leung, Alfred. 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

In August 2022, Zhejiang Wenzhou Intermediate People’s Court (浙江省溫州市中級人民法院) has put the land use right held by Hangzhou Xinming in respect of the 20 immovable properties located at Tower 2, Xinming Commercial Centre, Gongshu District, Hangzhou City, the PRC and Xiaohe Road, Gongshu District, Hangzhou City, the PRC on auction with an aggregate reserve price of approximately RMB39.6 million. On 29 August 2022, an auction in respect of the said land use right of Hangzhou Xinming had taken place but the said land use right had not been sold in the said auction because no bids had been received by the end of the said auction. As of the date of this announcement, the said land use right remains with Hangzhou Xinming. For further details, please refer to the announcement of the Company dated 12 August 2022.

On 20 June 2022, the Company received a petition (the “**Petition**”) from a former director of the Company, Mr. Chou Chiu Ho in the matter of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32, Laws of Hong Kong) filed in the High Court of The Hong Kong Special Administrative Region (the “**High Court**”) under Companies Winding-up Proceedings No. 214 of 2022 that the Company may be wound up by the High Court on the ground that the Company is insolvent and unable to pay its debts. The Petition has been heard on 24 August 2022, at which the High Court, upon the submission from the parties including the opposing creditors, ordered that the hearing of the Petition be adjourned to Wednesday, 28 September 2022. For further details, please refer to the announcements of the Company dated 21 June 2022, 24 June 2022 and 24 August 2022.

Save as disclosed above, no significant event took place subsequent to 30 June 2022.

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 (<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 2022 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 2022

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

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