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

INTERIM REPORT 2020

CONTENT

Company Profile

Xinming China Holdings Limited (the "Company" or "Xinming China"), listed on the Main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 6 July 2015 (Stock Code: 02699), together with its subsidiaries (collectively referred to as the "Group") is an integrated residential and commercial property developer. The Group is currently carrying out 16 property development projects in Shanghai, Chongqing, Taizhou, Tengzhou, Hangzhou and other regions of China.

The Company has comprehensive property development capabilities and a diverse and complete property development portfolio.

Corporate Information

DIRECTORS

Executive Directors

Mr. Chen Chengshou
(Chairman and Chief Executive Officer)
Mr. Feng Cizhao
Mr. Pu Wei

Non-Executive Directors

Ms. Gao Qiaoqin
Mr. Chou Chiu Ho

Independent Non-Executive Directors

Mr. Gu Jiong
Mr. Lo Wa Kei Roy
Mr. Fong Wo Felix

AUDIT COMMITTEE

Mr. Lo Wa Kei Roy *(Chairman)*
Mr. Gu Jiong
Mr. Fong Wo Felix

REMUNERATION COMMITTEE

Mr. Gu Jiong *(Chairman)*
Mr. Fong Wo Felix
Mr. Lo Wa Kei Roy

NOMINATION COMMITTEE

Mr. Chen Chengshou *(Chairman)*
Mr. Gu Jiong
Mr. Fong Wo Felix

AUTHORIZED REPRESENTATIVES

Mr. Kam Chun Ying Francis
Mr. Chou Chiu Ho

COMPANY SECRETARY

Mr. Kam Chun Ying Francis

REGISTERED OFFICE

PO Box 1350
Clifton House 75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

HEADQUARTERS IN THE PRC

5th Floor, Block I
Hengli Building
No. 5 Huang Long Road, Hangzhou
Zhejiang Province, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

4/F, The Chinese Club Building
Nos. 21-22 Connaught Road Central
Hong Kong

COMPANY'S WEBSITE ADDRESS

http://www.xinm.com.cn

Corporate Information

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited
PO Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Wenzhou Bank, Hangzhou Branch
Pingan Bank, Hangzhou Huanglong Branch
Agricultural Bank of China,
Hangzhou Huanglong Branch
United Bank, Kangqiao Branch
United Bank, Sijiqing Branch

AUDITOR

Ernst & Young
Certified Public Accountants

LEGAL ADVISERS TO THE COMPANY

Jingtian & Gongcheng LLP

LISTING INFORMATION

The Company's ordinary shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock Code: 02699)

Results Highlights

The Group announces the highlights of the consolidated results for the six months ended 30 June 2020 as set out below:

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

Chairman's Statement

Dear Shareholders,

The Board is pleased to announce the Group's interim results for the six months ended 30 June 2020 (the "Period"). The results were not audited but have been reviewed by the Company's audit committee (the "Audit Committee").

RESULTS REVIEW

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

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

During the Period, loss per share was approximately RMB0.04 (loss for the first half of 2019: RMB0.003).

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

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

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

During the Period, the Group recorded property sales revenue of approximately RMB63.7 million, representing a decrease of approximately 12.8% compared to that of the same period last year. It was mainly due to (1) properties sales for project in different region inevitably grinded to halt due to the outbreak of novel coronavirus (COVID-19) in the first quarter of 2020. Despite there was slight improvement on the sales of commercial properties in the second quarter, the sales were still in a weak state; (2) as affected by the mandatory quarantine, prohibition on group gathering and restriction on social distancing measures taken by the local governments in the PRC, tenant sourcing activities could not be performed; and (3) influenced by the weakening of domestic investment and difficulties in destocking, the overall sales of commercial properties were weak. As at 30 June 2020, the Group's property portfolio included 16 property development projects in cities throughout China. These were at different stages of development, with total GFA amounting to approximately 1,067,287 sq.m., of which approximately 531,907 sq.m. were completed. Approximately 55,145 sq.m. were still in development, and approximately 480,235 sq.m. were being held for future development.

PROSPECTS

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

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

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

Chairman's Statement

SUMMARY

In the second half of 2020, Chinese economy is expected to slow down as affected by the external tension and the pandemic. There is great uncertainty in the economic development. The central government continues to support the fundamental idea of "housing is for living in but not for speculation", and has adopted strategy of implementing different policies for different cities based on the development of the domestic real estate market. It is expected that the real estate market's growth may slow down due to the impact during the second half of the year, and the business environment may also become difficult due to the uncertain external and domestic policies, but we will always assess the situation to seize new development opportunities and trends.

I would like to take this opportunity to express my gratitude to the Board, and on behalf of the Board, extend thanks to our management and all staff members for their continuing efforts. I would also like to thank our shareholders for their support and trust.

Chen Chengshou
Chairman, Executive Director and Chief Executive Officer

Hangzhou, PRC
31 August 2020

INDUSTRY REVIEW

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

RESULTS OVERVIEW

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

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

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

As at 30 June 2020, the Group's total assets amounted to approximately RMB6,792.6 million (31 December 2019: approximately RMB6,743.5 million). Total liabilities were approximately RMB4,891.7 million (31 December 2019: approximately RMB4,763.5 million), total equity was approximately RMB1,901.0 million (31 December 2019: approximately RMB1,979.9 million), and net assets per share were approximately RMB1.01 (31 December 2019: approximately RMB1.05).

SALES

During the Period, the Group recorded a total revenue of approximately RMB95.1 million, representing an approximate RMB8.8 million or 8.5% decrease from approximately RMB103.9 million for the corresponding period last year. During the Period, the Group recorded property sales revenue of approximately RMB63.7 million, representing approximately 67.0% of its total revenue. Total delivered GFA was approximately 7,794.93 sq.m., representing a decrease of approximately 18.9% compared to the same period of last year. This was mainly due to (1) shop sales in all regions inevitably grinded to halt due to the outbreak of COVID-19 in the first quarter of 2020. Despite the slight improvement in the sales of commercial properties in the second quarter, the sales were still in a weak state; (2) as affected by the mandatory quarantine, prohibition on group gathering and restriction on social distancing measures taken by the local governments in the PRC, tenant sourcing activities could not be performed; (3) influenced by the weakening of domestic investment and difficulties in destocking, the overall sales of commercial properties were weak.

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

	As of 30 June			
	2020 (RMB million) (Unaudited)	**(%)**	2019 (RMB million) (Unaudited)	(%)
Sales of properties	**63.7**	**67.0**	73.1	70.3
Rental income	**31.4**	**33.0**	30.8	29.7
Total revenue	**95.1**	**100.0**	103.9	100.0

PROPERTY SALES

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

PROPERTY LEASING

The Group's property leasing business consists of leasing Group's commercial properties held for investment and the sold commercial properties leased back from third parties by the Group. As of 30 June 2020, the actual area leased out was approximately 205,770.47 sq.m., representing approximately 88% of the Group's total investment properties held-for-lease and the total GFA sold commercial properties acquired by leasing back from third parties.

During the Period, rental income amounted to approximately RMB31.4 million, representing an increase of approximately RMB0.6 million or 2% from approximately RMB30.8 million for the same period of last year, mainly due to increase in the unit price of rental for Block A of Wenshang Times.

GROSS PROFIT

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

OTHER INCOME AND GAINS

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

SALES AND ADMINISTRATION EXPENSES

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

OTHER EXPENSES

During the Period, other expenses amounted to approximately RMB46.0 million, representing an increase of approximately RMB29.6 million or 180.5% compared to approximately RMB16.4 million for the same period last year. This was mainly due to the provision on interest penalty for certain default and cross-default borrowings under the terms of contract of approximately RMB46.0 million.

OPERATING LOSS

During the Period, the operating loss was approximately RMB79.0 million, representing an increase of approximately RMB62.0 million or approximately 3.6 times compared to the loss of approximately RMB17.0 million for the same period last year.

CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES

During the Period, the change in fair value of investment properties amounted to approximately RMB4.6 million, representing an increase of loss of approximately RMB37.0 million compared to the gain of approximately RMB32.4 million for the same period last year. Such increase was mainly due to the loss on the change in valuation of investment projects of of Wenshang Times in Taizhou A Zone and Shanghai Xinming.

NET FINANCE COSTS

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

INCOME TAX EXPENSES

During the Period, income tax expenses were approximately RMB18.3 million, representing a decrease of approximately RMB9.7 million or 34.6% as compared with the income tax expense of approximately RMB28.0 million for the same period last year. This was mainly due to the decrease in land value-added tax.

LOSS ATTRIBUTABLE TO SHAREHOLDERS

During the Period, the loss attributable to shareholders amounted to approximately RMB71.6 million, representing an increase of approximately RMB65.1 million or approximately 10 times compared to the loss of approximately RMB6.5 million for the corresponding period last year. The basic loss per share was approximately RMB0.04, an increase from approximately RMB0.003 for the same period last year.

BUSINESS PERFORMANCE

The table below sets forth a summary of our selling property projects of the Group during the Period:

Property Project	Location	Project Type	GFA delivered (sq.m.)	Income (RMB million)	Average selling price (RMB/sq.m)
Taizhou Xinming Peninsular	Jiaojiang District, Taizhou City	Residential and commercial	2,739.57	5.2	1,910
Shanghai Xinming • Children's City	Jiading District, Shanghai Municipality	Commercial	2,730.52	35.4	12,972
Hangzhou Xinming • Children's World	Hangzhou	Commercial	570.88	14.9	26,084
Chongqing Xinming • China South-western City Phase 1	Dazu District, Chongqing	Commercial	782.61	4.0	5,097
Xingmeng International Commercial City	Tengzhou City, Shandong Province	Commercial	971.35	4.2	4,330
Total			7,794.93	63.7	8,177

LAND RESERVE

As at 30 June 2020, the Group's property portfolio included 16 property development projects in cities throughout China. These were at different stages of development, with total GFA amounting to approximately 1,067,287 sq.m., of which approximately 531,907 sq.m. were completed. Approximately 55,145 sq.m. were still in development, and approximately 480,235 sq.m. were being held for future development.

The table below sets forth a summary of our land reserve classified by geographical location as at 30 June 2020:

Location	Number of projects	Saleable GFA remaining unsold/ GFA held for investment (sq.m.)	GFA under development (sq.m.)	Planned GFA for future development (sq.m.)	Total land reserve (sq.m.)	Proportion of total land reserve (%)	Equity interest attributable to the Group (%)	Project type
Taizhou	10	197,179	—	—	197,179	18.5%	100	Residential, commercial
Shanghai	1	96,856	—	—	96,856	9.0%	79	Commercial, office
Chongqing	3	151,177	25,516	301,155	477,848	44.8%	95	Residential, commercial
Tengzhou	1	53,396	29,629	179,080	262,105	24.6%	75	Residential, commercial
Hangzhou	1	33,299	—	—	33,299	3.1%	100	Commercial
Total	16	531,907	55,145	480,235	1,067,287	100.0%		

Since the publication of the Group's annual report for the year ended 31 December 2019, there was no material change in the possible future development of the Group's business and the Group's outlook for the Period.

CASH FLOWS

As at 30 June 2020, the Group's cash and bank deposits, including restricted cash, were a total of approximately RMB9.2 million (31 December 2019: approximately RMB185 million), mainly due to the payment of bank interest and repayment of other payables.

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

TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

TRADE PAYABLES, ADVANCES FROM CUSTOMERS, OTHER PAYABLES AND CONTRACT LIABILITIES

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

ASSETS AND LIABILITIES

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

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

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

CURRENT RATIO

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

GEARING RATIO

As at 30 June 2020, the gearing ratio of the Group was calculated based on net debt divided by the sum of total equity and net debt. The Group's net debt consisted of other borrowings, less cash and cash equivalents. Total equity included equity attributable to owners of the parent and non-controlling interests. The gearing ratio was 53.1% (31 December 2019: 50.0%).

CAPITAL STRUCTURE

The Group's operations were financed mainly by shareholder equity, financing of loans from bank for the Group, convertible bonds issuance and internal resources allocated to the operation of the Group. The Group will continue its treasury policy of placing its cash and cash equivalents as interest bearing deposits. The Group's loans and cash and cash equivalents were mainly denominated in Renminbi.

CONVERTIBLE BONDS

Pursuant to the general mandate, on 1 June 2018, the Group issued convertible bonds in the amount of HK$300 million for a term of two years. The bonds bear interest at a rate of 6.5% plus 1% handling fee per annum, and the interest is payable in arrears every half year. The bonds can be converted into shares at the conversion price of HK$1.39 per conversion share at any time on and after the issue date and up to the close of business on the business day immediately preceding the maturity date. For details, please refer to the Company's announcement dated 15 May 2018.

As calculated based on the conversion price at HK$1.39 per conversion share, a maximum of 215,827,338 shares will be allotted and issued if the conversion rights attached to outstanding convertible bonds are fully exercised, representing approximately 11.49% of the then issued share capital of the Company as at 31 December 2019 and approximately 10.30% of the issued share capital of the Company enlarged by the shares issued upon conversion of outstanding convertible bonds.

A total of 940,000,000 Shares held by Xinxing Company Limited were pledged to the subscriber of the convertible bonds. Xinxing Company Limited is an entity controlled by Mr. Chen Chengshou ("Mr. Chen"), Chairman of the Company, Executive Director and controlling shareholder. Ms. Gao Qiaoqin ("Ms. Gao") is the spouse of Mr. Chen, and is thus taken to be interested in the same number of shares in which Mr. Chen is interested in through Xinxing Company Limited. Mr. Chen and Ms. Gao also provide guarantee for the convertible bonds.

The convertible bonds are guaranteed by the Controlling Shareholder, Mr. Chen Chengshou and the non-executive director, Ms. Gao Qiaoqing, pursuant to a deed of guarantee, and secured by Xinxing Company Limited by 940,000,000 shares of the Company held by Xinxing Company Limited, a company controlled by Mr. Chen Chengshou.

For so long as any convertible bonds remains outstanding, Mr. Chen has undertaken to directly or indirectly hold approximately 50% of the entire issued share capital of the Company, and shall not directly or indirectly sell, transfer or otherwise dispose of his equity interests in the Company or any part thereof in the absence of prior written consent of the subscriber of the convertible bonds.

BORROWINGS

As at 30 June 2020, the Group's total other borrowings were approximately RMB1,885.5 million, representing a decrease of approximately RMB4.8 million compared to approximately RMB1,890.3 million as at 31 December 2019. Please refer to note 13 in the interim condensed consolidated financial statements for details.

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

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

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES AND DISCLAIMER OF OPINION OF 2019 ANNUAL REPORT

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

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

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

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

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

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

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

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

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

SIGNIFICANT INVESTMENTS HELD

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

FUTURE PLANS FOR MATERIAL INVESTMENT AND CAPITAL ASSETS

The Group had no plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND JOINT VENTURES

The Group did not make any material acquisitions and disposals of subsidiaries and joint ventures during the Period.

GUARANTEES ON MORTGAGE FACILITIES

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

ASSET GUARANTEES

As of 30 June 2020, the Group had pledged or restricted deposits in the bank deposits of approximately RMB0.5 million (31 December 2019: approximately RMB2.8 million). In addition, a portion of the other borrowings of the Group were secured by certain Group properties in development, investment properties, and a 100% equity interest in certain Group subsidiaries. These were jointly guaranteed by Mr. Chen, the Group's controlling shareholder and an executive Director, the daughter and son of Mr. 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 (six months ended 30 June 2019: approximately RMB0 million).

CAPITAL COMMITMENTS

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

EXPOSURE TO EXCHANGE RATE FLUCTUATIONS

The Group operates mainly in Renminbi, though certain Group bank deposits are denominated in Hong Kong dollars. Save as disclosed above, the Group is not exposed to any material exchange rate fluctuation risk and has not engaged in foreign currency hedging policies. However, the Group will closely monitor the exchange risk and may, as the case may be and depending on foreign currency trends, consider applying significant foreign currency hedging policies in the future.

EMPLOYEES

As at 30 June 2020, the Group had a total of 108 employees (30 June 2019: 146 in total, decreased by 38 employees), mainly due to that (1) Hangzhou Xinming Property was almost completed, the closing work was supervised by functional departments of the Group, and project staffs were divided; and (2) consolidation of interdepartmental functions and post downsizing of Chongqing Project and Shandong Project. The Group continued to promote talent development by cultivating and recruiting personnel with sales and management experience, improving the allocation system of remuneration linked to performance, and maintaining harmonious labour relations. The remuneration of Group employees is based on their performance, experience and the prevailing market level of remuneration. The total remuneration of employees includes basic salary and cash bonus. In addition, the Group has also adopted share option and share incentive schemes.

EVENTS AFTER THE END OF THE PERIOD

No significant events have occurred subsequent to 30 June 2020.

DISCLOSURE OF INTERESTS

Directors' and chief executives' interests in securities

The Company's shares are listed on the Main Board of the Hong Kong Stock Exchange. As of 30 June 2020, the interests or short positions of the Directors and chief executives in the shares, underlying shares and debentures of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which (a) were required to be notified to the Company and the Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which they are deemed or taken to have under such provisions of the SFO); or (b) were required to be recorded in the register referred to therein pursuant to section 352 of the SFO; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies "(Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long positions in the shares and underlying shares:

The Company

Name of Directors	Capacity/Nature of interest	Number of shares/ underlying shares	Approximate percentage of the issued share capital of the Company (%)
Mr. Chen	Interest of controlled corporation (Note 1)	1,200,900,000(L)	63.92%
Ms. Gao	Interest of spouse (Note 2)	1,200,900,000(L)	63.92%
Mr. Feng Cizhao	Beneficial owner (Note 3)	129,000(L)	0.01%

(L): represents long positions

Notes:

1. A total of 1,200,900,000 shares are registered in the name of Xinxing Company Limited, which is wholly owned by Mr. Chen. On 1 June 2018, the Company's convertible bonds amounting to HK$300 million were secured by 940,000,000 shares held by Xinxing Company Limited. Please refer to the "Convertible bonds" section for details.

2. Ms. Gao is the spouse of Mr. Chen. Under the SFO, Ms. Gao is taken to be interested in the same number of shares in which Mr. Chen is interested.

3. Those shares are award shares granted by the Board on 7 April 2016 pursuant to the Share Award Scheme and have been fully vested.

Associated corporation — Xinxing Company Limited

Name of Directors	Nature of interest	Number and class of securities in the associated corporation	Approximate percentage of interest in the associated corporation
Mr. Chen	Beneficial owner	1 share (Note 1)	100%
Ms. Gao	Interest of spouse	1 share (Note 2)	100%

Notes:

1. The disclosed interest represents the interests in the associated corporation, Xinxing Company Limited, which is held as to 100% by Mr. Chen.

2. Ms. Gao is the spouse of Mr. Chen. By virtue of the SFO, Ms. Gao is deemed to be interested in the 1 share of Xinxing Company Limited held by Mr. Chen.

Save as disclosed above, none of the Directors or chief executives of the Company had or was deemed to have interests or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model.

SUBSTANTIAL SHAREHOLDER INTERESTS IN SECURITIES

The register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, as of the date of this report, the following shareholders, other than those disclosed in the section headed "Directors' and Chief Executives' Interest in Securities", had notified the Company of their interests and/or short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Interest in the Company

Name of substantial shareholder	Capacity/ Nature of interest	Number of shares/ underlying shares	Approximate percentage of the issued share capital of the Company
Xinxing Company Limited (Note 1)	Beneficial owner	1,200,900,000	63.92%
Central Huijin Investment Ltd (Note 2)	Person having a security interest in shares	940,000,000 (long position)	50.04%
	Interest in a controlled corporation	215,827,338 (long position)	11.49%
China Construction Bank Corporation (Note 2)	Person having a security interest in shares	940,000,000 (long position)	50.04%
	Interest in a controlled corporation	215,827,338 (long position)	11.49%
Chance Talent Management Limited (Note 2)	Person having a security interest in shares	940,000,000 (long position)	50.04%
	Beneficial owner	215,827,338 (long position)	11.49%
Evermore Steel Industrial (Hong Kong) Limited (Note 3)	Beneficial owner	134,400,000 (long position)	7.15%

Notes:

1. Xinxing Company Limited is wholly owned by Mr. Chen.

2. Chance Talent Management Limited has a security interest in 940,000,000 shares of the Company and an interest in 215,827,338 underlying shares of the Company, which may be issued by the Company upon conversion of the convertible bonds issued by the Company in the principal amount of HK$300 million. Central Huijin Investment Ltd holds a 57.11% shareholding in China Construction Bank Corporation. The China Construction Bank Corporation holds a 100% shareholding in CCB International Group Holdings Limited, which in turn holds a 100% shareholding in CCB Financial Holdings Limited. CCB Financial Holdings Limited holds a 100% shareholding in CCB International (Holdings) Limited, which in turn holds a 100% shareholding in CCBI Investments Limited. CCBI Investments Limited holds a 100% shareholding in Chance Talent Management Limited. Therefore, the above entities are deemed to be interested in 940,000,000 shares and 215,827,338 underlying shares of the Company, in which Chance Talent Management Limited is interested.

3. Evermore Steel Industrial (Hong Kong) Limited is wholly owned by Mr. Zheng Lizhong.

Save as disclosed above, as of 30 June 2020, the Company had not been notified by any persons, other than Directors or chief executives of the Company, who had interests or short positions in the shares, underlying shares and debentures of the Company, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") on 8 June 2015, which will be in force for a period of 10 years. Under the Scheme, eligible participants including Directors, fulltime employees, advisers, suppliers and customers of our Company or our subsidiaries (the "Eligible Participants") may be granted options which entitle them to subscribe for shares of the Company ("Shares"), provided that the number of shares to be subscribed under such option together with the options granted under any other schemes initially shall not be more than 10% of the Shares in issue on the listing date.

As of the date of this report, the total number of shares to be issued under the Share Option Scheme is 188,000,000, representing 10% of the issued shares as of the Listing Date. No share option has been granted, exercised or cancelled by the Company since the adoption of the Share Option Scheme.

SHARE AWARD SCHEME

On 26 January 2016, the Company adopted a share award scheme (the "Scheme"), pursuant to which Bank of Communications Trustee Limited as trustee (the "Trustee") recognises the contributions of certain eligible participants and attracts suitable personnel for further development of the Group. The Scheme will remain in force for a period of 10 years and is a discretionary scheme of the Company, and shall be subject to the administration of the Board and the Trustee in accordance with the rules of the Scheme and the trust deed.

During the six months ended 30 June 2020, the Board neither arranged any funds to be paid to the trustee of the Share Award Scheme for purchasing of shares of the Company on the Stock Exchange, nor did the trustee of the Share Award Scheme purchase any shares of the Company on the Stock Exchange.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed above, at no time was the Company, or any of its holding companies, subsidiaries or its fellow subsidiaries, a party to any arrangement to enable the Directors and chief executives of the Company, including their spouses and children under 18 years of age, to hold any interest or short positions in the shares, underlying shares or debentures of the Company or its associated corporations, within the meaning of Part XV of the SFO.

CORPORATE GOVERNANCE PRACTICES

The Board is of opinion that the Company had adopted, applied and complied with the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules and complied with the code provisions of the CG Code during the Period. None of the Directors was aware of any information that would reasonably indicate that the Company was incompliant with the code provisions of the CG Code during the Period, except for the deviations as follows:

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Chen is the chairman and the chief executive officer of the Company ("CEO"). The Group therefore did not separate the roles of the chairman and the CEO. The Board considered that Mr. Chen had in-depth knowledge and experience in the property investment and development industry and was the most appropriate person to manage the Group. Therefore, the roles of chairman and CEO were performed by the same individual, Mr. Chen, and such arrangement was considered to be beneficial to the business prospects and management of the Group.

STRUCTURE OF BOARD OF DIRECTORS

As at 30 June 2020, the Board comprised eight Directors, including three executive Directors, two non-executive Director and three independent non-executive Directors. Pursuant to the Articles of Association of the Company, all Directors shall be subject to retirement and re-election by rotation at the annual general meeting at least once every three years.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted 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.

As required by the Company, relevant officers and employees of the Company are also bound by the Model Code, which prohibits them to deal in securities of the Company at any time when he or she possesses inside information in relation to those securities. No incident of non-compliance of the Model Code by the relevant officers and employees was noted by the Company.

CHANGE IN DIRECTOR'S INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, since the date of the publication of the Company's annual report for the year ended 31 December 2019 and up to the date of this report, the change of Directors' information is as follow:

Directors	Details of the change
Mr. Fong Wo, Felix	Resigned as the independent non-executive director of Evergreen International Holdings Limited (stock code: 238) on 31 March 2020 Resigned as the independent non-executive director of Sheen Tai Holdings Group Company Limited (stock code: 1335) on 29 May 2020 Resigned as the independent non-executive director of Wuxi Biologics (Cayman) Inc. (stock code: 2269) on 9 June 2020
Mr. Lo Wa Kei, Roy	Resigned as the independent non-executive director of Sheen Tai Holdings Group Company Limited (stock code: 1335) on 29 May 2020

Save as disclosed above, there is no other information to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

AUDIT COMMITTEE

The Company has established written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the CG Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are to provide the Board with an independent review of the effectiveness of the financial reporting process, internal control and risk management system of the Group, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board.

The Audit Committee has reviewed with management and the Company's auditors, Ernst & Young, the accounting principles adopted by the Company, laws and regulations and discussed internal control and financial reporting matters of the Group, including the review of the interim results. The Audit Committee considered that the interim results are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

The Audit Committee consists of three independent non-executive Directors, namely Mr. Lo Wa Kei Roy (Chairman of Audit Committee), Mr. Gu Jiong and Mr. Fong Wo Felix. In compliance with Rule 3.21 of the Listing Rules, the chairman of the Audit Committee possesses the appropriate professional and accounting qualifications.

The Company's unaudited interim results and interim report for the Period have been reviewed by the Audit Committee.

REMUNERATION COMMITTEE

The Remuneration Committee is with written terms of reference in compliance with Rule 3.26 of the Listing Rules and code provision B.1.3 of the CG Code as set out in Appendix 14 to the Listing Rules with the roles to assist the Board in reviewing and determining the framework or broad policy for remuneration packages of the Directors and senior management, overseeing any major changes in employee benefit structures and considering other matters as defined by the Board.

The Remuneration Committee consists of three independent non-executive Directors, namely Mr. Gu Jiong (Chairman of Remuneration Committee), Mr. Lo Wa Kei Roy and Mr. Fong Wo Felix.

NOMINATION COMMITTEE

The Nomination Committee is with written terms of reference in compliance with code provisions A.5.2 and A.5.3. of the CG Code as set out in Appendix 14 to the Listing Rules with the role to lead the process and to make recommendations for appointments to the Board, including in relation to additional appointment or to fill up the casual vacancy of directorship, in light of the challenges and opportunities facing the Company, as well as business development and requirements of the Company.

The Nomination Committee consists of one executive Director and two independent non-executive Directors, namely Mr. Chen Chengshou (Chairman of Nomination Committee), Mr. Gu Jiong and Mr. Fong Wo Felix.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Period and up to the date of this report, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities.

CONTINUING CONNECTED TRANSACTIONS

During the Period, according to the disclosure requirements of connected transaction of Chapter 14A of the Listing Rules, the Company has conducted no continuing connected transactions with certain connected persons, which are required to be disclosed.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend to the shareholders of the Company for the six months ended 30 June 2020.

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

Hangzhou, the PRC
31 August 2020

Interim Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2020

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

Interim Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income (Continued)

For the six months ended 30 June 2020

	Notes	For the six months ended 30 June 2020 RMB'000 (Unaudited)	 2019 RMB'000 (Unaudited)
LOSS FOR THE PERIOD		**(78,991)**	(16,963)
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods (net of tax):			
Equity investments designated at fair value through other comprehensive loss:			
Changes in fair value:		**—**	—
OTHER COMPREHENSIVE LOSS, NET OF TAX		**—**	—
TOTAL COMPREHENSIVE LOSS		**(78,991)**	(16,963)
ATTRIBUTABLE TO:			
Owners of the parent		**(71,580)**	(6,475)
Non-controlling interests		**(7,411)**	(10,488)
		(78,991)	(16,963)

Interim Condensed Consolidated Statements of Financial Position

As at 30 June 2020

	Notes	**30 June 2020 RMB'000 (Unaudited)**	31 December 2019 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**4,078**	4,646
Investment properties	9	**3,314,300**	3,318,900
Right-of-use assets	12	**528**	1,027
Deferred tax assets		**97,511**	97,511
Total non-current assets		**3,416,417**	3,422,084
CURRENT ASSETS			
Properties under development		**1,487,509**	1,341,803
Completed properties held for sale		**1,532,393**	1,574,542
Trade receivables	10	**959**	1,354
Prepayments, deposits and other receivables		**338,862**	211,944
Tax recoverable		**7,239**	6,702
Restricted deposits		**488**	2,830
Cash and cash equivalents		**8,754**	182,225
Total current assets		**3,376,204**	3,321,400
CURRENT LIABILITIES			
Trade payables	11	**285,059**	291,668
Other payables and accruals		**778,512**	672,106
Contract liabilities		**212,191**	191,139
Other borrowings	13	**1,885,462**	1,890,343
Financial liabilities at fair value through profit or loss	14	**274,032**	272,967
Lease liabilities current	12	**503**	808
Tax payable		**909,868**	914,984
Total current liabilities		**4,345,627**	4,234,015
NET CURRENT LIABILITIES		**(969,423)**	(912,615)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,446,994**	2,509,469

Interim Condensed Consolidated Statements of Financial Position (Continued)

As at 30 June 2020

	Notes	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Other borrowings	13	**—**	—
Lease liabilities non-current	12	**32**	242
Deferred tax liabilities		**545,999**	529,273
Total non-current liabilities		**546,031**	529,515
NET ASSETS		**1,900,963**	1,979,954
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**14,880**	14,880
Reserves		**1,798,749**	1,870,329
		1,813,629	1,885,209
Non-controlling interests		**87,334**	94,745
TOTAL EQUITY		**1,900,963**	1,979,954

Interim Condensed Consolidated Statements of Changes in Equity

For the six months ended 30 June 2020

	Attributable to owners of the parent									
	Issued capital RMB'000	Share premium* RMB'000	Merger reserve* RMB'000	Capital reserve* RMB'000	Reserve regarding share award scheme* RMB'000	Financial assets at fair value through other comprehensive income reseve* RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2019 (Audited)	14,880	496,155	81,491	(45,756)	4,533	(1,500)	1,335,406	1,885,209	94,745	1,979,954
Loss and total other comprehensive loss for the period	—	—	—	—	—	—	(71,580)	(71,580)	(7,411)	(78,991)
At 30 June 2020 (Unaudited)	14,880	496,155	81,491	(45,756)	4,533	(1,500)	1,263,826	1,813,629	87,334	1,900,963

* These reserve accounts comprise the consolidated reserves of RMB1,798,749,000 as at 30 June 2020 (31 December 2019: RMB1,870,329,000).

Interim Condensed Consolidated Statements of Changes in Equity (Continued)

For the six months ended 30 June 2020

	Attributable to owners of the parent									
	Issued capital RMB'000	Share premium* RMB'000	Merger reserve* RMB'000	Capital reserve* RMB'000	Reserve regarding share award scheme* RMB'000	Financial assets at fair value through other comprehensive income reseve* RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2018 (Audited)	14,880	496,155	81,491	(63,214)	4,533	(1,500)	1,468,524	2,000,869	90,287	2,091,156
Adjustment on adoption of IFRS 16, net of tax							(33)	(33)		(33)
Restated balance at 1 January 2019	14,880	496,155	81,491	(63,214)	4,533	(1,500)	1,468,491	2,000,836	90,287	2,091,123
Loss and total other comprehensive loss for the period	—	—	—	—	—	—	(6,475)	(6,475)	(10,488)	(16,963)
At 30 June 2019 (Unaudited)	14,880	496,155	81,491	(63,214)	4,533	(1,500)	1,462,016	1,994,361	79,799	2,074,160

Interim Condensed Consolidated Statements of Cash Flows

For the six months ended 30 June 2020

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before tax:		
From continuing operations	**(60,670)**	11,094
Adjustments for:		
Depreciation of property, plant and equipment	**568**	651
Depreciation of right-of-use assets	**499**	308
Changes in fair value of investment properties	**4,600**	(32,400)
Changes in fair value of convertible bonds	**1,065**	(18,169)
Foreign exchange gain or loss	**(1,019)**	(8)
Bank interest income	**(62)**	(115)
Provision for impairment of completed properties held for sale	**—**	527
Realization of onerous operating leases	**—**	(659)
Realization for impairment of trade receivables	**491**	(243)
Realization for impairment of financial assets included in prepayments and other receivables	**6,159**	(1,985)
Finance costs	**5,961**	2,082
	(42,408)	(38,917)
Decrease in trade receivables	**255**	3,251
Increase in prepayments, and other receivables	**(29,347)**	(12,877)
Increase/(decrease) in contract liabilities	**21,052**	2,417
(Decrease)/increase in trade payables	**(6,567)**	29,245
Increase in other payables and accruals	**25,859**	22,618
(Increase)/decrease in properties under development and completed properties held for sale	**26,446**	(32,592)
Decrease in amounts due to other related parties	**—**	(5,877)
Decrease in restricted deposits	**2,341**	535,473
Tax refund	**—**	10,426
Cash generated from/(used in) operations	**(2,369)**	513,167
Tax paid	**(7,249)**	(4,346)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	**(9,618)**	508,821

Interim Condensed Consolidated Statements of Cash Flows (Continued)

For the six months ended 30 June 2020

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	**—**	(8)
Proceeds from disposal of items of property, plant and equipment	**—**	16
Bank interest income	**62**	115
NET CASH FLOWS FROM INVESTING ACTIVITIES	**62**	123
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	**(76,246)**	(96,317)
(Increase)/decrease in other receivables	**(33,320)**	(135,260)
Decrease in other payables	**(51,013)**	(60,573)
Repayment of other borrowings	**(3,816)**	(41,043)
Principal portion of lease payments	**(539)**	(336)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	**(164,934)**	(333,529)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**(174,490)**	175,415
Cash and cash equivalents at beginning of year	**182,225**	35,515
Effect of foreign exchange rate changes, net	**1,019**	8
CASH AND CASH EQUIVALENTS AT END OF YEAR	**8,754**	210,938

1. CORPORATE INFORMATION

Xinming China Holdings Limited (the "Company") was incorporated in the Cayman Islands on 16 January 2014 as an exempted company with limited liability under the Companies Law, Chapter 22 of the Cayman Islands. The registered office of the Company is at Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands.

The principal activity of the Company is investment holding. The Group was mainly involved in property development and property leasing. In the opinion of the directors of the Company, the ultimate holding company of the Company is Xinxing Company Limited. The ultimate controlling shareholder of the Group is Mr. Chen Chengshou (the "Controlling Shareholder").

The shares of the Company were listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 6 July 2015.

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

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with IAS 34 Interim Financial Reporting. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

Going Concern basis

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

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

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (Continued)

2.1 BASIS OF PREPARATION (Continued)

Going Concern basis (Continued)

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

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

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

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

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

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

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

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (Continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the new and revised International Financial Reporting Standards("IFRSs") for the first time for the current period's financial information.

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

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

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

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

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (Continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

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

(d) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

3. OPERATION SEGMENT INFORMATION

For the six months ended 30 June 2020	Property Development RMB'000	Property Leasing RMB'000	Others RMB'000	Total RMB'000
Segment revenue:				
Sales to external customers	86,282	8,850	—	95,132
Revenue				95,132
Segment results:	(34,951)	1,289	(27,008)	(60,670)
Loss before tax				(60,670)

For the six months ended 30 June 2019	Property Development RMB'000	Property Leasing RMB'000	Others RMB'000	Total RMB'000
Segment revenue:				
Sales to external customers	73,078	30,858	—	103,936
Revenue				103,936
Segment results:	(14,572)	39,333	(13,667)	11,094
Profit before tax				11,094

3. OPERATION SEGMENT INFORMATION (Continued)

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

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

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue and other income and gains is as follows:

An analysis of revenue is as follows:

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

Revenue from contracts with customers

Disaggregated revenue information

Six months ended 30 June 2020

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

4. REVENUE, OTHER INCOME AND GAINS (Continued)

Six months ended 30 June 2019

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

5. PROFIT/(LOSS) BEFORE TAX

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

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of properties sold	**44,960**	65,066
Cost of leasing properties	**9,882**	17,526
Reversal of account receivable and other receivables	**6,650**	(2,228)
Auditor's remuneration	**2,019**	1,000
Depreciation of property, plant and equipment	**568**	651
Depreciation of right-of-use assets	**499**	308
Change in fair value of investment properties (note 9)	**4,600**	(32,400)
Change in fair value of the convertible bonds (note 14)	**1,065**	(18,169)
Realisation of onerous operating leases	**—**	(659)
Foreign exchange gain	**—**	5,804
Bank interest income	**62**	115
Employee benefit expense:		
Wages and salaries	**10,796**	11,673
Pension scheme and social welfare	**726**	2,843

6. INCOME TAX

The Group is subject to income tax on an entity based on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate.

The major components of income tax expense in the interim condensed consolidated statement of profit or loss and other comprehensive income are:

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
Income tax in the PRC for the period	**467**	3,627
LAT	**1,128**	11,798
Deferred tax	**16,726**	12,632
Total tax charge for the period	**18,321**	28,057

7. DIVIDENDS

The directors did not recommend the payment of an interim dividend in respect of the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,878,622,000 (six months ended 30 June 2019: 1,878,622,000) in issue during the period.

The calculation of the diluted loss per share amount is based on the loss for the period attributable to ordinary equity holders of the parent of RMB71,580,000, adjusted to reflect the fair value change on the convertible bonds of RMB1,065,000. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic loss per share calculation of 2,094,449,000 shares, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed conversion of convertible bonds into ordinary shares of 215,827,000 shares.

9. INVESTMENT PROPERTIES

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

The Group's investment properties are situated in Mainland China and are held under medium term leases. The fair value of the Group's investment properties was revalued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent professionally qualified valuer.

As at 30 June 2020 and 31 December 2019, the Group's investment properties with values of RMB3,314,300,000 and RMB3,318,900,000, respectively, were pledged to secure general other borrowings granted to the Group (note 13).

10. TRADE RECEIVABLES

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

Trade receivables are unsecured and non-interest-bearing. The carrying amounts of trade receivables approximate to their fair values.

10. TRADE RECEIVABLES (Continued)

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date, and net of loss allowance, is as follows:

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

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

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

11. TRADE PAYABLES

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

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

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

12. LEASES

The Group as a lessee

The Group has lease contracts for various items of buildings or offices used in its operations. Leases of buildings or offices generally have lease terms between 2 and 5 years or are individually of low value. Other equipment generally has lease terms of 12 months or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Buildings or offices RMB'000
As at 1 January 2020 (audited)	1,027
Additions	—
Depreciation charge	(499)
As at 30 June 2020 (unaudited)	528

12. LEASES (Continued)

The Group as a lessee (Continued)

(b) Lease liabilities

The carrying amount of lease liabilities (included under other borrowings) and the movements during the year are as follows:

	Lease liabilities RMB'000
Carrying amount at 1 January 2020 (audited)	1,050
New leases	—
Accretion of interest recognised during the year	24
Payments	(539)
Carrying amount at 30 June 2020 (unaudited)	535
Analyzed into:	
Current portion	503
Non-current portion	32

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2020 RMB'000
Interest on lease liabilities	24
Depreciation charge of right-of-use assets	499
Expense relating to leases of low-value assets (included in administrative expenses)	6
Total amount recognized in profit or loss	529

13. OTHER BORROWINGS

	30 June 2020			31 December 2019		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Current portion of long term other borrowings — secured	5.21-11.67	2020-2021	1,885,462	6.80-11.67	2020	1,890,343
			1,885,462			1,890,343
Non-current						
Other borrowings — secured			—			—
			—			—
			1,885,462			1,890,343
Analysed into:						
Other borrowings repayable:						
Repayable within one year			1,885,462			1,890,343
Repayable in the second year			—			—
Repayable in the third to fifth years			—			—
			1,885,462			1,890,343
			1,885,462			1,890,343

13. OTHER BORROWINGS (Continued)

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

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

(i) The Group's other borrowings of RMB493,611,000 and RMB311,387,000 (2019: RMB500,000,000 and RMB311,879,000) were secured by the 100% equity interests in Wenshang Times, 95% equity interests in Chongqing Xinming, subsidiaries of the Company.

(ii) The Group's other borrowings of RMB493,611,000, RMB458,578,000, RMB 311,387,000 and RMB 422,171,000 (2019:RMB500,000,000, RMB458,892,000, RMB311,879,000 and RMB419,121,000) were secured by investment properties of Wenshang Times, Taizhou Investment, Chongqing Xinming and Shanghai Xinming, subsidiaries of the Company, respectively.

(iii) The Group's other borrowings of RMB199,715,000 and RMB311,387,000 (2019: RMB200,453,000 and RMB311,879,000) were secured by completed properties held for sale of Hangzhou Xinming and Chongqing Xinming, Wenshang Times, subsidiaries of the Company, respectively.

(iv) The Group's other borrowings of RMB311,387,000(2019: RMB311,879,000) were secured by properties under development of Chongqing Xinming, subsidiaries of the Company.

(1) The Group's other borrowings of RMB493,611,000 (2019: RMB500,000,000) were jointly guaranteed by (i) the Controlling Shareholder, Mr. Chen Chengshou, (ii) the non-executive director, Ms. Gao Qiaoqin, and (iii) Xinming Group Limited, a related party of the Group.

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

13. OTHER BORROWINGS (Continued)

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

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

14. FINANCIAL LIABILITES AT FAIR VALUE THROUGH PROFIT OR LOSS

On 1 June 2018, the Company issued convertible bonds in the aggregate principal amount of HK$300,000,000 (equivalent to approximately RMB245,016,000) (the "Convertible Bonds") at the price of 100% of their principal amount. The Convertible Bonds are redeemable at the option of the bondholders at a price of HK$1.39 per bond on 1 June 2020. The Convertible Bonds bear interest at the rate of 6.5% plus 1% handling fee per annum and are payable in arrears every six months. The Convertible Bonds are guaranteed by the Controlling Shareholder, Mr. Chen Chengshou, and the non-executive director, Ms. Gao Qiaoqin, pursuant to a deed of guarantee, and secured by Xinxing Company Limited by 940,000,000 shares of the Company held by Xinxing Company Limited, a company controlled by Mr. Chen Chengshou.

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

	Convertible bonds RMB'000
Carrying amount at 1 January 2020 (audited)	272,967
Net profit from a fair value adjustment recognised in changes in fair value of financial liabilities in profit or loss	1,065
Carrying amount at 30 June 2020 (unaudited)	274,032

The Convertible Bonds were jointly guaranteed by the Controlling Shareholder, Mr. Chen Chengshou and the non-executive director, Ms. Gao Qiaoqin, as set out in note 15(b)(v).

15. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Name and relationship

Name of related party	Relationship with the Group
Mr. Chen Chengshou	Controlling Shareholder
Yuanyang Holdings Group Share Limited Company	Significantly influenced by Mr. Zheng Xiangtian, brother of the Controlling Shareholder
Hangzhou Taoyuan Shanzhuang Property Development Limited	Controlled by the Controlling Shareholder
Xinming Group Limited	Controlled by the Controlling Shareholder

In addition to the transactions and balances detailed elsewhere in this report, the Group had the following material transactions with related parties during the six months ended 30 June 2020 and 2019:

(b) Nature of transactions

Recurring transactions

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	Unaudited)
(i) Purchase of construction materials and receiving services from other related parties		
Yuanyang Holdings Group Share Limited Company	**—**	100

The purchase of construction materials and receiving related services from the above related parties were made according to the prices and terms agreed between the related parties.

15. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(b) Nature of transactions (Continued)

Recurring transactions (Continued)

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(ii) Leasing offices from other related party		
Hangzhou Taoyuan Shanzhuang Property Development Limited	**—**	240

The leasing offices from the above related party were made according to the prices and terms agreed between the related parties.

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(iii) Purchases of properties from a related party		
Hangzhou Taoyuan Shanzhuang Property Development Limited	**240**	—

15. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(b) Nature of transactions (Continued)

Non-recurring transactions

(iv) Guarantees provided for other borrowings by related parties.

As set out in note 13(v), the Group's other borrowings of RMB493,611,000 (2019: RMB500,000,000) were jointly guaranteed by (i) the Controlling Shareholder, Mr. Chen Chengshou, (ii) the non-executive director, Ms. Gao Qiaoqin, and (iii) Xinming Group Limited, a related party of the Group.

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

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

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

(v) Guarantees provided for the Convertible Bonds by related parties

As set out in note 14, the Group's Convertible Bonds of RMB274,032,000 (2019: RMB272,967,000) were jointly guaranteed by (i) the Controlling Shareholder, Mr. Chen Chengshou and (ii) the non-executive director, Ms. Gao Qiaoqin.

(c) Compensation of key management personnel of the Group

	30 June 2020 RMB'000	30 June 2019 RMB'000
Short term employee benefits	**622**	1,243
Pension scheme contributions	**43**	159
Total compensation paid to key management personnel	**665**	1,402

16. COMMITMENTS

The Group had the following capital commitments at the end of each reporting period:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Contracted, but not provided for:		
Properties under development	**235,606**	274,266

17. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the interim consolidated financial statements were as follows:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Guarantees in respect of mortgage facilities granted to purchasers of the Group's properties	**28,994**	28,914

The Group provided guarantees in respect of mortgage facilities granted by certain banks to the purchasers of the Group's completed propertied 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 as at 30 June 2020 and 31 December 2019 in respect of the guarantees provided for mortgage facilities granted to purchasers of the Group's completed properties held for sale. The Directors 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.

18. 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	
	30 June 2020 RMB'000	31 December 2019 RMB'000	**30 June 2020 RMB'000**	31 December 2019 RMB'000
Financial liabilities				
Convertible bonds	**274,032**	272,967	**274,032**	272,967
	274,032	272,967	**274,032**	272,967

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, financial assets included in prepayments other receivables, financial liabilities included in other payables and accruals, amounts due to related parties, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

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 fair values of the non-current portion of other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for other borrowings as at 30 June 2020 and 31 December 2019 was assessed to be insignificant. The Convertible Bonds were recognised as financial liabilities designated upon initial recognition as at fair value through profit or loss. The Convertible Bonds was measured at fair value using the Binomial model method.

18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

As at 30 June 2020 the marked to market value of the derivative asset position is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationship and other financial instrument recognised at fair value.

Liabilities measured at fair value:

	Fair value measurement using significant unobservable inputs (Level 2)	
	30 June 2020 RMB'000	31 December 2019 RMB'000
Convertible bonds	**274,032**	272,967

During the Period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2019: Nil).

19. EVENTS AFTER THE REPORTING PERIOD

As of the date of approval of the financial statements, the Group did not have any significant event subsequent to 30 June 2020.

20. APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The unaudited interim financial information was approved and authorised for issue by the board of directors on 31 August 2020.