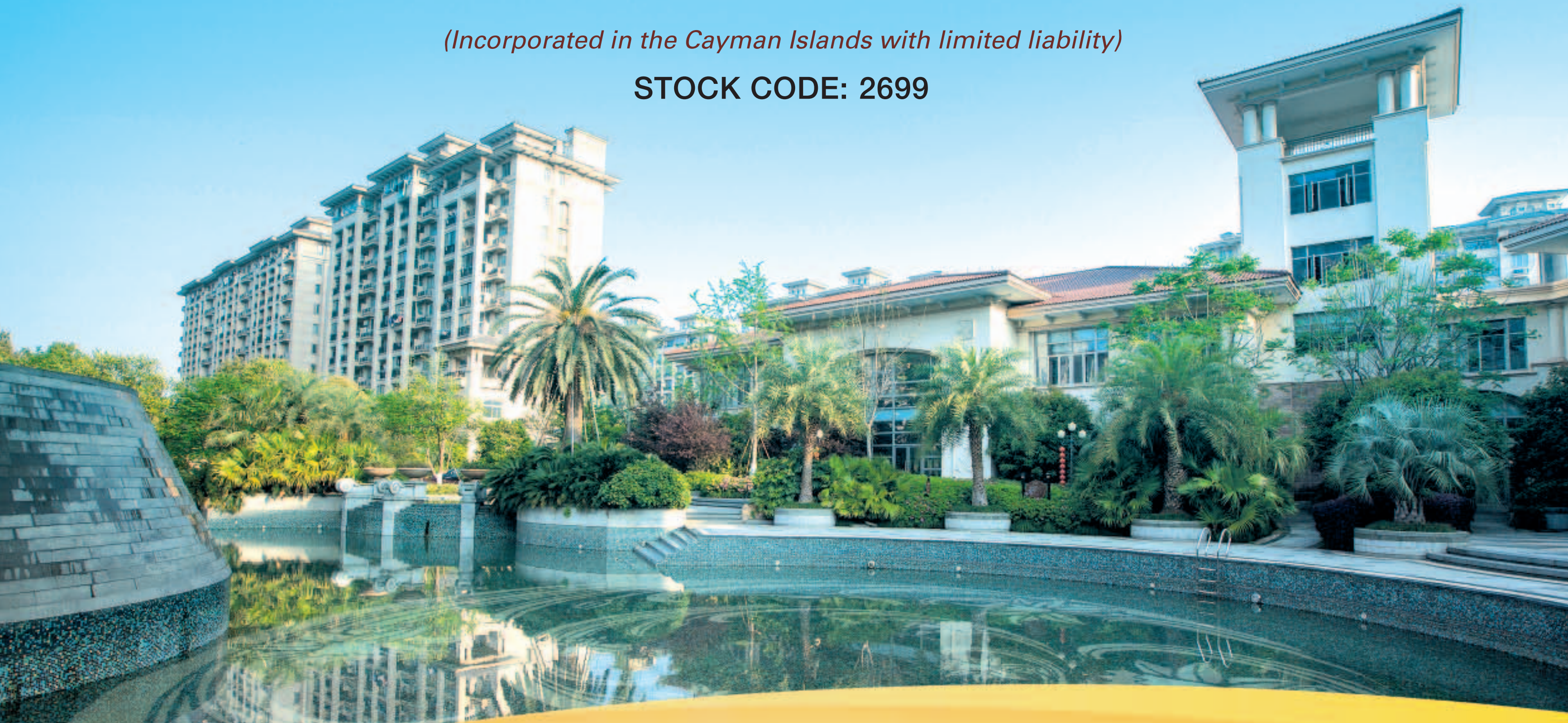
新明中国控股
XINMING CHINA

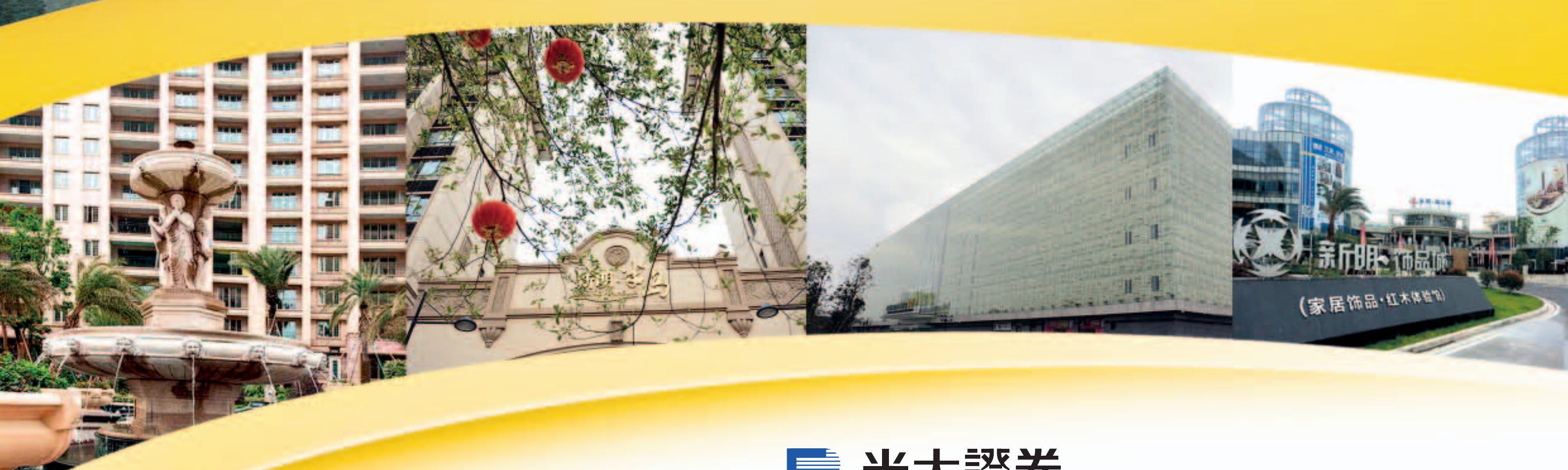
XINMING CHINA HOLDINGS LIMITED
新明中國控股有限公司

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE: 2699



GLOBAL OFFERING



光大證券
EBS INTERNATIONAL

Sole Sponsor **China Everbright Capital Limited**

光大證券
EBS INTERNATIONAL

Sole Global Coordinator and Sole Bookrunner **China Everbright Securities (HK) Limited**

IMPORTANT

If you are in any doubt about any contents of this prospectus, you should obtain independent professional advice.

新明中国控股
XINMING CHINA

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新明中國控股有限公司

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GLOBAL OFFERING

Number of Offer Shares	:	470,000,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	:	47,000,000 (subject to re-allocation)
Number of International Placing Shares	:	423,000,000 Shares (subject to re-allocation and the Over-allotment Option)
Maximum Offer Price	:	HK$2.1 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	:	HK$0.01 each
Stock code	:	2699

Sole Sponsor

光大證券
EBS INTERNATIONAL

China Everbright Capital Limited

Sole Global Coordinator and Sole Bookrunner

光大證券
EBS INTERNATIONAL

China Everbright Securities (HK) Limited

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraphs under "Documents Available for Inspection" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or about Monday, 29 June 2015 and, in any event, not later than 5:00 p.m. on Tuesday, 30 June 2015. The Offer Price will be not more than HK$2.1 per Offer Share and is expected to be not less than HK$1.1 per Offer Share unless otherwise announced. The Sole Global Coordinator (for itself and on behalf of the Underwriters), may, with our consent, reduce the number of Offer Shares and/or the Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In such case, notices of the reduction in the number of Offer Shares and/or the Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), and on the website of our Company at **www.xinm.com.cn** and the website of the Stock Exchange at **www.hkexnews.hk** not later than the morning of the last day for lodging applications under the Hong Kong Public Offer. Further details are set out in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus. If, for any reason, the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price, the Global Offering (including the Hong Kong Public Offer) will not proceed and will lapse.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Hong Kong Offer Shares, are subject to termination by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting — Underwriting Arrangements and Expenses — Grounds for termination" in this prospectus. It is important that you refer to that section for details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States, and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of any U.S. persons.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

23 June 2015

*If there is any change to the following expected timetable of the Global Offering, our Company will issue an announcement to be published on the websites of our Company (**www.xinm.com.cn**) and the Stock Exchange (**www.hkexnews.hk**).*

2015[(1)]

Application lists open[(2)] . . . . 11:45 a.m. on Friday, 26 June

Latest time for the following:

- Lodging **WHITE** and **YELLOW** Application Forms . . . . 12:00 noon on Friday, 26 June

- Giving **electronic application instructions** to HKSCC[(3)] . . . . 12:00 noon on Friday, 26 June

Application lists close[(2)] . . . . 12:00 noon on Friday, 26 June

Expected Price Determination Date[(4)] . . . . on or about Monday, 29 June

Announcement of (i) the Offer Price; (ii) the level of indications of interest in the International Placing; (iii) the level of applications in the Hong Kong Public Offer; (iv) the basis of allotment of the Hong Kong Offer Shares under the Hong Kong Public Offer; and (v) the number of Offer Shares reallocated, if any, between the Hong Kong Public Offer and the International Placing to be published in South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of our Company at **www.xinm.com.cn** and on the website of the Stock Exchange at **www.hkexnews.hk** on . . . . Friday, 3 July

Announcement of the results of allocations, the number of the Hong Kong Offer Shares successfully applied for, and Hong Kong identity card/passport/Hong Kong business registration certificate numbers of successful applicants under the Hong Kong Public Offer to be available through a variety of channels as described in the section headed "How to Apply for Hong Kong Offer Shares — Publication of Results" in this prospectus from . . . . Friday, 3 July

Results of allocations in the Hong Kong Public Offer to be available at **www.tricor.com.hk/ipo/result** with a "search by ID/ Passport/Business Registration Number" function	Friday, 3 July
Despatch of Share certificates or deposit of Share certificates into CCASS in respect of wholly or partially successful applicants pursuant to the Hong Kong Public Offer(5)	Friday, 3 July
Refund cheques in respect of wholly or partially unsuccessful application to be despatched on(5)	Friday, 3 July
Dealings in the Shares on the Stock Exchange expected to commence on	Monday, 6 July

Notes:

(1) All dates and times refer to Hong Kong local time, except as otherwise stated.

(2) If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 26 June 2015, the application lists will not open or close on that day. Further information is set out in the section headed "How to Apply for Hong Kong Offer Shares — Effect of bad weather on the opening of the application lists" in this prospectus.

(3) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for Hong Kong Offer Shares — Applying by giving electronic application instructions to HKSCC via CCASS" in this prospectus.

(4) We expect to determine the Offer Price by agreement with the Sole Global Coordinator (for itself and on behalf of the Underwriters) on the Price Determination Date. The Price Determination Date is expected to be on or about Monday, 29 June 2015. If, for any reason, the Offer Price is not agreed by our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) by Tuesday, 30 June 2015, the Global Offering (including the Hong Kong Public Offer) will not proceed and will lapse.

(5) Refund cheques will be issued with respect to wholly or partially unsuccessful applications and also with respect to successful applications in the event that the Offer Price is less than the maximum Offer Price per Share payable on application of HK$2.1. Applicants who apply on **WHITE** Application Forms for 1,000,000 Hong Kong Offer Shares and have provided all information required by their Application Forms may collect refund cheques (where applicable) and Share certificates (where applicable) from our Hong Kong Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Friday, 3 July 2015 or any other place and date hereafter notified by our Company in South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) as the place and date of despatch of Share certificates/refund cheques. Individual applicants who opt for collection in person must not authorise any other person to make collection on their behalf. Applicants being corporations which opt for collection in person must attend by their authorised representatives, each bearing a letter of authorisation from such corporation stamped with the corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity and authorisation documents (where applicable) acceptable to Tricor Investor Services Limited. Uncollected Share certificates and refund cheques will be despatched by ordinary post at the applicants' own risk to the addresses specified in the relevant Application Forms promptly thereafter. Applicants who apply on **YELLOW** Application Forms for 1,000,000 Hong Kong Offer Shares or more and who have indicated in their Application Forms that they wish to collect refund cheques in person may collect their refund cheques, if any, in person but may not elect to collect their Share certificates, which will be deposited into CCASS for the credit of their designated CCASS Participant's stock account or CCASS Investor

Participant's stock account, as appropriate. The procedures for collection of refund cheques for applicants who apply on **YELLOW** Application Forms for Hong Kong Offer Shares are the same as those for applicants who apply on **WHITE** Application Forms. Further information is set out in the section headed "How to Apply for Hong Kong Offer Shares — Despatch/collection of Share certificates and refund monies" in this prospectus.

Share certificates are expected to be issued on Friday, 3 July 2015 but will only become valid certificates of title if the Hong Kong Public Offer has become unconditional in all respects and the right of termination described in the section headed "Underwriting — Underwriting Arrangements and Expenses — Grounds for termination" in this prospectus has not been exercised, which is currently expected to be at 8:00 a.m. on Monday, 6 July 2015.

For details of the structure of the Global Offering, including its conditions, you should refer to the sections headed "Underwriting", "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

This prospectus is issued by Xinming China Holdings Limited solely in connection with the Hong Kong Public Offer and the Hong Kong Offer Shares and does not constitute an offer to sell, or a solicitation of an offer to subscribe for or buy, any security other than the Hong Kong Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell, or a solicitation of an offer to subscribe for or buy, any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares, or the distribution of this prospectus, in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision.

We have not authorised anyone to provide you with information that is different with what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Sole Global Coordinator, the Sole Sponsor, any of the Underwriters, any of their respective directors, or any other persons or parties involved in the Global Offering.

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This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all of the information which may be important to you. You should read this prospectus in its entirety before you decide to invest in our Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Shares are summarised in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in our Offer Shares.

BUSINESS OVERVIEW

We are an integrated residential and commercial property developer in the PRC. Since our inception of business in Taizhou, Zhejiang Province, we have expanded by developing sites in a number of cities, namely, Shanghai, Chongqing, Tengzhou and Hangzhou. Our business mainly comprises three areas: (i) property development, i.e. development of residential and commercial properties for sale; (ii) property leasing, i.e. the leasing of our commercial properties held for investment and leasing of properties owned by third party purchasers of our commercial properties; and (iii) property management, i.e. the provision of property management services to our residential customers.

Our business model is designed to balance short-term capital needs and long-term financial strength. While we generally sell our residential properties, we primarily sell a portion of our commercial properties for immediate return of capital to fund our business, operations and expansion plans, while strategically retaining other commercial properties as investment properties for long-term recurring rental income and long-term capital appreciation. This allows us to generate rental income in addition to the revenue generated from the sale of properties. Further, through retaining and leasing part of our commercial development as investment properties, we are able to introduce major tenants of strategic significance to our commercial development and to maintain a clear specific theme for our commercial development.

We strategically develop both residential and commercial properties in selected cities. For our residential projects, we focus on developing quality residential units with comfortable living environment and quality ancillary facilities which we believe meet the needs of our target customers who are first-time home buyers or customers with a need to upgrade their living environment. For our commercial complex projects, we primarily develop complexes which include shopping malls, warehouses, specialised markets and offices.

Further, we also derive rental income by leasing properties owned by third party purchasers of certain of our commercial properties. We have entered into exclusive management and operation agreements with certain third party purchasers of our commercial properties to manage and control the leasing of such properties for a period of five or ten years. In return, we are required to pay to such purchasers certain percentages of the selling price of the property and in some cases the rental income deriving from leasing the property to the third party tenants for certain period of time.

We devise various procedures for our property development process which typically include city and site selection, land acquisition, project planning and design, construction, quality control, sales and marketing, delivery and after-sales services. Please refer to the section headed "Business — Our Property Development Process" on page 187 of this prospectus for further details.

As our business strategies, we intend to expand the mix of commercial development in our property development profile and to continue to develop commercial development with a specific theme. Based on the industry experience of our Directors, we strategically target children-related goods and services as the theme for our upcoming commercial developments. Further, considering the significance of retaining part of our commercial development as investment properties in the operation of a themed commercial development, for every commercial development project under development or held for future development, we intend to strategically retain not less than 30% of the expected GFA for investment purpose, depending on the prevailing market condition and financial condition of our Group.

OUR PROPERTY DEVELOPMENT PROJECTS

As at 31 March 2015, our property portfolio comprised 16 property development projects with an aggregate GFA of approximately 2,169,824 sq.m. under various stages of development in various cities in the PRC. The following table sets forth a summary of our property development projects based on our internal records as at 31 March 2015. Please refer to the section headed "Business — Description of our Property Development Projects" starting on page 159 of this prospectus for further details.

			COMPLETED				UNDER DEVELOPMENT			FUTURE DEVELOPMENT
Project	Location	Site area[1]	GFA completed[2]	Saleable GFA[3]	Non-saleable GFA	Saleable GFA remaining unsold[4]	GFA under development[2]	Saleable GFA[3]	Saleable GFA pre-sold	Planned GFA[2]
		(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)
Completed										
Taizhou Xinming Peninsular (台州新明半島)		205,807	463,509	394,552	68,957	8,254	—	—	—	—
Phase 1 (一期)	Taizhou	86,667	189,387	157,005	32,382	5,130	—	—	—	—
Phase 2 — Stage 1 (二期第一階段)	Taizhou	66,600	121,498	111,723	9,775	706	—	—	—	—
Phase 2 — Stage 2 (二期第二階段)	Taizhou	52,540	152,624	125,824	26,800	2,418	—	—	—	—
Xinming International Household Products Mall (新明國際家居廣場)	Taizhou	131,768	207,908	100,151	107,757	2,957	—	—	—	—
Xinming International Logistic Centre (新明國際物流中心)	Taizhou	49,711	20,862	—	20,862	—	—	—	—	—
Wenshang Times • Red Star Macalline Household Products Market (温商時代•紅星美凱龍家居市場)	Taizhou	11,000	67,239	—	67,239	—	—	—	—	—
Xinming Lijiang Garden (新明麗江苑)	Taizhou	63,431	210,988	177,466	33,522	16,004	—	—	—	—
Wenshang Times • Xinming Household Decorations and Fittings City (温商時代•新明飾品城)	Taizhou	44,871	67,251	44,415	22,836	25,375	—	—	—	—
Wenshang Times • Xinming Apartment (温商時代•新明公館)	Taizhou	10,263	39,942	35,605	4,337	1,457	—	—	—	—

Project	Location	Site area(1)	COMPLETED: GFA completed(2)	COMPLETED: Saleable GFA(3)	COMPLETED: Non-saleable GFA	COMPLETED: Saleable GFA remaining unsold(4)	UNDER DEVELOPMENT: GFA under development(2)	UNDER DEVELOPMENT: Saleable GFA(3)	UNDER DEVELOPMENT: Saleable GFA pre-sold	FUTURE DEVELOPMENT: Planned GFA(2)
		(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)
Under Development										
Shanghai Xinming • Children's World (上海新明•兒童世界)	Shanghai	39,720	—	—	—	—	186,261	141,941	3,921	—
Chongqing Xinming • China South-western City Phase 1 (重慶新明•中國西南城一期)	Dazu District, Chongqing	175,531	—	—	—	—	280,186	170,709	53,841	—
Xingmeng International Commercial City (興盟國際商城)	Tengzhou	87,963	—	—	—	—	65,507(5)	61,743	1,826	107,864
Hangzhou Xinming • Children's World (杭州新明•兒童世界)	Hangzhou	30,449	—	—	—	—	162,927	—	—	—
Future Development										
Commercial Building Project (商務樓項目)	Taizhou	16,236	—	—	—	—	—	—	—	68,204
Chongqing Xinming • China South-western City Phase 2 (重慶新明•中國西南城二期)	Dazu District, Chongqing	73,582	—	—	—	—	—	—	—	110,373
Chongqing Xinming • China South-western City Phase 3 (重慶新明•中國西南城三期)	Dazu District, Chongqing	44,321	—	—	—	—	—	—	—	110,803
Total		**984,653**	**1,077,699**	**752,189**	**325,510**	**54,047**	**694,881**	**374,393**	**59,588**	**397,244**

Notes:

(1) Information for "Site area" is based on relevant land use rights certificates, land grant contracts, tender documents, or other relevant agreements (as the case may be).

(2) "GFA completed" of completed projects is based on completion certificates. "GFA under development" of projects under development is based on construction works commencement permits and/or construction works planning permits. "Planned GFA" of projects for future development is based on the relevant land grant contract and/or public tender, listing-for-sale, auction confirmation letter or construction work planning permit.

(3) "Saleable GFA" of completed projects is based on surveying reports. "Saleable GFA" of projects under development is based on pre-sale permits.

(4) "Saleable GFA remaining unsold" refers to GFA unsold; and GFA sold or pre-sold but not yet delivered to the purchasers.

(5) The construction of such area was completed in April 2015.

Current status of projects under development and projects held for future development

Project	Planned use	Total future development costs expect to be incurred(1) (RMB million)	Expected source of funding	Current status
Under Development				
Shanghai Xinming • Children's World (上海新明•兒童世界) ...	Commercial and office	383.6	(2) and (3)	Under development and estimated to be completed in December 2015
Chongqing Xinming • China South-western City Phase 1 (重慶新明•中國西南城一期)	Commercial	488.5	(2) and (3)	Under development and estimated to be completed in April 2016
Xingmeng International Commercial City (興盟國際商城)	Commercial and residential	346.0	(2) and (3)	Under development and estimated to be completed in April 2018
Hangzhou Xinming • Children's World (杭州新明•兒童世界) ...	Commercial	685.5	(2) and (3)	Under development and estimated to be completed in December 2016
Future Development				
Commercial Building Project (商務樓項目)	Commercial	218.2	(2) and (3)	Under planning and construction expected to commence in June 2015
Chongqing Xinming • China South-western City Phase 2 (重慶新明•中國西南城二期) ...	Commercial	572.0	(2) and (3)	Under planning and construction expected to commence in July 2015
Chongqing Xinming • China South-western City Phase 3 (重慶新明•中國西南城三期)	Residential	401.3	(2) and (3)	Under planning and construction expected to commence in September 2015

Notes:

(1) Figures are based on our internal records as at 31 March 2015.

(2) Expected source of funding being external financing and/or internal resources.

(3) Expected source of funding being net proceeds from Global Offering.

Land Reserves

The table below sets forth a summary of our land reserves as at 31 March 2015 by geographic location:

	Saleable GFA Remaining Unsold/GFA held for investment	GFA Under Development	Planned GFA for Future Development	Total Land Reserves	% of Total Land Reserves
	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(%)
Taizhou	243,311	—	68,204	311,515	23.3
Shanghai	—	186,261	—	186,261	14.0
Chongqing	—	280,186	221,176	501,362	37.5
Tengzhou	—	65,507	107,864	173,371	13.0
Hangzhou	—	162,927	—	162,927	12.2
TOTAL	243,311	694,881	397,244	1,335,436	100.0

OUR POTENTIAL DEVELOPMENT PROJECTS

The table below summarises such framework agreements or similar arrangements for future development as at the Latest Practicable Date. Please refer to the section headed "Business — Potential Development Projects" starting on page 177 of this prospectus for further details.

	Location	Planned use	Site area	Permitted GFA	Estimated date of listing-for-sale(1)	Estimated total development budget(2)	Expected source of funding	Expected attributable interest to our Group	Current status
1.	Parcels of land neighboring Xingmeng International Commercial City in Tengzhou	Commercial and residential	1,837 mu (approximately 1,224,667 sq.m.)	1,569,472.6 sq.m.	July to September 2015	RMB5.67 billion (RMB963.5 million for the total land costs and RMB4.71 billion for construction costs)	Net proceeds from Global Offering and internal resources	55%	The land is currently undergoing site clearing work and we plan to participate in the public tender, auctions and the listings-for-sale for the land parcel once they are available in stages.
2.	Parcels of land in Yijiang District, Wuhu City	Commercial and residential	668 mu (approximately 445,333 sq.m.)	820,000 sq.m.	October to December 2015	RMB4.0 billion (RMB1.14 billion for the total land costs and RMB2.86 billion for construction costs)	Net proceeds from Global Offering and internal resources	100%	The land is currently undergoing site clearing work and we plan to participate in the public tender, auctions and the listings-for-sale for the land parcel once they are available in stages.

Notes:

(1) The relevant parcels of land will be listed-for-sale in various stages and such date represents the estimated date of listing-for-sale for the first stage of the relevant land parcel. This estimation is based on our understanding of the existing and prevailing market condition and industry practice.

(2) Such total development budget were estimated based on our internal records and estimates as at the Latest Practicable Date. The land costs shall be payable in cash.

OUR COMPETITIVE STRENGTHS

We have the following competitive strengths:

- we have demonstrated a proven track record in the provision of quality development projects;
- we enjoy the benefits of undertaking large-scale developments in phases;
- we have an established business model where we strategically retain long-term ownership of selected commercial properties for recurring rental income and sell a mix of commercial properties for capital growth;
- we have strategically located land reserves for our sustainable development; and
- we have a committed management team with strong credentials and extensive experience in the PRC real estate industry.

OUR BUSINESS STRATEGIES

We intend to implement the following business strategies to grow our businesses:

- diversify our project portfolio by further expanding our commercial property development and focus on developing commercial complex with theme of household products or children's products;
- increase customer satisfaction by improving property management services and enhancing our brand recognition;
- optimise our land bank structure to achieve higher profitability and sustainable quality growth; and
- continue to attract, retain and motivate skilled and talented employees.

COMPETITIVE LANDSCAPE

The PRC property industry is highly fragmented and competitive. We primarily compete with other regional and country-wide property developers focusing on the development of residential and commercial properties in the PRC. We compete on a broad range of factors, including product quality, service quality, price, financial resources, brand recognition, ability to acquire land and other factors.

SUMMARY OF CONSOLIDATED FINANCIAL INFORMATION

The following tables present a summary of consolidated financial information for the periods indicated below:

Selected Line Items of the Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Year ended 31 December		
	2012	2013	2014
	(RMB'000, unless otherwise specified)		
Revenue	1,045,835	810,646	2,135,612
Gross profit	574,891	449,282	751,265
Profit before tax	557,798	470,132	575,836
Profit after tax and total comprehensive income for the year	257,528	251,825	311,035
Attributable to:			
Owners of the parent	207,772	262,292	330,179
Non-controlling interests	49,756	(10,467)	(19,144)

For the three years ended 31 December 2012, 2013 and 2014, the adjusted net profits after excluding the changes in fair value of investment properties and the relevant income tax expenses were RMB122.2 million, RMB111.7 million and RMB298.4 million, respectively.

The following table sets out a breakdown of our revenue by operating segments and their percentage of total revenue for the periods indicated:

	Year ended 31 December					
	2012		2013		2014	
	(RMB'000, except for percentages)					
Sales of properties	998,664	95.5%	770,924	95.1%	2,050,485	96.0%
Rental income	37,478	3.6%	28,856	3.6%	66,546	3.1%
Property management income	9,693	0.9%	10,866	1.3%	18,581	0.9%
Total	1,045,835	100.0%	810,646	100.0%	2,135,612	100.0%

Please refer to the section headed "Financial Information — Description of certain key items of the consolidated statements of profit or loss and other comprehensive income — Revenue" for a detailed analysis of our revenue.

Summary of consolidated statements of financial position

	As at 31 December		
	2012	2013	2014
	(RMB'000, unless otherwise specified)		
Non-current assets	1,554,818	1,902,353	1,959,087
Current assets	3,950,735	4,509,669	3,593,468
Current liabilities	3,399,254	4,534,159	3,065,090
Non-current liabilities	1,020,075	644,136	1,546,565
Total equity	1,086,224	1,233,727	940,900

Cash Flows and Working Capital

	Year ended 31 December		
	2012	2013	2014
	(RMB'000, unless otherwise specified)		
Net cash generated from/(used in) operating activities	206,878	127,695	(935,041)
Net cash (used in)/generated from investing activities	(105,072)	(131,982)	1,954
Net cash (used in)/generated from financing activities	(43,062)	34,544	811,976
Cash and cash equivalents at the end of year	131,155	161,412	40,301

During the Track Record Period, we funded our expansion primarily from internally generated cash flows from the pre-sales of our properties and bank loans and loans from third party financial institutions and trust companies. Please refer to the section headed "Financial Information — Liquidity and capital resources" starting on page 352 of this prospectus for further details.

Under the exclusive management and operation agreements we entered into with third party purchasers of certain of our commercial properties, we are required to pay certain percentages of the selling price of the property to the purchasers regardless whether such properties leased by us were generating rental income. Based on the terms of the existing exclusive management and operation agreements and lease agreements as at 30 April 2015, we would have a maximum net cash outflow of approximately RMB34.8 million, RMB3.1 million, RMB15.4 million and RMB8.5 million for year 2015, 2017, 2018 and 2019, respectively, and net cash inflow of approximately RMB6.7 million for year 2016, for the period from 1 May 2015 to 30 June 2019 for such exclusive management and operation agreements we have entered into. We are not obliged to pay any agreed fees for the period from 1 July 2019 to 30 June 2024 under the exclusive management and operation agreements we had entered into as at 30 April 2015. For further details of such exclusive management and operation agreements and the risk if we fail to lease the available properties after 30 April 2015 for which we have entered into exclusive management and operation agreements with third party purchasers up to 30 April 2015, please refer to the section headed "Business — Properties Leasing — Leasing of properties owned by third party purchasers of our commercial properties" and "Risk Factors — We may fail to lease properties for which we have entered into exclusive management and operation agreements with third party purchasers which may negatively impact our financial position and results of operation" on pages 204 and 43 of this prospectus, respectively. Our audit committee will review and scrutinize our maximum net cash outflow or inflow under the exclusive management and operation agreements with third party purchasers half-yearly after Listing and we undertake to report our maximum net cash outflow or inflow under the exclusive management and operation agreements with third party purchasers in our interim and annual reports after Listing.

Key Financial Ratios

The following table sets out a summary of certain financial ratios for the periods or as at the dates indicated:

	As at 31 December		
	2012	**2013**	**2014**
Current ratio(1)	1.2	1.0	1.2
Gearing ratio(2) (%)	108.7	70.1	148.8
Net debt-to-equity ratio(3) (%)	96.6	57.0	142.6

	For the year ended 31 December		
	2012	**2013**	**2014**
Return on equity(4) (%)	23.7	20.4	33.1
Gross profit margin(5) (%)	55.0	55.4	35.2
Net profit margin(6) (%)	24.6	31.1	14.6

Notes:

(1) Current ratio is our current assets divided by our current liabilities at the end of each financial period.

(2) Gearing ratio is our total bank borrowings and other borrowings as a percentage of total equity at the end of each financial period.

(3) The net debt-to-equity ratio is our total bank borrowings and other borrowings less restricted deposits and cash and cash equivalent as a percentage of total equity at the end of each financial period.

(4) Return on equity is our profit attributable to our equity owners divided by equity attributable to our equity owners for each financial period.

(5) Gross profit margin is our gross profit as a percentage of our revenue for each financial period.

(6) Net profit margin is our net profit as a percentage of revenue at the end of each financial period.

Please refer to the section headed "Financial Information — Key Financial Ratios" starting on page 362 of this prospectus for an analysis of our key financial ratios.

KEY OPERATING STATISTICS

The following table sets forth certain of our key operating statistics relating to properties delivered during the Track Record Period:

	For the year ended 31 December		
	2012	2013	2014
	(RMB'000, unless otherwise specified)		
Revenue from sales of properties	998,664	770,924	2,050,485
Construction costs	298,118	235,868	965,929
Land acquisition costs	79,915	66,832	245,175
Capitalised borrowing costs	13,142	11,894	117,490
Cost of properties sold	391,175	314,594	1,328,594
GFA delivered (sq.m.)	87,219	60,866	231,916
Average cost of properties sold per sq.m. delivered (in RMB)[(1)]	4,485	5,169	5,729
ASP (in RMB per sq.m.)[(2)]	11,450	12,666	8,841

Notes:

(1) Average cost of properties sold per sq.m. delivered is derived by dividing cost of properties sold by GFA delivered.

(2) ASP is derived by dividing revenue by GFA delivered.

During the Track Record Period and up to the Latest Practicable Date, we did not encounter any incidents of default by the purchasers under the formal sale and purchase agreement entered into at pre-sale. Upon executing the formal sale and purchase agreements, customers are required to pay in full the total purchase price. As advised by the PRC Legal Advisers, pursuant to the formal sale and purchase agreement, the purchasers have no contractual right to terminate the formal sale and purchase agreement or request for refund of the purchase price entered into at pre-sale due to the subsequent changes in the market price of the properties. Further, the ASP of properties sold for the projects which we have commenced pre-sales but not yet completed was not significantly lower than the market price of the properties at the end of March 2015. Our Directors are therefore of the view that the likelihood that the customers would default under the formal sale and purchase agreement entered into at pre-sales is remote.

RECENT DEVELOPMENTS

Our business model, revenue structure and cost structure have remained unchanged. Since 31 December 2014 and up to the Latest Practicable Date, we had the following major recent developments:

- we obtained pre-sale permits for commencing the pre-sale of certain commercial properties with an aggregate GFA of 141,941 sq.m. in Shanghai Xinming • Children's World;
- part of the Xingmeng International Commercial City with a total GFA of 65,507 was completed; and
- we have obtained a trust financing of RMB700 million from Zhongrong International Trust Limited (中融國際信託有限公司*) ("**Zhongrong Trust**") at an interest rate of 9.5% per year. As at the Latest Practicable Date, the Group has drawn down RMB700 million to be used for the development of Hangzhou Xinming • Children's World. The land use rights of Hangzhou Xinming • Children's World has been pledged to Zhongrong Trust as security.

Our financial results were and will continue to subject to fluctuations due to the different development cycle of our properties and property mix such as the proportion of properties for sale and rental income from investment properties. Other factors such as the timing of pre-sale, project completion, actual delivery of properties, changes in fair value gain upon transfer to investment properties and changes in fair value of investment properties may also affect our financial results from time to time. For details, please see the sections headed "Risk Factors — Our results of operations may vary significantly from period to period as we derive our revenue principally from the sale of property and may therefore fluctuate significantly from period to period, and such fluctuations make it difficult to predict our future performance and the price of our Shares" and "Financial Information — Key Factors Affecting Our Results of Operations" in this prospectus.

Our Directors are responsible for the preparation and fair presentation of our unaudited consolidated financial statements of our Group for the four months ended 30 April 2014 and 30 April 2015, which have been reviewed by our reporting accountants in accordance with the Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

Our unaudited net current assets increased to RMB736.2 million as at 30 April 2015 from RMB528.4 million as at 31 December 2014, mainly as a result of the increase in our properties under development consisting of Shanghai Xinming • Children's World, Chongqing Xinming • China South-western City Phase I, Xingmeng International Commercial City and Hangzhou Xinming • Children's World, among which part of Xingmeng International Commercial City has been delivered; and part of Shanghai Xinming • Children's World and part of Chongqing Xinming • China South-western City Phase I are expected to be delivered in 2015.

The unaudited revenue for the four months ended 30 April 2015 decreased to approximately RMB688.8 million from RMB854.8 million for the four months ended 30 April 2014 due to the lower ASP recorded for the properties developed in 2015. We delivered mainly residential properties of Taizhou Xinming Peninsular Phase 2 - Stage 2 which were located at a prime location in Taizhou as compared to Xinming Lijiang Garden and Wenshang Times • Xinming Apartment, which were delivered in January 2015. During the four months ended 30 April 2014, we delivered Taizhou Peninsular Phase 2 - Stage 2 at ASP of RMB10,947 per sq.m. while we recognised revenue during the four months ended 30 April 2015 at ASP of RMB8,434 per sq.m. mainly from the delivery of Xinming Lijiang Garden and Wenshang Times • Xinming Apartment. The Directors consider that since the ASP of Shanghai Xinming • Children's World pre-sold as at 30 April 2015 is high at RMB16,878 per sq.m., the expected delivery of Shanghai Xinming • Children's World in the second half of 2015 will improve the Group's results of operations.

Our gross profit decreased from RMB452.3 million for the four months ended 30 April 2014 to RMB117.2 million for the four months ended 30 April 2015, while our gross profit margin also decreased from 52.9% during the four months ended 30 April 2014 to 17.0% during the four months ended 30 April 2015 mainly due to the higher land price of the Wenshang Times' projects in Taizhou at RMB6,990 per sq.m. as compared to RMB1,832 per sq.m. for Taizhou Xinming Peninsular.

The occurrence of these major developments subsequent to 31 December 2014 may adversely affect our revenue and profitability in the near term. Based on our current development cycle of our properties under development and the information available to the Board, our Directors expect the results for the four months ended 30 April 2014 would have a negative impact on the results for the six months ending 30 June 2015.

Our Directors confirm that, except as otherwise disclosed in this prospectus, since 31 December 2014 and up to the date of this prospectus, there had been (i) no material adverse change in our financial or trading position or prospects and no event had occur that would materially and adversely affect the information shown in the Accountants' Report as set out in Appendix I to this prospectus; and (ii) no material adverse change in the general economic and market conditions in the PRC that had materially and adversely affected our business operations or financial condition.

DIVIDEND POLICY

Subject to the Companies Law and our Articles of Association, our Board has absolute discretion in whether to declare any dividend for any year and, if it decides to declare a dividend, how much dividend to declare. Our ability to declare future dividends will depend on the availability of dividends, if any, we receive from our PRC subsidiaries and restrictions on distribution by our subsidiaries, and in the absence of any circumstances which might reduce the amount of available distributable profits. The amount of dividends actually distributed to our Shareholders will also depend upon our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to the approval of our Shareholders. Please refer to the section headed "Financial Information — Dividends" starting on page 368 of this prospectus for a detailed description of our dividend policy.

HISTORICAL NON-COMPLIANCE INCIDENTS

During the Track Record Period, we failed to comply with certain applicable laws and regulations, including non-compliance with respect to idle land. Our Directors consider that such non-compliance incidents will not have any material operational or financial impact on us and we have adopted or will adopt a number of remedial actions to ensure future compliance. Please refer to the section headed "Business — Regulatory Compliance — Non-compliance record" and "Business — Internal control measures to ensure future compliance" starting on pages 232 and 243 of this prospectus, respectively for further details.

GLOBAL OFFERING STATISTICS[1]

	Based on the Offer Price of HK$2.1 per Share	Based on the Offer Price of HK$1.1 per Share
Our Company's market capitalisation upon completion of the Global Offering	HK$3,948 million	HK$2,068 million
Unaudited pro forma adjusted consolidated net tangible assets per Share[2]	HK$1.10	HK$0.86

Notes:

(1) All statistics in the above table are based on the assumption that the Over-allotment Option is not exercised and that 1,880,000,000 Shares will be in issue and outstanding immediately following the completion of the Global Offering.

(2) The unaudited pro forma adjusted net tangible asset value per Share is calculated after making the adjustments referred to in Appendix II to this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

Assuming that the Over-allotment Option is not exercised and an Offer Price of HK$1.6 per Share (being the mid-point of the estimated price range), our Directors estimate that the net proceeds to us from the Global Offering will be approximately HK$701 million, after deducting the underwriting commissions and other estimated expenses payable by us in relation to the Global Offering. Our Directors presently intend to use the net proceeds from the Global Offering as follows:

- approximately HK$491 million, or 70% of the net proceeds is expected to be used as the construction costs for the development of our existing projects;

- approximately HK$140 million, or 20% of the net proceeds is expected to be used as the land acquisition and construction costs of our potential development projects and acquisition of land reserves; and

- approximately HK$70 million, or 10% of the net proceeds, for working capital and other general corporate purposes.

To the extent that our net proceeds are not sufficient to fund the purposes set out above, we intend to fund the balance through a variety of means, including cash generated from operations and bank financing. Please refer to the section headed "Future Plans and Use of Proceeds" starting on page 374 of this prospectus for further details.

LISTING EXPENSES

We will incur listing expenses in connection with the Listing, which include professional fees, underwriting commissions and other fees. Listing expenses to be borne by our Group are estimated to be RMB40.3 million (equivalent to HK$50.9 million) (based on the mid-point of our indicative price range for the Global Offering). During the Track Record Period, we incurred listing expenses of approximately RMB13.1 million, of which RMB9.8 million was charged to our consolidated statement of profit or loss and other comprehensive income and RMB3.3 million was capitalized as prepayments that would be charged against equity upon Listing. We expect to incur additional expenses of approximately RMB27.2 million, of which RMB17.5 million is expected to be charged to our consolidated statement of profit or loss and other comprehensive income and RMB9.7 million is expected to be capitalized as prepayments that would be charged against equity upon Listing.

SUPPLIERS AND CUSTOMERS

Save and except for 杭州開捷門窗有限公司 (Hangzhou Kaijie Decoration Co., Ltd*), our five largest suppliers for each of the three years ended 31 December 2012, 2013 and 2014 were Independent Third Parties, comprising construction contractors and construction material suppliers, accounted for 87.6%, 66.9% and 71.7% of our total purchases for the respective periods. Our five largest customers for each of the three years ended 31 December 2012, 2013 and 2014 were Independent Third Parties, comprising individuals whom we sold properties to, accounted for 3.4%, 4.6% and 0.9% of our total revenue, respectively. One of our top five suppliers during the Track Record Period, 遠揚控股集團股份有限公司 (Yuanyang Holdings Group Share Limited Company*), is our Controlling Shareholders' joint venture partner in Hangzhou Yixing and has obtained security from XG Limited and Taoyuan Property for its own borrowings pursuant to the mutual guarantee and security arrangement. Please refer to the section headed "Business — Suppliers and Customers" starting on page 199 of this prospectus for further details.

VALUATION OF OUR PROPERTIES

Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer, valued our property interests as at 31 March 2015. Please refer to the section headed "Property Valuation Report" in Appendix III to this prospectus for further information. Based on such review, the aggregate value of our property interest as at 31 March 2015 was approximately RMB5,568.5 million.

Our property interests held for sale and property interests held for future development as at 31 March 2015 were valued at approximately RMB740.0 million and RMB313.2 million, respectively. Our Property Valuer valued such property interests by the direct comparison approach by making reference to comparable sales transactions as available in the relevant market.

Our property interests held under development as at 31 March 2015 were valued at approximately RMB2,679.1 million. Our Property Valuer valued such property interests by the direct comparison approach, by making reference to comparable sales evidence as available in the relevant market and also took into account the accrued construction cost and professional fees relevant to the stage of construction as at the date of valuation and the remainder of the cost and fees expected to be incurred for completing the development.

Our property interests held for investment as at 31 March 2015 were valued at approximately RMB1,836.2 million. Our Property Valuer valued such property interests by income approach by taking into account the net rental income of the properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the market value at an appropriate capitalisation rate.

In conducting the valuation, our Property Valuer relied on information provided by our Group and advices given by our PRC Legal Advisers in relation to title of properties and was under the assumption that no unexpected cost and delay will be incurred during the construction of the properties under development. Investors are advised that the appraised values of our property interests should not be taken as their actual realisable value or a forecast of their realisable value. Please refer to the section headed "Risk Factors — Our results may fluctuate due to increases or decreases in the appraised fair value of our investment properties" on page 50 of this prospectus.

OUR SHAREHOLDERS

Immediately after completion of the Capitalisation Issue and Global Offering (without taking into account any Shares which may be allotted and issued upon any exercise of the Over-allotment Option or options which have been or may be granted under the Share Option Scheme), Xinxing Company will effectively hold 75% of the total issued share capital of our Company. As at the Latest Practicable Date, Xinxing Company was held as to 100% by Mr. Chen, our executive Director and Chairman of the Board. Xinxing Company and Mr. Chen will continue to control more than 30% of our issued share capital and will remain as our Controlling Shareholders after the Global Offering. For further details, please refer to the section headed "Relationship with Controlling Shareholders" on page 252 of this prospectus.

As at the Latest Practicable Date, our Controlling Shareholders have interests in certain companies that carry on property development businesses that do not form part of our Group, which comprise three property development companies (namely Taoyuan Property, Dongtian Property and Hangzhou Fengtan) in Hangzhou. Taoyuan Property and Dongtian Property are excluded from our Group because of the restriction for the change of ownership in the equity pledge contracts executed by XG Limited and Taoyuan Property, respectively, in favour of an Independent Third Party as a security for a loan with a term of three years commencing from 2013 and up to RMB600,000,000 granted to the joint venture partner of XG Limited, an Independent Third Party, who is one of our top five suppliers during the Track Record Period and our Controlling Shareholder's joint venture partner in Hangzhou Yixing. In addition, Hangzhou Fengtan is excluded from our Group because its business is engaging in the development of properties on which the land use rights are not permitted to develop real estate for business purpose (經營性房地產開發) and the commodity housing (商品房開發). For more details, please refer to the section headed "Relationship with Controlling Shareholders — Retained Property Business of our Controlling Shareholders" on page 252 of this prospectus.

In addition, we have entered into continuing connected transactions with our Controlling Shareholders and their associates. For further details, please refer to the section headed "Connected Transactions" on page 266 of this prospectus.

RISK FACTORS

Our most significant risk factors include:

- our operations may be substantially affected by changes in national or local policies relating to the PRC property industry and therefore any failure to adapt to new policies could have a material adverse effect on our business, results of operations and financial condition;
- we are dependent on the performance of the real estate market in the PRC, particularly in the cities in which we develop our property projects and manage the properties we have developed, and therefore any potential decline in demand for properties, property sales or property prices in the PRC, particularly in the cities where we have operations, could have a material adverse effect on our business, results of operations and financial condition; and
- we may not be able to complete or deliver our development projects on time and face substantial development risks before we realise any benefits from a property development project and if this happens, our business, results of operations and financial conditions may be materially and adversely affected.

The risks mentioned above are not the only significant risks that may affect our operations. As different investors may have different interpretations and standards for determining materiality of a risk, you are cautioned that you should carefully read the section headed "Risk Factors" starting on page 36 of this prospectus.

REAL ESTATE-RELATED AUSTERITY MEASURES IMPLEMENTED BY THE PRC GOVERNMENT AND RECENT POLICY ADJUSTMENT

During the Track Record Period, the PRC government had implemented a series of regulations and policies to control the growth of the property market. The policies taken by national or local government may limit our ability to obtain financing, acquire land for future development, sell our properties at a profit and to generate sufficient operating cash flows from contracted sales. Our Directors believe that while these policies and measures may have affected the demand from speculative buyers or property investors, such policies and measures had less impact on the demand from our target customers, being first-time home buyers or customers with a need to upgrade their living environment. Further, recently a number of PRC cities have loosened certain measures on stabilizing housing price and restriction of property ownership, such as Taizhou and Hangzhou. Please refer to the section headed ''Business — Real estate-related austerity measures previously implemented by the PRC government and recent policy adjustment" on page 224 of this prospectus for further details.

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below:

"Application Form(s)"	**WHITE** application form(s) and **YELLOW** application form(s) or, where the context so requires, any of them, relating to the Hong Kong Public Offer
"Articles of Association" or "Articles"	the articles of association of our Company, conditionally adopted on 8 June 2015 and taking effect upon Listing, as amended from time to time, a summary of which is set forth in Appendix IV to this prospectus
"associate"	has the meaning ascribed to it under the Listing Rules
"Astrum"	Astrum Capital Management Limited, a licensed corporation to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, being a joint lead manager of the Global Offering
"BMI Securities"	BMI Securities Limited, a licensed corporation to conduct type 1 (dealing in securities) regulated activity under the SFO, being a co-lead manager of the Global Offering
"Board"	our board of Directors
"business day"	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which licensed banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands
"Capitalisation Issue"	the issue of 1,409,999,901 Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to in the section headed "Information about the Company — Resolutions in writing of the sole Shareholder passed on 8 June 2015" in Appendix V to this prospectus
"CBRC"	中國銀行業監督管理委員會 (China Banking Regulatory Commission)
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC

"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct participant or a general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
"China Everbright Securities", "Sole Global Coordinator", "Sole Bookrunner" or "Stabilizing Manager"	China Everbright Securities (HK) Limited, a licensed corporation to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, being the sole global coordinator, the sole bookrunner, a joint lead manager and the stabilizing manager of the Global Offering
"Chongqing Xinming"	重慶新明置業股份有限公司 (Chongqing Xinming Property Company Limited*), a limited liability company established in the PRC on 16 November 2012, an indirect subsidiary of our Company, which is owned as to 60% by Xinming Group. The remaining interests in Chongqing Xinming are owned as to 20% by 東莞市歐海實業有限公司 (Dongguan City Ouhai Shiye Company Limited*), as to 10% by 沈明 (Shen Ming*), as to 5% by 東莞市森欣服飾有限公司 (Dongguan City Senxin Apparel Company Limited*) and as to 5% by 浙江星際電梯有限公司 (Zhejiang Xingji Elevators Limited*), all being Independent Third Parties (save for being shareholders and/or director of Chongqing Xinming)
"close associate"	has the meaning ascribed to it under the Listing Rules
"Co-lead Managers"	BMI Securities and Innovax
"Companies Law"	the Companies Law (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	Xinming China Holdings Limited (新明中國控股有限公司), an exempted company incorporated on 16 January 2014 with limited liability in accordance with the laws of the Cayman Islands
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules and, in the context of this prospectus, means the controlling shareholders of the Company, being Mr. Chen and Xinxing Company
"CSRC"	中國證券監督管理委員會 (China Securities Regulatory Commission)
"Deed of Indemnity"	the deed of indemnity dated 8 June 2015 and executed by the Controlling Shareholders in favour of our Company (for itself and as trustee for its subsidiaries stated therein), the particulars of which are set forth in the section headed "Other information — Estate duty, tax and other indemnity" in Appendix V to this prospectus
"Deed of Non-Competition"	the deed of non-competition dated 8 June 2015 and executed by the Controlling Shareholders in favour of the Company, the particulars of which are set forth in the section headed "Relationship with Controlling Shareholders — Deed of Non-Competition" in this prospectus
"Director(s)"	the director(s) of our Company
"Dongtian Property"	杭州東田上庭置業有限公司 (Hangzhou Dongtian Shangting Property Limited*), a limited liability company established in the PRC on 28 February 2008, which is owned as to 100% by Taoyuan Property. Dongtian Property has been excluded from our Group
"Global Offering"	the Hong Kong Public Offer and the International Placing
"Group", "Our Group", "we" or "us"	our Company and its subsidiaries or, where the context refers to any time prior our Company became the holding company of its present subsidiaries, the present subsidiaries of our Company or the businesses carried on by such subsidiaries or (as the case may be) their predecessors or any of them

"Hangzhou Fengtan"	杭州豐潭實業投資有限公司 (Hangzhou Fengtan Shiye Investment Limited*), a limited liability company established in the PRC on 12 May 2004, which is owned as to 60% by Hangzhou Yixing and 40% by an Independent Third Party. Hangzhou Fengtan has been excluded from our Group
"Hangzhou Times"	杭州時刻企業管理諮詢有限公司 (Hangzhou Times Enterprise Management Consulting Limited*), a wholly-foreign owned enterprise incorporated in the PRC on 9 April 2014, which is an indirect wholly-owned subsidiary of our Company
"Hangzhou Xinming"	杭州新明置業投資有限公司 (Hangzhou Xinming Property Investment Limited*), a limited liability company established in the PRC on 28 March 2014, which is an indirect wholly-owned subsidiary of our Company
"Hangzhou Yixing"	杭州銥星實業有限公司 (Hangzhou Yixing Shiye Limited*), a limited liability company established in the PRC on 27 November 1998, which is owned as to 60% by XG Limited and 40% by a joint venture partner of XG Limited, an Independent Third Party. Hangzhou Yixing has been excluded from our Group
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Offer Shares"	the 47,000,000 new Shares being initially offered by our Company for subscription under the Hong Kong Public Offer, representing 10% of the initial number of the Offer Shares subject to re-allocation as described in the section headed "Structure of the Global Offering" in this prospectus
"Hong Kong Public Offer"	the offer of the Hong Kong Offer Shares for subscription by members of the public in Hong Kong (subject to re-allocation as described in the section headed "Structure of the Global Offering" in this prospectus) at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), and on the terms and subject to the conditions described in this prospectus and the Application Forms

"Hong Kong Share Registrar"	Tricor Investor Services Limited, the Hong Kong share registrar of our Company
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offer, whose names are set out in the section headed "Underwriting" in this prospectus
"Hong Kong Underwriting Agreement"	the conditional underwriting agreement dated 22 June 2015 relating to the Hong Kong Public Offer entered into between, among others, our Company and the Hong Kong Underwriters, particulars of which are summarised in the section headed "Underwriting" in this prospectus
"IFRS"	International Financial Reporting Standards, which include standards, amendments and interpretations issued by the International Accounting Standards Board
"Independent Third Party(ies)"	a person or persons or a company or companies that is not or are not our connected person(s)
"Industry Research Report"	a commissioned industry research report prepared by the Jones Lang LaSalle Corporate Appraisal and Advisory Limited for use in part in this prospectus
"Innovax"	Innovax Capital Limited, a licensed corporation to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being a co-lead manager of the Global Offering
"Internal Control Consultant"	PRO-WIS Risk Advisory Services Limited, an independent internal control consultant
"International Placing"	the conditional placing of International Placing Shares at the Offer Price to selected professional, institutional and other private investors, as set out in the section headed "Structure of the Global Offering" in this prospectus
"International Placing Shares"	the 423,000,000 new Shares being initially offered by our Company for subscription under the International Placing, representing 90% of the initial number of the Offer Shares subject to re-allocation and Over-allotment Option as described in the section headed "Structure of the Global Offering" in this prospectus
"International Underwriters"	the underwriters of the International Placing, who are expected to enter into the International Underwriting Agreement

"International Underwriting Agreement"	the conditional underwriting agreement relating to the International Placing and expected to be entered into between, among others, our Company and the International Underwriters on or about the Price Determination Date
"Issuing Mandate"	the general unconditional mandate granted to the Directors by the Shareholders in relation to the issue of new Shares, further information of which is set out in the section headed "Information about the Company — Resolutions in writing of the sole Shareholder passed on 8 June 2015" in Appendix V to this prospectus
"Joint Lead Managers"	China Everbright Securities, SBI, Astrum and Jun Yang
"Jun Yang"	Jun Yang Securities Company Limited, a licensed corporation to conduct type 1 (dealing in securities) regulated activity under the SFO, being a joint lead manager of the Global Offering
"LAT"	Land Appreciation Tax (土地增值稅) as defined in the Provisional Regulations of the PRC on Land Appreciation Tax (《中華人民共和國土地增值稅暫行條例》) and the Detailed Implementation Rules on the Provisional Regulations of the PRC on Land Appreciation Tax (《中華人民共和國土地增值稅暫行條例實施細則》)
"Latest Practicable Date"	14 June 2015, being the latest practicable date prior to the publication of this prospectus for the purpose of ascertaining certain information contained in this prospectus
"Listing"	the listing of our Shares on the Main Board of the Stock Exchange
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Date"	the date on which the dealings in our Shares first commence on the Stock Exchange which is expected to be on or about 6 July 2015
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, as amended from time to time

"Main Board"	the stock market operated by the Stock Exchange prior to the establishment of Growth Enterprise Market (excluding options market) and which stock market continues to be operated by the Stock Exchange in parallel with Growth Enterprise Market and which, for the avoidance of doubt, excludes Growth Enterprise Market
"Memorandum" or "Memorandum of Association"	the memorandum of association of our Company, conditionally adopted on 8 June 2015 and taking effect upon Listing, as amended from time to time, a summary of which is set forth in Appendix IV to this prospectus
"MLR"	中華人民共和國國土資源部 (the PRC Ministry of Land and Resources)
"MOFCOM"	中華人民共和國商務部 (the PRC Ministry of Commerce)
"Mr. Chen"	Mr. Chen Chengshou (陳承守), an executive Director, a Controlling Shareholder and the spouse of Ms. Gao
"Ms. Gao"	Ms. Gao Qiaoqin (高巧琴), a non-executive Director and the spouse of Mr. Chen
"NDRC"	中華人民共和國國家發展和改革委員會 (the National Development and Reform Commission of the PRC)
"Offer Price"	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) at which the Offer Shares are to be subscribed for and issued pursuant to the Global Offering, to be determined as further described in the section headed "Structure of the Global Offering — Determination of the Offer Price" in this prospectus
"Offer Shares"	the Hong Kong Offer Shares and the International Placing Shares together, where relevant, with any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option

"Over-allotment Option"	the option expected to be granted by our Company to the Sole Bookrunner (for itself and on behalf of the International Underwriters), at any time from the Listing Date until 30 days after the last date for lodging of applications under the Hong Kong Public Offer, to require our Company to allot and issue up to an aggregate of 70,500,000 additional new Shares, representing 15% of the initial number of the Offer Shares, at the Offer Price, to cover, among other things, the over-allocations in the International Placing, if any, and/or the obligations of the Sole Global Coordinator to return securities borrowed under the Stock Borrowing Agreement, details of which are described in the section headed "Structure of the Global Offering — Over-allotment Option" in this prospectus
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"Pengyue Trading"	杭州鵬越貿易有限公司 (Hangzhou Pengyue Trading Company Limited*), a limited liability company established in the PRC on 10 December 2013, which is owned as to 90% by XG Limited and 10% by Mr. Chen. Pengyue Trading has been excluded from our Group
"PRC" or "China"	the People's Republic of China, but for the purposes of this prospectus only (unless otherwise indicated) excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"PRC government"	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them
"PRC Legal Advisers"	Jingtian & Gongcheng, the legal advisers to the Company as to PRC laws
"Price Determination Agreement"	the agreement expected to be entered into between our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) to record and fix the Offer Price
"Price Determination Date"	the date, expected to be on or about 29 June 2015, on which the Offer Price is fixed for the purpose of the Global Offering and in any event no later than 30 June 2015
"Property Valuation Report"	property valuation report prepared by the Property Valuer and included in Appendix III to this prospectus

"Property Valuer"	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer
"Regulation S"	Regulation S under the U.S. Securities Act
"Reorganisation"	the corporate reorganisation of our Group in preparation for the Listing, the particulars of which are set forth in the section headed "History, Reorganisation and Corporate Structure — Reorganisation" in this prospectus
"Repurchase Mandate"	the general unconditional mandate to repurchase Shares granted to the Directors by the Shareholder, further information of which is set out in the section headed "Information about the Company — Resolutions in writing of the sole Shareholder passed on 8 June 2015" in Appendix V to this prospectus
"Retained Property Business"	the property development business of the Controlling Shareholders that do not form part of our Group, further information of which is set out in the section headed "Relationship with Controlling Shareholders — Retained Property Business of our Controlling Shareholders" in this prospectus
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SAFE"	中華人民共和國國家外匯管理局 (the PRC State Administration of Foreign Exchange)
"SAFE Notice"	the Circular Concerning Relevant Issues on Foreign Exchange Administration of Raising Funds through Overseas Special Purpose Vehicles and Investing Back in China by Domestic Residents (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) (Notice 75) issued by the SAFE on 21 October 2005, and replaced by the Circular on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Return Investments Conducted by Domestic Residents through Overseas Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (Notice 37) which is promulgated by SAFE on 14 July 2014
"SAT"	the State Administration of Taxation of the PRC

"SBI"	SBI China Capital Financial Services Limited, a licensed corporation to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO, being a joint lead manager of the Global Offering
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shandong Xingmeng"	山東興盟置業有限公司 (Shandong Xingmeng Property Limited*), a limited liability company established in the PRC on 24 October 2011, an indirect subsidiary of our Company, which is owned as to 55% by Xinming Group. The remaining interest in Shandong Xingmeng is owned as to 45% by 杭州高巛控股有限公司 (Hangzhou Gaochuan Holding Company Limited*), which is owned as to 90% by 高立庫 (Gao Liku*), the executive director of Shandong Xingmeng, and 10% by 董書亮 (Dong Shuliang*), an Independent Third Party
"Shanghai Xinming"	上海新明環球置業有限公司 (Shanghai Xinming Global Property Limited*), a limited liability company established in the PRC on 29 April 2011, an indirect subsidiary of our Company, which is owned as to 79% by Xinming Group. The remaining interest in Shanghai Xinming is owned as to 21% by 上海嘉碩裝潢廣告有限公司 (Shanghai Jiashuo Zhuanghuang Advertisement Limited*), an Independent Third Party (save for being a shareholder of Shanghai Xinming)
"Share(s)"	ordinary share(s) in the capital of our Company with a nominal value of HK$0.01 each
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on 8 June 2015, the principal terms of which are set out in the section headed "Other information — Share Option Scheme" in Appendix V to this prospectus
"Shareholder(s)"	holder(s) of the Share(s)
"Sole Sponsor"	China Everbright Capital Limited, a licensed corporation to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the sole sponsor of the Global Offering

"State Council"	中華人民共和國國務院 (the State Council of the PRC)
"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into between Xinxing Company and the Sole Global Coordinator pursuant to which the Sole Global Coordinator may borrow up to 70,500,000 Shares from Xinxing Company for the purpose of covering over-allocation in the International Placing
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules, unless the context otherwise requires
"substantial shareholder"	has the meaning ascribed to it under the Listing Rules, unless the context otherwise requires
"Taishun Shiye"	泰順泰商實業有限公司 (Taishun Taishang Shiye Company Limited*), a limited liability company established in the PRC on 8 May 2012, which is owned as to 100% by XG Limited. Taishun Shiye has been excluded from our Group
"Taizhou Investment"	台州新明置業投資有限公司 (Taizhou Xinming Property Investment Limited*), a limited liability company established in the PRC on 12 September 2008, which is an indirect wholly-owned subsidiary of our Company
"Taizhou Xinming"	台州市新明房地產開發有限公司 (Taizhou City Xinming Real Estate Development Company Limited*), a limited liability company established in the PRC on 12 February 2007, which is an indirect wholly-owned subsidiary of our Company
"Takeovers Code"	The Code on Takeovers and Mergers and Share Repurchases issued by the SFC as amended, supplemented or otherwise modified from time to time
"Taoyuan Property"	杭州桃源山莊房地產開發有限公司 (Hangzhou Taoyuan Shanzhuang Property Development Limited*), a limited liability company established in the PRC on 18 April 2000, which is owned as to 51% by XG Limited and 49% by 浙江正遠房地產代理有限公司 (Zhejiang Zhengyuan Property Agent Limited*), which is owned as to 20% by Ms. Gao and as to 80% by two Independent Third Parties. Taoyuan Property has been excluded from our Group
"Track Record Period"	the period comprising the three years ended 31 December 2012, 2013 and 2014

"Tuokai Investment"	杭州拓凱投資管理有限公司 (Hangzhou Tuokai Investment Management Company Limited*), a limited liability company established in the PRC on 10 December 2013, which is owned as to 90% by XG Limited and 10% by Mr. Chen. Tuokai Investment has been excluded from our Group
"Underwriters"	collectively, the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"United States" or "U.S."	the United States of America, including its territories and possessions
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"US$"	United States dollars, the lawful currency of the United States
"Wenshang Times"	台州温商時代置業有限公司 (Taizhou Wenshang Times Property Limited*), a limited liability company established in the PRC on 13 January 2010, which is an indirect wholly-owned subsidiary of our Company
"Wenzhou Bank"	温州銀行股份有限公司 (Bank of Wenzhou Co., Ltd), a joint stock company incorporated in the PRC with limited liability in accordance with PRC laws. Wenzhou Bank was owned as to 5.12% by XG Limited and the remaining interests were owned by Independent Third Parties as at 31 December 2014. Wenzhou Bank has been excluded from our Group
"XG Limited"	新明集團有限公司 (Xinming Group Limited*) a limited liability company established in the PRC on 31 March 1999, which is owned as to 99% by Mr. Chen and 1% by Ms. Gao, respectively. XG Limited has been excluded from our Group
"Xinming Capital"	Xinming Capital Limited, a limited liability company incorporated on 17 January 2014 in accordance with the laws of the BVI, which is a direct wholly-owned subsidiary of our Company
"Xinming Group"	新明集團控股有限公司 (Xinming Group Holding Limited*), a limited liability company established in the PRC on 5 November 2012, which is an indirect wholly-owned subsidiary of our Company

"Xinming Hong Kong"	Xinming China Investment Limited (新明中國投資有限公司), a limited liability company incorporated on 4 February 2014 in accordance with the laws of Hong Kong, which is an indirect wholly-owned subsidiary of our Company
"Xinming Property"	浙江新明物業服務有限公司 (Zhejiang Xinming Property Services Limited*), a limited liability company established in the PRC on 14 November 2005, which is an indirect wholly-owned subsidiary of our Company
"Xinxing Company"	Xinxing Company Limited, a limited liability company incorporated on 15 January 2014 in accordance with the laws of the BVI, which is wholly owned by Mr. Chen. Xinxing Company is our Controlling Shareholder, holding 75% of the total issued share capital of our Company upon Listing (assuming the Over-allotment Option is not exercised)
"Zhejiang Canyin"	浙江完美餐飲管理有限公司 (Zhejiang Wanmei Canyin Management Company Limited*), a limited liability company established in the PRC on 24 January 2008, which is owned as to 100% by XG Limited. Zhejiang Canyin has been excluded from our Group
"Zhejiang Lianxin"	浙江聯信擔保有限公司 (Zhejiang Lianxin Guarantee Company Limited*), a limited liability company established in the PRC on 12 November 2007, which is owned as to 100% by XG Limited. Zhejiang Lianxin has been excluded from our Group
"Zhiyao Trading"	杭州智耀貿易有限公司 (Hangzhou Zhiyao Trading Company Limited*), a limited liability company established in the PRC on 10 December 2013, which is owned as to 90% by XG Limited and 10% by Mr. Chen. Zhiyao Trading has been excluded from our Group
"%"	per cent

* denotes English translation of the name of a Chinese company or entity, or vice versa, and is provided for identification purposes only

Unless otherwise specified, statements contained in this prospectus assume no exercise of the Over-allotment Option.

All times refer to Hong Kong time. Unless otherwise specified, reference to years in this prospectus are to calendar years.

If there is any inconsistency between the official Chinese names of the PRC laws or regulations, PRC government authorities or PRC entities mentioned in this prospectus and their English translations, the Chinese version shall prevail. The English translation of official Chinese names are for identification purposes only.

All percentages and figures, including share ownership and operating data, have been rounded, and accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of the individual items. Certain amounts and percentages figures included in this prospectus have been subject to rounding adjustments, or have been rounded to one or two decimal places. Where information is presented in thousands or millions of units, amount may have been rounded up or down.

In this prospectus, unless the context otherwise requires, explanations and definitions of certain terms used in this prospectus in connection with our Group and its business shall have the meanings set out below. The terms and their meanings may not correspond to standard industry meaning or usage of these terms.

"average selling price" or "ASP"	average selling price on a gross basis, unless otherwise stated
"CAGR"	compound annual growth rate
"commercial property(ies)"	for purposes of this prospectus, property(ies) designated for commercial use
"commodity property(ies)"	residential properties, commercial properties and other properties that are developed by real estate developers for the purposes of sale or lease after their completion
"completion certificate"	房屋建築工程竣工驗收備案表 (construction work completion inspection certificate*) issued by local urban construction bureaux or equivalent authorities in China with respect to the completion of property projects subsequent to their on-site examination and inspection
"construction land planning permit"	建設用地規劃許可證 (construction land planning permit*), a permit issued by local urban zoning and planning bureaux or equivalent authorities in China with respect to planning of construction land
"construction work commencement permit"	建築工程施工許可證 (construction work commencement permit*), a permit issued by local construction bureaux or equivalent authorities in China with respect to commencement of construction work
"construction work planning permit"	建設工程規劃許可證 (construction work planning permit*), a permit issued by local urban zoning and planning bureaux or equivalent authorities in China with respect to planning of construction work
"FIREE"	foreign-invested real estate enterprises
"GDP"	gross domestic product
"GFA"	gross floor area
"land grant contract"	國有土地使用權出讓合同 (state-owned land use rights grant contract*), an agreement between a land user and the relevant PRC governmental land administrative authorities

"land use rights certificate"	國有土地使用證 (state-owned land use rights certificate*), a certificate (or certificates, as the case may be) of the right of a party to use a parcel of land
"plot ratio"	the ratio of the gross floor area (excluding floor area below ground) of all buildings to their site area
"pre-sale permit"	商品房預售許可證 (commodity property pre-sale permit*), a permit issued by a local housing and building administrative bureau or an equivalent authority with respect to pre-sale of the relevant properties
"property ownership certificate"	房屋所有權證 (property ownership certificate*), a certificate issued by relevant PRC government authorities with respect to the ownership rights of buildings
"public tender," "auction," or "listing-for-sale"	public tender, auction or listing at a land exchange administered by the local government, each of which is a competitive bidding process through which a purchaser acquires land use rights directly from the PRC government; Please see the section headed "Regulatory Overview — Regulations on land and the development of real estate projects" in this prospectus for details
"leasable GFA"	in relation to (i) completed property projects, the total GFA shown in the relevant completion documents, survey documents and/or property ownership certificates for leasing purposes; and (ii) projects where we have obtained pre-sale permits, the leasable GFA as shown in the pre-sale permits, completion documents, survey documents and/or property ownership certificates for leasing purposes
"residential property(ies)"	for the purposes of this prospectus, property(ies) designated for residential use
"saleable GFA"	in relation to (i) completed property projects, the total GFA shown in the relevant completion documents, survey documents and/or property ownership certificates for sale purposes; and (ii) projects where we have obtained pre-sale permits, the saleable GFA as shown in the pre-sale permits, completion documents, survey documents and/or property ownership certificates for sales purposes
"sq.m."	square metre

"total gross floor area" or "total GFA"	the above-ground and underground saleable and/or leasable area contained within the external walls of any building at each floor level and the whole thickness of the external walls of the relevant project together with other non-leasable and non-saleable area. In general, this measure includes mechanical and electrical services rooms, refuse rooms, water tanks, car park, lifts, staircases, lobby and recreational facilities

* denotes English translation of the name of a Chinese company or entity, or vice versa, and is provided for identification purposes only

We have included in this prospectus forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements. We have made these statements with due care and have no reason to believe that the statements are not accurate.

These forward-looking statements include, without limitation, statements relating to our future financial position and results of operations, our strategy, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate, any statements preceded by, followed by or that include the words "aim", "anticipate", "believe", "continue", "could", "expect", "going forward", "intend", "ought to", "may", "plan", "potential", "predict", "project", "seek", "should", "will", "would" and similar expressions, and any other statements in this prospectus that are not historical facts.

These forward-looking statements are based on current plans and estimates, and speak only as at the date they are made. We undertake no obligation to update or revise any forward-looking statement in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our control. We caution you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statement.

These factors include, among others, the following:

- our business strategies and plans to execute these strategies;
- our capital expenditure plans;
- our operations and business prospects, including development plans for our existing and new businesses;
- projects under construction or planning;
- our financial condition;
- availability of bank loans and other forms of financing;
- our ability to reduce costs;
- our dividend policy;
- the future developments trends, conditions and competitive environment in our industry;
- the effect of the global financial markets and economic crisis;
- changes or volatility in interest rates, foreign exchange rates and overall market changes;

- the regulatory environment for our industry in general; and
- the general economic trend of the PRC and general economic conditions.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under the section headed “Risk Factors” and elsewhere in this prospectus. Due to these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to this cautionary statement.

Potential investors should consider carefully all the information set out in this prospectus and, in particular, should evaluate the following risks and uncertainties associated with an investment in our Company before making any investment decision regarding our Company. You should pay particular attention to the fact that our Company was incorporated in the Cayman Islands and our operations are conducted in the PRC and are governed by a legal and regulatory environment which in some respects may differ from that in Hong Kong. Any of the risks and uncertainties described below could have a material adverse effect on our business, results of operations, financial condition or on the trading price of our Shares, and could cause you to lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

Our operations may be substantially affected by changes in national or local policies relating to the PRC property industry and therefore any failure to adapt to new policies could have a material adverse effect on our business, results of operations and financial condition

Our industry is subject to extensive government regulations and our operations therefore may be substantially affected by changes in the national or local policies relating to the PRC property sector. PRC national and local governments exert considerable direct and indirect influence on the development of the property sector by imposing industry policies and other economic measures, such as controls over the supply of land available for development, controls (through bank reserve requirements) over the supply of credit, controls over project financing, raising the benchmark interest rates for commercial banks, capping the total amount of bank loans available for property developers, capping the number of properties an individual may buy and capping the proportion of the purchasing price which individuals can pay by bank mortgages. Furthermore, the PRC government may impose additional taxes and levies on property sales and further restrict foreign investment in the PRC property sector.

From 2004 onwards, the PRC government introduced a series of regulations and policies designed to generally control the growth of the property market, including, among others:

- requiring strict enforcement of idle land related laws and regulations;
- restricting the granting of new credit facilities for property developers holding large amounts of idle land and vacant commodity properties;
- forbidding commercial banks from lending to property developers with internal capital ratios of less than a certain prescribed percentage;
- forbidding commercial banks from granting loans to property developers for the purpose of paying land grant premiums;
- imposing a business tax levy on the sales proceeds from the transfer of certain types of properties within a number of years of the purchase;
- requiring a minimum down payment for the purchase of residential properties;

- restricting the availability of loans to families owning several residential properties by mortgage;

- limiting the availability of individual housing provident fund loans to families owning several residential properties, for the purchase of residential properties; and

- imposing property taxes in Shanghai and Chongqing beginning in early 2011.

Following a downturn in the PRC property market in late 2008 and early 2009, property prices and transaction volumes increased sharply beginning in the second half of 2009. This has led to the imposition of a series of regulations and policies by the PRC and local governments to slow down the property market and the increase in property prices, as well as to combat property speculation. These policies impose additional requirements for pre-sales and restrict the use of funds raised by pre-sales to the development of the respective projects. They may limit our ability to obtain financing, acquire land for future development, sell our properties at a profit and to generate sufficient operating cash flows from contracted sales. Such measures resulted in downward pressure on the PRC property market starting in the second half of 2011 and reduced transaction volumes in the first quarter of 2012. In addition, since January 2010, policies implemented by the PRC government with regard to bank loans and trust financing arrangements for property development projects have had, and may continue to have, a dampening effect on the property markets in which we operate.

On 20 February 2013, the State Council announced that it would implement a series of policies to limit property speculation. Such policies include setting price control targets for newly developed properties, requiring provincial governments to impose purchase limits and credit restrictions, expanding the scope of property tax pilot programmes, increasing the supply of land and residential units and tightening of market regulations. On 1 March 2013, the General Office of the State Council further announced the Notice on Further Regulation of the Real Estate Market (《國務院辦公廳關於繼續做好房地產市場調控工作的通知》). This notice requires provincial and municipal governments to strengthen their administration of the property market, including increasing the supply of properties and setting price control targets in cities with rapidly increasing property prices. The notice requires the local governments to strictly implement existing purchase restrictions. If the property prices of any city rise too quickly and there is no purchase limit policy in place yet, the relevant provincial government must require the city to promptly adopt purchasing restrictions. Financial institutions are required by the notice to strictly implement credit policies with regard to the down payment ratios and interest rates for mortgages and to give increased scrutiny when reviewing the background of mortgage applicants. The local offices of the PBOC may also increase the interest rates and the down payment ratios for mortgages for second properties if the property prices in any city rise too quickly. The tax, building and construction authorities are required to coordinate to ensure that the 20% individual income tax on the income from the sale of second-hand properties is implemented. Other than the above restrictive measures, the notice also encourages governments to increase the supply of land for construction of residential units and affordable housing. The relevant authorities are required to speed up the approval processes for property developments with small-to-medium-sized units. Financial institutions are required to prioritize the property development loan applications for projects where small-to-medium-sized units account for more than 70% of the total units.

There can be no assurance that the PRC national or local governments will not adopt additional or more stringent industry policies, regulations and measures in the future. We cannot predict the extent to which our sales volume and turnover may be affected by such measures. If we fail to adapt our operations to new policies, regulations or measures that come into effect from time to time with respect to the PRC property industry, or if our marketing and pricing strategies are ineffective, such policy changes may result in a decrease in our contracted sales and require us to lower our selling prices and/or incur additional costs, and our operating cash flows, gross profit margin, business prospects, results of operations and financial condition may be materially and adversely affected. Please refer to the section headed "Regulatory Overview" in this prospectus for details of the governmental regulations we are subject to. Please also refer to the paragraph headed "Risks Relating to Conducting Business in China" in this section for more risks and uncertainties relating to the extensive PRC regulations that we are subject to.

We are dependent on the performance of the real estate market in the PRC, particularly in the cities in which we develop our property projects and manage the properties we have developed, and therefore any potential decline in demand for properties, property sales or property prices in the PRC, particularly in the cities where we have operations, could have a material adverse effect on our business, results of operations and financial condition

Our business and prospects depend on the performance of the property market in the PRC, particularly in the cities where we have property projects. As at 31 March 2015, we had a total of 16 property projects at various stages of development, 11 of which were located in Zhejiang Province, including 10 in Taizhou and one in Hangzhou; one in Tengzhou of Shandong Province; one in Shanghai and three in Chongqing. The property market in the PRC is affected by local, regional, national and global factors, including economic and financial conditions, speculative activities in local markets, the demand for and supply of properties, the availability of alternative investment choices for property buyers, inflation, government policies, interest rates and the availability of capital.

Demand for properties and property prices in the PRC, including Zhejiang Province, have fluctuated significantly in recent years. In order to prevent the overheating of the PRC's property market and control the high level of inflation, restrictive measures adopted by the PRC government on bank loans and trust financing arrangements for property development projects and property purchases have had, and may continue to have, a dampening effect on property markets in many areas of the PRC, including Zhejiang Province. We cannot guarantee that there will be no further measures implemented by the PRC government to control the growth of the property market, or that there will be no major negative changes in the PRC's economy and property sector as a result of the PRC government's policies. Any such changes can have a material adverse effect on our revenue and profitability.

Any real estate market downturn in China generally or in the cities in which we have property projects could have a material negative impact upon us. Factors such as inflation, rise in unemployment and decrease in consumer confidence may affect demand for our products and will have a negative impact upon our business, results of operation and financial position.

In addition, future demand for different types of residential or commercial properties in the PRC is uncertain. If we do not respond to changes in market conditions or customer preferences in a timely manner, our business, results of operations and financial position may be materially and adversely affected.

We may not be able to complete or deliver our development projects on time and face substantial development risks before we realise any benefits from a property development project and if this happens, our business, results of operations and financial conditions may be materially and adversely affected

Property development projects require substantial capital expenditure prior to and during the construction period for, among other things, land acquisition and construction. The construction of property projects may take over a year or longer before a positive net cash flow may be generated through pre-sales, sales, leasing or rentals. As a result, our cash flows and results of operations may be affected by our project development schedules and any changes to those schedules. The schedules of our project developments depend on a number of factors, including the performance and efficiency of our third-party contractors and our ability to finance construction. Other specific factors that could adversely affect our project development schedules include:

- natural catastrophes and adverse weather conditions;
- changes in market conditions, economic downturns and decreases in business and consumer sentiments in general;
- failure to obtain necessary licenses, permits and approvals from relevant government authorities in a timely manner;
- availability and cost of financing;
- changes in relevant regulations, government policies and government planning;
- shortages of materials, equipment, contractors and skilled labour;
- labour disputes;
- construction accidents; and
- errors in judgment on the selection and acquisition criteria for potential sites.

Construction delays or failure to complete the construction of a project according to its planned specifications, schedule and budget may harm our reputation as a property developer, lead to loss of or delay in recognising revenues and lower returns. If a property project is not completed on time, the purchasers of pre-sold units of the project may be entitled to compensation for late delivery. If the delay extends beyond a certain period, the purchasers may be entitled to terminate their pre-sales agreements and claim damages. We cannot assure you that we will not experience any significant delays in completion or delivery of our projects in the future or that we will not be subject to any liabilities for any such delays. Depending on the number of affected purchasers, this would materially and adversely affect our business, results of operations and financial position.

We may not have adequate financing to fund our future land acquisitions and property development, and such capital resources may not be available on commercially reasonable terms or at all, and if that happens, our business, results of operations and financial condition as well as prospects could be materially and adversely affected

Property development is capital intensive. We expect to continue to incur a high level of capital expenditure for land acquisition and construction in the foreseeable future. For information on our estimated capital expenditure for the nine months ending 31 December 2015, the year ending 31 December 2016 and after 2016 and our capital commitments as at 31 December 2014, please refer to the sections headed “Business — Future/estimated development costs to be incurred for our projects and potential development projects” and “Financial Information — Commitments” in this prospectus, respectively.

During the Track Record Period, we financed our property projects primarily through a combination of internally generated funds, including proceeds from pre-sales, sales of our properties and bank and other borrowings. Our ability to obtain external financing in the future and the cost of such financing are subject to uncertainties beyond our control, including:

- requirements to obtain PRC government approvals necessary for obtaining financing in the domestic or international markets;

- our future results of operations, financial condition and cash flows;

- the condition of the international and domestic financial markets and the availability of financing;

- changes in the monetary policies of the PRC government with respect to bank interest rates and lending practices; and

- changes in policies regarding regulation and control of the property market.

The PRC government has implemented a number of measures to manage the growth of the money supply and the availability of credit, especially with respect to the property sector. For example:

- restricting commercial banks from granting loans to property developers which will be used to pay land premium;

- requiring that at least (i) 20% of total investment in property projects is for social welfare housing and general commercial residence; and (ii) 30% of the total investment for all other types of property projects is funded by the developer’s own capital; and

- restricting loans on any kind to be granted to a project developer which has not obtained the relevant land use rights certificates, construction land planning permits, construction work planning permits and construction work commencement permits.

For further information, please refer to the section headed "Regulatory Overview — Regulations on Real Estate Financing" in this prospectus. The above measures and other similar government actions and policy initiatives have limited our ability and flexibility in using bank loans and trust financing arrangements to finance our property projects. Should the PRC government introduce similar additional initiatives, we may not be able to secure adequate financing or renew our existing credit facilities prior to their expiration on commercially reasonable terms or at all, thereby affecting our projects development and thus our business, results of operations, financial condition as well as prospect could be materially and adversely affected.

We maintain a substantial level of indebtedness and had net current liabilities during the Track Record Period which may affect our business, financial condition, results of operations and prospects

We maintain a substantial level of borrowings to finance our operations during the Track Record Period and after the Global Offering, we will continue to have a substantial level of borrowings. As at 31 December 2012, 2013 and 2014, our total outstanding bank loans and other borrowings amounted to approximately RMB1,180.8 million, RMB865.0 million and RMB1,400.0 million, respectively. Our capital commitments were approximately RMB562.2 million, RMB245.8 million and RMB731.0 million as at 31 December 2012, 2013 and 2014, respectively. In addition, we have in the past entered into, and may from time to time in the future enter into, investment agreement or framework agreement for our future projects, under which we may be required to make capital commitments. As at 31 December 2012, 2013 and 2014, our outstanding guarantees for mortgage loans made by purchasers of our properties were approximately RMB594.6 million, RMB955.7 million and RMB191.0 million, respectively. Our gearing ratio, as calculated by dividing our total bank borrowings and other borrowings by our total equity, was approximately 108.7%, 70.1% and 148.8%, as at 31 December 2012, 2013 and 2014, respectively. We also had net current liabilities of approximately RMB24.5 million as at 31 December 2013, primarily due to the capital intensive nature of property development.

Our indebtedness could have an adverse effect on us, for example by: (i) increasing our vulnerability to adverse developments in general economic or industry conditions, such as significant increases in interest rates; (ii) limiting our flexibility in the planning for, or reacting to, changes in our business or the industry in which we operate; (iii) limiting our ability to raise additional debt or equity capital in the future or increasing the cost of such funding; and (iv) restricting us from making strategic acquisitions or taking advantage of business opportunities.

In addition, we are subject to certain restrictive covenants under the terms of our borrowings, which may restrict or otherwise adversely affect our operations. These covenants may restrict, among other things, our ability to incur additional debt or make guarantees, incur liens, pay dividends or distributions on our or our subsidiaries' capital stock, repurchase our or our subsidiaries' capital stock, prepay certain indebtedness, repay shareholders' loans, reduce our registered capital, sell, transfer, lease or otherwise dispose of property or assets, make investments and engage in mergers, consolidation or other change-in-control transactions. In addition, some of the loans may have restrictive covenants linked to our financial performance, such as maintaining a prescribed maximum debt-asset ratio or minimum profitability levels during the term of the loans.

In the future, we expect to incur additional indebtedness to complete our projects under development and projects held for future development and we may also utilize proceeds from additional offshore debt financing to acquire land resources, which could intensify the risks we face as a result of our indebtedness.

Our ability to generate sufficient cash to satisfy our outstanding and future debt obligations will depend upon our future operating performance, which will be affected by the then prevailing economic conditions and financial, business and other factors, many of which are beyond our control. If we are unable to fulfill our repayment obligations under our borrowings, or are otherwise unable to comply with the restrictions and covenants in our current or future loan and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the lenders may accelerate the repayment of outstanding debt or, with respect to secured borrowings, enforce the security interest securing the loan. Any cross-default and acceleration clause may also be triggered as a result. If any of these events occur, we cannot assure you that our assets and cash flow would be sufficient to repay all of our indebtedness, or that we would be able to obtain alternative financing on terms that are favorable or acceptable to us. As a result, our cash flow, cash available for distributions, results of operation and financial condition may be materially and adversely affected.

We had negative net operating cash flow for the year ended 31 December 2014 and we may experience negative net cash flow in the future which may affect our development and expansion plans

We had negative net cash flow from operating activities of RMB935.0 million for the year ended 31 December 2014 primarily due to the cash used in payment for contractors' and suppliers' fees and for land acquisition exceeded the proceeds from pre-sales. We cannot assure you that we will not experience negative net cash flow from our operating activities in the future again. A negative net cash flow position for operating activities could impair our ability to make necessary capital expenditures, constrain our operational flexibility and adversely affect our ability to expand our business and enhance our liquidity. For example, if we do not have sufficient net cash flow to fund our future liquidity, pay our trade and bills payables and repay the outstanding debt obligations when they become due, we may need to significantly increase borrowings or secure other financing. If adequate funds are not available from borrowings, whether on satisfactory terms or at all, we may be forced to delay or abandon our development and expansion plans, and our business, results of operation, financial condition and prospects may be materially and adversely affected.

We may not be able to obtain land use rights of parcels of land with respect to which framework agreements or similar arrangements have been entered into, and as a result, there may be a material adverse effect on our business, results of operation and financial condition

We have entered into two framework agreements with the People's Government of Tengzhou and the People's Government of Yijiang District, Wuhu City with respect to parcels of land in Tengzhou and Wuhu respectively for our potential property developments during the Track Record Period. We may also, from time to time, pay deposits or advance payments pursuant to such agreements or arrangements in an attempt to acquire land. Such arrangements do not constitute land grant contracts. We cannot assure you that these agreements will eventually result in our acquisition of any land use rights or our entering into of any land grant contract, or that the governmental authorities will grant us the land use rights or issue the relevant land use rights certificates in respect of these parcels of land. If we fail to obtain or experience a material delay in obtaining the land use rights, there may be a material adverse effect on our business, results of operation and financial condition. If a land acquisition fails to materialise, we are generally entitled to a refund of our advance payments or deposits pursuant to the relevant agreements or arrangements. However, there is no assurance that the refund will be made on a timely basis. If there is any delay in refunding our deposits or advance payments, our business, results of operations and financial condition may be materially and adversely affected.

We may fail to lease properties for which we have entered into exclusive management and operation agreements with third party purchasers which may negatively impact our financial position and results of operation

We derive rental income by leasing properties owned by third party purchasers of certain of our commercial properties. We have entered into exclusive management and operation agreements with third party purchasers of our commercial properties at the Construction Materials Trading Centre (建材中心) in Xinming International Household Products Mall and Wenshang Times • Xinming Household Decorations and Fittings City to manage and control the leasing of such properties for a period of five or ten years. In return, we are required to pay certain percentages of the selling price of the property to the purchasers regardless whether such properties were leased by us to third party tenants or were generating rental income.

As at 31 March 2015, we entered into exclusive management and operation agreements with third party purchasers of commercial properties at the Construction Materials Trading Centre in Xinming International Household Products Mall and Wenshang Times • Xinming Household Decorations and Fittings City for an aggregate GFA of approximately 92,522 sq.m. and approximately 88,808 sq.m. was leased by us to third party tenants. In the event of a rapid downturn of our leasing business, our financial commitment under the exclusive management and operation agreements with third party purchasers to pay them certain percentages of the selling price of the properties over the relevant agreed period could have a material adverse effect on our business, results of operations and financial position. The agreed fees payable under the exclusive management and operation agreements we have entered into with third party purchasers up to 30 April 2015, for the period from 1 May 2015 to the end of the remaining effective period of the agreements, being 30 June 2019 the latest, are estimated to be approximately RMB98.8 million in total (i.e. approximately RMB52.1 million, nil, RMB10.9 million, RMB23.3 million and RMB12.5 million for year 2015, 2016, 2017, 2018 and 2019, respectively). Based on the terms of the existing lease agreements as at 30 April 2015, the properties under the exclusive management and operation agreements are expected to generate rental income of approximately RMB43.7 million total (i.e. RMB17.3 million, RMB6.7 million, RMB7.8 million, RMB7.9 million and RMB4.0 million for year 2015, 2016, 2017, 2018 and 2019, respectively). Based on our above estimation, we would have a maximum net cash outflow of approximately RMB34.8 million, RMB3.1 million, RMB15.4 million and RMB8.5 million for year 2015, 2017, 2018 and 2019, respectively, and net cash inflow of approximately RMB6.7 million for year 2016, for the period from 1 May 2015 to 30 June 2019 for such exclusive management and operation agreements we have entered into. We are not obliged to pay any agreed fees for the period from 1 July 2019 to 30 June 2024 under the exclusive management and operation agreements we had entered into as at 30 April 2015. Please refer to the section headed "Business — Leasing of properties owned by third-party purchasers of our commercial properties" for further details of the contractual arrangement of the exclusive management and operation agreements. We cannot assure you that we could successfully lease our properties for which we have entered into exclusive management and operation agreements with third party purchasers and in case we fail to lease a substantial portion of such properties, we may be subject to a material cash outflow which could materially and adversely affect our business, results of operations and financial position. Further, for those properties we successfully leased, we cannot assure you that the tenants will not default in paying rents. If a significant number of tenants default on their rental payments, our business, results of operations and financial position could be materially and adversely affected.

Our financing costs and therefore our profitability and results of operations may be affected by changes in interest rates

Our financing costs and, consequently, our results of operations, are affected by changes in interest rates in China and abroad. We expect that our borrowings, whether with fixed or floating interest rates or incurred at an onshore or offshore level, may be affected by the certain benchmark lending rates used by our lenders, particularly the benchmark rates published by the PBOC for onshore borrowings in China. We cannot assure you that the PBOC will not further raise lending rates or guarantee that our business, results of operations and financial position will not be adversely affected as a result of these adjustments. Increases in interest rates may also affect our customers' ability to secure mortgages on acceptable terms, which in turn may affect their ability to purchase our properties. Our gross interest expenses on bank loans and other borrowings for the three years ended 31 December 2012 and 2013 and 2014 were approximately RMB72.3 million, RMB85.1 million and RMB108.5 million, respectively. Bank borrowings are one of the most important sources of funding for our property developments. As at 31 December 2012, 2013 and 2014, bank borrowings accounted for 73.7%, 100% and 42.9%, respectively, of our total borrowings. Our bank loans were arranged at variable rates ranging from 6.06% to 10.3%; other borrowings from third-party financial institutions bore interest at rates of 15.5% per annum; and our trust financing were arranged at interest rates ranging from 9.0% to 9.6% per annum, during the Track Record Period. We start to obtain financing from trust financing companies in 2014 primarily because compared with bank loans, trust financings offer greater flexibility. While drawdowns on bank loans usually depend on actual construction progress, drawdowns on trust financings may be made in full in one or multiple installments as agreed with the relevant trust companies. Please refer to the section headed "Business — Financing Arrangements" in this prospectus for more details. Future increases in the PBOC benchmark interest rates may lead to higher lending rates, which may increase our financing costs and thereby adversely affect our business, financial condition and results of operations.

Our results of operations may vary significantly from period to period as we derive our revenue principally from the sale of property and may therefore fluctuate significantly from period to period, and such fluctuations make it difficult to predict our future performance and the price of our Shares

We derive the majority of our revenue from the sale of properties that we have developed. Our results of operations may fluctuate in the future due to a combination of factors, including the overall schedule and development cycle of our property development projects, the level of acceptance of our properties by prospective customers, the timing of the sale of properties that we have developed, our revenue recognition policies and any changes in costs and in expenses, such as land acquisition and construction costs. In addition, our property developments are often developed in multiple phases over the course of several years. Typically, as the overall development approaches completion, the sale prices of the properties in such developments tend to increase because a more marketable property is available to purchasers. Furthermore, according to our accounting policy for revenue recognition, we recognise revenue from the sales and pre-sales of our properties upon delivery to purchasers. Generally, there is a time difference, typically ranging from one year to two years, between the time we commence pre-sale of properties under development, completion and delivery of properties. Because the timing of completion and delivery of our properties varies according to our construction timetable, our results of operations may vary significantly from period to period depending on the GFA sold or pre-sold and the timing of completion of the properties we sell. Periods in which we pre-sell a large amount of aggregate GFA, however, may not be periods in which we generate a correspondingly high level of revenue, if the properties pre-sold are not completed and delivered within the same period. The effect of timing of delivery on our operational results is accentuated by the fact that during any particular period of time we can only undertake a limited number of projects due to our substantial capital requirements for land acquisition and construction costs as well as the limited supply of land.

Accordingly, our interim results for a certain period may not be indicative of our performance for that financial year or otherwise comparable to our results in previous periods. In light of the above, our Directors believe that period-to-period comparisons of our operating results may not be as meaningful as they would be for a company with a greater proportion of recurring revenues. If our operating results in one or more periods do not meet the market's expectations, the price of our Shares could be materially adversely affected.

The CBRC and/or other agencies of the PRC government may tighten the regulations relating to trust loans provided to the real estate industry in the PRC, which may affect our ability to obtain trust loans

During the Track Record Period, we entered into three trust financing arrangements in 2014 and the total outstanding amount of our borrowings from trusting financing arrangements accounted for approximately 57.1% of our total bank and other borrowings as at 31 December 2014, and we may enter into additional trust financing arrangements from time to time in the future. Please refer to the section headed "Business — Financing Arrangements" in this prospectus for more details. Operation of the trust financing companies in the PRC is primarily regulated by the CBRC pursuant to the Rules Governing Trust Financing Companies (《信託公司管理辦法》), which became effective on 1 March 2007. Trust financing companies are therefore under the supervision and monitoring of the CBRC and must comply with all notices and regulations promulgated by the CBRC. We cannot assure you that the PRC government will not implement additional or more stringent measures to limit the amount that trust financing companies can make available to the PRC real estate industry. If this were to happen, our ability to obtain trust loans may be adversely affected.

We provide guarantees over mortgage loans given by banks to purchasers of our properties, which may negatively impact our financial position if we are required to honour the guarantees

In line with market practice in the PRC, we arrange for various domestic banks to provide mortgage loans to purchasers of our properties. Typically, the banks require us to guarantee these mortgage loans until the mortgage documents have been filed with the relevant authorities and the Certificate of Third Party Rights (他項權證) and the property ownership certificate is issued to the banks and the purchasers respectively, or upon the satisfaction of mortgage loans and related payment obligations in full by the relevant purchaser. In line with industry practice, we do not conduct independent credit reviews of our customers but rely on the credit reviews conducted by the mortgagee banks. As at 31 December 2012, 2013 and 2014, our outstanding guarantees over mortgage loans of our customers amounted to approximately RMB594.6 million, RMB955.7 million and RMB191.0 million, respectively. During the Track Record Period and up to the Latest Practicable Date, to our best knowledge, we did not encounter any incidents of default by purchasers which resulted in our Group having to repay all outstanding amounts owed by the purchaser to the mortgagee bank under the mortgage loan.

In the event of a significant depreciation in the market value of the underlying properties, the purchasers may refuse to continue paying the mortgages and the banks may require us to repay the outstanding loans according to our guarantee contracts. This could have a material adverse effect on our business, results of operations and financial position. We cannot assure you that defaults will not occur in the future or that we will not suffer any loss as a result of such defaults. In addition, if a significant number of customers default on their mortgages and our guarantees are called upon, our business, results of operations and financial position could be materially and adversely affected.

We have potential development projects which involve relevant local government engaging in resettlement process and site clearing work and such resettlement process or site clearing work may be delayed or not be completed as planned, and as a result our land acquisition and development process may be materially and adversely affected

We have two potential development projects which involve relevant local governments engaging in site clearing work to prepare the land for public tender, auction and listing-for-sale which include land exploration, compensation and/or resettlement of affected local residents in Tengzhou, Shandong Province and Wuhu, Anhui Province. Any disputes involving affected local residents as to the related compensation or refusals of dissenting residents for relocation may delay the resettlement process and the subsequent land acquisition and development process, which may in turn have a material adverse effect on our business, results of operation and financial condition.

As at the Latest Practicable Date, we provided to the People's Government of Tengzhou ("**Tengzhou Government**") and relevant governmental authorities an aggregate amount of approximately RMB166.0 million and approximately RMB97.0 million had been repaid by Tengzhou

Government and the relevant governmental authorities to us. The remaining balance of approximately RMB69.0 million was agreed between Shandong Xingmeng and Tengzhou Government to be the land deposit in respect of the next parcel of land to be acquired by Shandong Xingmeng through public tender, auction and listing-for-sale. The local governmental authority is responsible for clearing the relevant land so that it becomes ready for subsequent public tender, listing-for-sale or auction. In respect of our potential development project in Wuhu, as at the Latest Practicable Date, we paid to the People's Government of Wuhu ("**Wuhu Government**") RMB5.0 million as a land deposit. The Wuhu Government will complete the relevant site clearing work and resettlement operations. As at the Latest Practicable Date, such site clearing work and resettlement operation for our potential development project had not been completed. Please refer to the section "Business — Potential Development Projects" in this prospectus for further details on the projects.

There is no assurance that we can successfully obtain land use rights at the subsequent public tender, listing-for-sale or auction with respect to the land which involve relevant local government engaging in resettlement operations. There is also no assurance that our prepayments will be returned to us in a timely manner if we fail to obtain land use rights at the subsequent public tender, listing-for-sale and auction. If we cannot acquire land use rights for future property development projects, there may be a material adverse effect on our business, results of operations and financial condition.

The validity regarding the transfer of the right to use civil air defense projects is uncertain and we may be required to refund the consideration of such transfer to our customers and subject to adverse legal consequences

During the Track Record Period, we had entered into contracts to transfer the right to use civil air defense projects in our property development projects to our customers as car parks (the "**Designated Car Parks**") and we intend to continue such transfer. We are advised by our PRC Legal Advisers that under the Civil Air Defense Law (《中華人民共和國人民防空法》), Administrative Measures for Developing and Using the Civil Air Defense Property at Ordinary Times (人民防空工程平時開發利用管理辦法) and Implementing Rules of the Civil Air Defense Law of Zhejiang Province (浙江省實施《中華人民共和國人民防空法》辦法), after obtaining the approval from the civil air defense supervising authority, the developer can manage and use the civil air defense projects at ordinary times and make profit therefrom. As at the Latest Practicable Date, Taizhou Investment and Wenshang Times had applied for and had not obtained the Utilisation Permit During Peacetime (平時使用許可證) for civil air defense projects in Xinming Lijiang Garden and Wenshang Times • Xinming Apartment, respectively. The Civil Air Defense Office of Taizhou City has issued a written confirmation to allow Wenshang Times and Taizhou Investment to use and manage during times of peace the civil air defense projects developed by them and as stated in their respective completion certificates which have been approved by the Civil Air Defense Office of Taizhou City, the relevant areas had designated function of car parks during peacetime. However, there can be no assurance that we can obtain the Utilisation Permit During Peacetime from Civil Air Defense Office of Taizhou City. If we fail to obtain such permit, the outcome of any disputes arising from contracts for the transfer of such use right to use the Designated Car Parks will become invalid and uncertain, and we may be required to retrieve the right to use the Designated Car Parks from our customers, refund the consideration to our customers and our customers may be required to pay fees for the period of use of such car parks to us.

In addition, under the Civil Air Defense Law, while an investor, after obtaining the relevant approval from the authorities, in civil air defense projects can use (including lease) and manage civil air defense projects in such times of peace and profit therefrom, such use shall not impair their functions as civil air defense projects. The design, construction and quality of the civil air defense projects must also conform to the protection and quality standards established by the PRC government. If our customers fail to maintain the Designated Car Parks in accordance with the applicable laws and regulations, due to the uncertainty regarding the transfer of the right to use the Designated Car Parks, should it be adjudicated that the right to use the Designated Car Parks remains with us notwithstanding such contracts of transfer, we may be subject to adverse legal consequences.

In the event that the PRC government declares a state of war, the PRC government may take over civil air defense projects as civil air defense shelters. If our customers fail to deliver the Designated Car Parks when required by the PRC Government in such times of war, due to the uncertainty regarding the transfer of the right to use the Designated Car Parks, should it be adjudicated that the right to use the Designated Car Parks remains with us notwithstanding such contracts of transfer, we may be subject to sanctions imposed by the PRC Government. If any of the above happens, our business, results of operations and financial condition may be materially and adversely affected.

As we expand into new regions, we may not be able to replicate the success we have achieved in cities in which we currently operate and may have adversely and materially affect our future growth

We plan to expand our business into other cities with high growth potential. Such areas or cities may differ from our existing markets in terms of level of economic development, topography, real estate trends and regulatory practices. In addition, as we enter new markets, we may not have the same level of familiarity with local contractors, business practices, customs and customers' tastes, behavior and preferences. As a result, we may not be able to successfully replicate our successful business model in our existing markets to the new regional markets.

In addition, when we enter new geographical areas, we may face intense competition from developers with more established experience or presence in those markets in terms of land acquisition and recruitment of suitable personnel. Any failure to leverage our experience or to understand the property market in other cities that we target for expansion may have a material adverse effect on our business, results of operations, growth and business prospects and financial position.

We rely on our external contractors for all of our construction works and if any of these contractors fail to deliver satisfactory services, our reputation, business, results of operations and financial condition may be materially and adversely affected. Further, the increase in the prices of certain specialised building materials which we sourced our own could increase our construction costs and materially and adversely affect our business, results of operations and financial condition

We outsource construction works of all our projects to external contractors. Such works include, among other things, foundation digging, general construction and installation of equipment. We consider a wide range of factors when selecting a contractor. We cannot assure you that any such external contractor will provide satisfactory services at the required quality level. If the performance of any external contractor is unsatisfactory, we may need to replace the external contractor or take other actions to remedy the situation, which may have a material adverse effect on the cost and construction progress of our projects.

In accordance with applicable PRC laws and regulations, we provide warranties on the quality of properties we construct or sell to our customers. We receive quality warranties from third-party contractors we engage to construct our development projects. If claims are brought against us under our warranties, and if the relevant third-party contractor fails to indemnify us for such claims in a timely manner or at all, we could incur significant expenses to resolve such claims or face delays in rectifying such defects. The occurrence of these events may harm our reputation and have a material adverse effect on our business, results of operations and financial condition.

Furthermore, our external contractors may undertake projects from other developers, engage in risky undertakings or otherwise encounter financial or other difficulties, which may cause delay in the completion of our property projects or increase our project development costs. The occurrence of any of the above events may have a material adverse effect on our reputation, business, results of operations and financial condition. Further, any increase in the prices of certain specialised building materials that we source on our own could result in additional costs to us and may lead to future increases in construction costs, and reduce our gross profit margins. In the event there is a material increase in construction costs and that we fail to pass such increase in costs to our customers, our business, results of operations and financial position may be materially and adversely affected.

We may not be able to acquire land reserves of sufficient size in desirable locations and at a commercially acceptable cost in the future, and if that happens, our business, results of operations and financial condition as well as prospects may be materially and adversely affected

We derive our revenue principally from sale of properties that we have developed. This revenue stream depends on the completion of and our ability to sell our property developments. In order to maintain and expand our business in the future, we will need to replenish our land reserves with land of sufficient size in desirable locations and at a commercially acceptable cost. During the Track Record Period, we acquired land primarily through participating in government-organized public tender, auctions and listing-for-sale process directly, and by acquiring equity interests in project companies that hold land use rights. Our ability to identify and acquire suitable land is subject to a number of factors that may be beyond our control.

The PRC government controls the supply of land in China and regulates the transfer of land use rights in the secondary market. As a result, the policies of the PRC government have a direct impact on our ability to acquire the land use rights we seek and could increase our costs of acquisition. In recent years, the PRC central and local governments have implemented various measures to regulate the means by which property developers may obtain land and the manner in which land may be developed. The PRC government also controls land supply through zoning, land usage regulations and other measures. All these measures could intensify the competition for land in China among property developers. Please refer to the section headed "Regulatory Overview" in this prospectus for details of the regulatory procedures and restrictions relating to land acquisition in the PRC. Our business, results of operations and financial position may be materially and adversely affected if we are unable to obtain sites for development at prices that allow us to achieve reasonable returns upon sale to our customers.

During the Track Record Period, save and except for the land parcel held by Wenshang Times and Shandong Xingmeng which we acquired the land use rights through the acquisition of 55% equity interest in Shandong Xingmeng and 100% equity interest in Wenshang Times, respectively, from third parties, we obtained all our land parcels for our property developments through acquiring land use rights held by local PRC government directly by participating in the government-organized public tenders, auctions and listing-for-sale. There may be latent liabilities in the project companies we acquired that we were unable to identify before we acquired them. If these latent liabilities are determined to be material, our business, results of operations and financial position may be materially and adversely affected.

In addition, we cannot assure you that the parcels of land we have acquired to date will appreciate in value, or that we will continue to be able to acquire land of sufficient size and with an appropriate scope of usage, in desirable locations and at a commercially acceptable cost, for our property projects.

Investment in real properties is relatively illiquid, and we may not be able to sell such investment properties at prices or on terms satisfactory to us, or at all

We strategically retain certain high quality commercial properties as investment properties for generating rental income or for land appreciation purpose. In general, investment in real properties is relatively illiquid compared with other forms of investment. We may need to dispose of certain investment properties in the event of changing economic, financial and investment conditions. However, we cannot assure you that we will be able to sell such investment properties at market prices or on terms satisfactory to us, or at all.

Our results may fluctuate due to increases or decreases in the appraised fair value of our investment properties

We are required to reassess the fair value of our investment properties upon their completion and transfer to properties held for investment and at every reported statement of financial position date thereafter. Under IFRS, gains or losses arising from changes in the fair value of our investment properties are included in our consolidated statements of comprehensive income in the period in which they arise. However, fair value gains do not change our overall cash position or our liquidity as long as we continue to hold such investment properties.

For the three years ended 31 December 2012, 2013 and 2014, we recognised gains from changes in fair value of investment properties in the amounts of approximately RMB180.5 million, RMB186.8 million and RMB16.9 million, respectively, which represented approximately 32.4%, 39.7% and 2.9% of our profit before tax, respectively.

The amount of revaluation adjustments has been, and will continue to be, subject to market fluctuations. We cannot assure you that changes in market conditions (if any) will continue to create fair value gains on our investment properties at previous levels or at any level at all, or that the fair value of our investment properties will not decrease in the future or that our investment properties will increase substantially or at all. In particular, the fair value of our investment properties could decline in the event that, among other things, the real estate industry experiences a downturn as a result of PRC government policies aimed at "cooling-off" the PRC real estate market, or any global market fluctuations and economic downturn. There is no assurance that the fair value gains (if any) on our investment properties will increase due to any increase in our portfolio of investment properties and/or increase overall value appreciation of properties. In addition, fair value gains of our investment properties are based on valuations performed by our Property Valuer and are calculated based on assumptions adopted by them. We cannot assure that the assumptions used by our Property Valuer will be realised. Please see the section headed "Property Valuation" in Appendix III to this prospectus for further information regarding the assumptions adopted by our Property Valuer. Any decrease in the fair value of our investment properties could lead to fair value losses on investment properties in our consolidated statements of profit or loss and other comprehensive income which could adversely affect our financial performance.

Any deterioration in our brand image could adversely affect our business, results of operations and financial condition

Our brand is important to our business operation and development. Any negative incident or negative publicity concerning us or our properties could adversely affect our reputation and business prospects. Brand value is based largely on consumer perceptions with a variety of subjective qualities and can be damaged even by isolated business incidents that degrade consumer trust. Consumer demand for our products and services and our brand value could diminish significantly if we fail to preserve the quality of our products and services, or if we are perceived to act in an unethical or socially irresponsible manner. Any negative publicity and resulting decrease in brand value, and/or failure to establish our brand in these regions could have a material adverse effect on our business, results of operation and financial position.

Our actual development costs of a property development project may deviate from our initial estimations due to fluctuations in cost of labour, which could in turn have a material adverse effect on our business, results of operations and financial condition

We estimate the relevant total development costs which comprise, among other things, land premium, construction and other development costs, capitalised borrowing costs, etc. at the beginning of a property development project. We have also developed operating procedures to monitor the progress of development works to ensure minimal deviation from the pre-approved budgets. However, our total development costs are subject to numerous factors which may be beyond our control.

Our construction costs have also been affected by rising labour costs in the PRC in recent years, and we expect labour costs in the PRC to continue to increase in the future. Furthermore, the PRC property market is significantly affected by the policy and regulatory measures introduced by the PRC government from time to time which may affect various aspects of our property development operations, including but not limited to our cost of financing as well as the schedule of development of our property projects, which in turn may result in deviation from our initial estimated development costs.

If the actual development costs of our projects deviate materially from our initial estimation, our business, results of operations and financial condition may be materially and adversely affected.

We may not be able to use certain properties leased by us as offices because of defects affecting our leasehold interests

We occupy some properties as our offices of which property ownership certificates or relevant authority to allow such leasing to us for commercial use have not been obtained by the relevant lessors. As advised by our PRC Legal Advisers, in the event that any party claims its right upon such properties or actions raised by relevant governmental authorities against the lessors for improper use of such properties, we may not be able to continue such leases and as such we may need to relocate and seek for an alternative location for our office. As at the Latest Practicable Date, we leased seven premises of an aggregate GFA of approximately 3,654 sq.m. of which property ownership certificates or relevant authority to allow such leasing to us for commercial use have not been obtained by the relevant lessors. We cannot assure you that we can find a suitable replacement in a timely manner, or at all. Any relocation of our operations on such properties, or failure to find a suitable replacement, may incur costs or cause a temporary disruption to our operations.

We may be subject to fines due to the lack of registration of our leases

Pursuant to the Measures for Administration of Lease of Commodity Properties《商品房屋租賃管理辦法》, which was promulgated by the Ministry of Construction on 1 December 2010 and became effective on 1 February 2011, registration of leases is required and a fine will be imposed on the parties to a lease for the failure to register a lease. For an entity, the fine will range from RMB1,000 to RMB10,000, and for an individual, the fine will not be more than RMB1,000 for non-registration of a lease. As at the Latest Practicable Date, we leased four properties in the PRC from different landlords as our offices which had yet to be registered with the relevant government authorities. As advised by our PRC Legal Advisers, the lack of registration of a lease will not affect its legality, validity or enforceability. Please refer to the section headed "Business — Regulatory Compliance — Non-Compliance Record" in this prospectus for further details on the potential legal consequences of the lack of registration of leases.

Certain of our PRC subsidiaries did not contribute adequate housing provident funds and social security insurance and additional payment may adversely and materially affect our results of operation and financial condition

Under applicable PRC laws and regulations, our PRC subsidiaries are required to register with the relevant authorities in respect of housing provident fund and social security insurance and to contribute housing provident funds and social security insurance for their employees. During the Track Record Period, certain of our PRC subsidiaries failed to make adequate social security insurance and housing provident fund for our employees. Please refer to the section headed "Business — Regulatory Compliance — Non-Compliance Record" in this prospectus for details.

According to the Interim Regulations Concerning the Collection and Payment of Social Insurance Premiums and the Social Insurance Law of the PRC, if a company did not pay the relevant social insurance within the prescribed time limits required by the relevant authorities, a daily late payment at the rate of 0.2% of the outstanding amount will be imposed before July 2011 and/or a fine of one to three times the outstanding amount with a daily late payment at the rate of 0.05% of the outstanding amount from the due date will be imposed after July 2011. According to the Regulation on the Administration of Housing Provident Fund, the housing provident fund management centre shall order the company that is overdue in the payment and deposit of, or underpays, the housing provident fund to make the payment and deposit within a prescribed time limit, failing which the housing fund management centre may ask the court to take enforcement measures against such company to collect the outstanding housing fund.

As at 31 December 2014, our Group has made full provision of the outstanding amounts of social security insurance and housing provident fund for the Track Record Period. However, we cannot assure you that the amount of such provision will be sufficient to cover our liability. If we are required to pay additional payment, our operating expenses will increase and consequently our results of operation and financial condition will be adversely and materially affected.

We may not have adequate insurance to cover all kinds of losses and claims in our operations and as a result our business, results of operations and financial condition may be materially and adversely affected

We are of the view that the insurance coverage taken out by our Group is typical and in line with the industry practice for similar operations and is adequate for the operations of our Group. Property developers are not required under PRC laws and regulations to maintain insurance coverage with respect to their property development operations. In addition, we generally do not take out insurance against personal injuries that may occur during the construction of our properties. According to relevant PRC laws and regulations, general contractors and construction companies are responsible for safety control during the course of construction and are required to maintain accident insurance for their construction workers. The general contractors and construction companies will bear the risks and liabilities arising from tortuous acts committed on work sites under the terms of our construction contracts. As at the Latest Practicable Date, we have not experienced any material damage to our property developments nor have any material personal injury-related claims brought against us. However, there is a risk that we do not have sufficient insurance coverage for losses, damages and liabilities that may arise from our business operations. We may incur losses, damages or liabilities during any stage of our property development which are uninsured, and we may have insufficient fund to cover, rectify or replace any of our losses. Any payments we make in relation to this may materially and adversely affect our business and financial position.

Our success depends on the continuing efforts of our senior management team and other key personnel and if we lose the services of any of these key executives and cannot replace them in a timely manner, our business may be materially and adversely affected

Our future success depends heavily upon the continuing services of the members of our executive Directors and senior management team. We are particularly dependent on our executive Directors as well as other senior management members for their vision to lead our Company and their industry knowledge and relationship which are crucial to our business and operations. If one or more of our senior executives or other personnel are unable or unwilling to continue in their present positions, we may not be able to replace them easily or at all, and our business may be disrupted and our results of operations and financial position may be materially and adversely affected. In addition, our ability to expand depends on our being able to attract skilled management-level employees on the project company level. Competition for senior management and key personnel is intense and the pool of qualified candidates is very limited, and we may not be able to retain the services of our senior executives or key personnel, or attract and retain high-quality senior executives or key personnel in the future. In addition, if any such person or any other key personnel of the Company carries on any activities competing with us, we may lose customers, key professionals and staff members and our legal remedies against such persons may be limited.

We may not be able to distribute dividends to our Shareholders

Subject to the Companies Law and our Articles of Association, our Board has absolute discretion in whether to declare any dividend for any year and, if it decides to declare a dividend, how much dividend to declare. During the Track Record Period, we declared dividend of approximately RMB235.7 million, RMB174.3 million and nil for the three years ended 31 December 2012, 2013 and 2014, respectively, which were subsequently settled.

Our ability to declare future dividends will depend on the availability of dividends, if any, we receive from our PRC subsidiaries. In addition, under PRC laws and articles of association of our PRC subsidiaries, dividends may be paid only out of distributable profits, which refer to after-tax profits as determined under the generally accepted accounting principles of the PRC less any recovery of accumulated losses and required allocations to statutory funds. Any distributable profits that are not distributed in a given year are retained and become available for distribution in subsequent years. In general, we will not declare dividends in a year when we do not have any distributable earnings. There is no assurance that we will be able to declare dividends of such an amount or any amount each year or in any year. Please refer to the section headed "Financial Information — Dividend" in this prospectus for details. Accordingly, our historical dividend distribution should not be used as a reference or basis to determine the level of dividends that may be declared. We may not be able to record profits and have sufficient funds above our funding requirements, other obligations and business plan to declare dividends to our Shareholders as contemplated.

RISKS RELATING TO OUR INDUSTRY

Intensified competition may materially and adversely affect our business, results of operations and financial condition

Competition within the PRC real estate industry is intense. Domestic and overseas property developers have also entered the property development markets in cities where we have operations. Many of them may have more financial, marketing, technical or other resources than us. Competition among property developers may cause an increase in land premium and raw material costs, shortages in quality construction contractors, surplus in property supply leading to decreasing property prices, further delays in issuance of governmental approvals, and higher costs to attract or retain skilled employees. If we fail to compete effectively, our business, results of operations and financial condition materially and adversely affected.

The relevant PRC tax authorities may challenge the basis on which we calculate our LAT obligations which could have a material adverse effect on our results of operations

Under PRC laws and regulations, our PRC subsidiaries that are engaged in the property development business are subject to LAT as determined by the local authorities in the location in which each project is located. All income from the transfer of State-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value as defined in the relevant tax laws. Certain exemptions are available for the sale of ordinary residential properties if the appreciation values do not exceed 20% of the total deductible items (as defined in the relevant tax laws). Sales of commercial properties are not eligible for such an exemption. Whether a property qualifies for the ordinary residential property exemption is determined by the local government based on the applicable PRC laws and regulations. Sales of higher-end properties and commercial properties are generally assessed at higher appreciation values, and are therefore generally subject to higher LAT rates. On 28 December 2006, the SAT promulgated the Notice on the Settlement Management of Land Appreciation Tax on Real Estate Enterprises (《關於房地產開發企業土地增值稅清算管理有關問題的通知》), which took effect on 1 February 2007. Such notice provides further clarifications as to the settlement of LAT. Local provincial tax authorities can formulate their own implementation rules according to the notice and local situations. On 12 May 2009, the SAT issued the Regulations of Land Appreciation Tax Settlement Administration (《土地增值稅清算管理規程》) effective on 1 June 2009, which further clarifies the specific conditions and procedures for the settlement of LAT. We estimate and make provisions for the full amount of applicable LAT in accordance with the requirements set out in the relevant PRC tax laws and regulations, but only prepay 1.0% to 5.0% of the sales and pre-sale proceeds each year as required by the local tax authorities under prevailing practice. For the three years ended 31 December 2012, 2013 and 2014, we made provisions for LAT in the total amount of approximately RMB196.2 million, RMB129.5 million and RMB146.3 million, respectively.

We estimate and make provision for the amount of applicable LAT at the time the relevant property sales revenue is recognised and recorded in our books, but actual LAT payment will only be made at the time specified by the relevant PRC tax laws and regulations. We cannot assure you that the local tax authorities will agree with the basis on which we calculate our LAT obligations during the Track Record Period. In addition, we cannot assure you that the applicable tax rate for LAT will not increase, or that the PRC government or local tax authorities will not abolish the authorised taxation method, or that we will be able to obtain approval in the future to use the authorised taxation method. If the relevant tax authorities determine that a higher amount of LAT should be paid, our business, results of operation and financial position may be materially and adversely affected.

Furthermore, relevant notices issued by the PRC government relating to the settlement of LAT allow provincial tax authorities to formulate their own implementation rules according to the local situation. If the implementation rules promulgated in the cities in which our projects are located require us to settle all unpaid LAT at the same time, or impose other conditions, our business, results of operation and financial position may be materially and adversely affected.

The PRC government may impose fines or other penalties on us if we fail to comply with the terms of the land grant contracts or listing-for-sale confirmation letters, and we could have financial loss or lose our previous investments in the land and the opportunity to develop the project, which may adversely and materially affect our business, results of operations and financial conditions

Under PRC laws and regulations, the PRC government may issue a warning, impose a penalty and/or reclaim our land if we fail to develop a particular project according to the terms of the relevant land grant contracts, such as the approved land use, payment of land premiums and other fees, and the time for commencement and completion of development.

Under current PRC laws and regulations, we may be subject to late penalties as stipulated in the land grant contracts if we fail to pay any outstanding land premium by the stipulated deadline. If we fail to commence development for more than one year from the commencement date stipulated in the land grant contracts, the relevant PRC land bureau may serve an investigation notice and impose an idle land fee of up to 20% of the land premium on us if the delay is found out not to be caused by government actions or force majeure. If we fail to commence development for more than two years, the land may be subject to forfeiture by the PRC government unless the delay is caused by government actions or force majeure. Furthermore, even if we commence development in accordance with the land grant contracts, if the developed land area is less than one-third of the total land area, or if the total capital expenditure on land development is less than one-fourth of the total amount expected to be invested in the project as specified in the project registration or approval documents, excluding the purchase price of the land, the development of the land is suspended for over one year without government approval, the land will still be treated as idle land.

During the Track Record Period, the construction works in respect of (i) Hongjiayuan Xingxing No. 3 Land in Taizhou of site area of 74,390 sq.m., on which three of our projects developed by Wenshang Times, namely the Wenshang Times • Red Star Macalline Household Products Market, the Wenshang Times • Xinming Household Decorations and Fittings City and the Wenshang Times • Xinming Apartment were developed on; and (ii) the construction works on a parcel of land of site area 25,151 sq.m., being one of the two parcels of land on which our Xingmeng International Commercial City was developed on, had been delayed for more than one year but less than two years from the construction commencement date stipulated under the relevant land grant contract. Please refer to the section headed "Business — Regulatory Compliance — Non-Compliance Record — (A) Idle land" in this prospectus for details.

We cannot assure you that we will be able to fully comply with the obligations under the land grant contracts or listing-for-sale letters in the future due to factors which are beyond our control, or that our property development projects will not be subject to idle land penalties or be taken back by the government as a result of such delays. If we fail to comply with the terms of any land grant contract or listing-for-sale confirmation letter as a result of delays in project development or any other reasons, we may have financial loss or lose our previous investments in the land and the opportunity to develop the project, which may have a material adverse effect on our business, results of operations and financial condition.

Changes in PRC laws and regulations with respect to pre-sale may have a material adverse effect on our business performance

We depend on cash flows from the pre-sale of properties as an important source of funding for our property development. Under current PRC laws and regulations, property developers must fulfil certain conditions before they can commence pre-sale of the relevant properties and may only use pre-sale proceeds to finance their development. We cannot assure you that the PRC government will not implement further restrictions on property pre-sale, such as imposing additional conditions for obtaining pre-sale permits or imposing further restrictions on the use of pre-sale proceeds. The adoption of any such measures may materially and adversely affect our cash flow position and force us to seek alternative sources of funding to finance our project development, which may not be available on commercially reasonable terms, or at all.

We may have to compensate our customers if we fail to meet all requirements for the delivery of completed properties and the issuance of property ownership certificates

According to the relevant PRC law, property developers must within 90 days after the delivery of property or such other time period that may be provided in the relevant sales and purchase agreement to assist a purchaser in obtaining the individual property ownership certificate. We generally elect to specify the deadline to apply for an individual property ownership certificate in the sales and purchase agreement to allow sufficient time for the application and approval process. Within three months of the date of the completion certificate for a development, we must apply for a general property ownership certificate for the entire development. This involves, among other things, the submission of a number of documents, including land use rights documents, planning approvals and construction permits. Following the effective date of a sales and purchase agreement for one or more units in a development, we then assist the purchaser to apply for an individual property ownership certificate for each unit. This involves submission of other documents, including the sales and purchase agreement, identification document for the purchaser, evidence of payment of deed tax and a copy of the general property ownership certificate issued to us. Delay by a purchaser in providing the documents relating to the purchaser, or delay by the various administrative authorities in reviewing the relevant application document, as well as other factors beyond our control, may affect the timely delivery of the relevant individual property ownership certificate. We may become liable for monetary penalties to purchasers for late delivery of property ownership certificate due to delay and significant delays with respect to one or more of our developments may materially and adversely affect our reputation, business, results of operations and financial position.

Potential liability for environmental issues could result in substantial losses and could adversely affect our business, results of operation and financial position

We are subject to a variety of environmental laws and regulations during the construction of our development projects. The particular environmental laws and regulations which apply to any given project development site vary greatly according to the site's location, the site's environmental condition, the present and former uses of the site, as well as adjoining properties. Environmental laws and conditions may result in project delays, may cause us to incur substantial compliance and other costs and can prohibit or severely restrict project development activity in environmentally sensitive regions or areas. In addition, we cannot predict the impact that unforeseeable environmental contingencies or new or changed laws or regulations may have on us or our projects.

As required by PRC law, independent environmental consultants have conducted environmental impact assessments at all of our construction projects. Although the environmental investigations conducted to date have not revealed any environmental liability that would be expected to have a material adverse effect on our business, results of operation and financial position, it is possible that these investigations did not reveal all environmental liabilities or their extent, and there may be material environmental liabilities of which we are unaware. Upon completion of each project, the environmental authorities will inspect the site to ensure compliance with all applicable environmental standards. If any portion of the project is found to be non-compliant with environmental standards, we will be required to suspend certain of our operations, and may be fined, either of which could materially and adversely affect our business, results of operation and financial position.

We may be involved in disputes, legal and other proceedings arising out of our operations from time to time and may face significant liabilities as a result

We may from time to time be involved in disputes with various parties involved in the development, sale, leasing and management of our properties, including contractors, suppliers, construction workers, purchasers and tenants. These disputes may lead to protests or legal or other proceedings and may result in damage to our reputation, substantial costs to our operations, and diversion of our management's attention. In addition, we may disagree with regulatory bodies in certain respects in the course of our operations, which may subject us to administrative proceedings and unfavorable decrees that result in liabilities and cause delays to our properly developments. We cannot assure you that we will not be involved in any major legal proceedings in the future. Any involvement on these disputes may materially and adversely affect our business, results of operations and financial position.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Most of our assets and operations are in the PRC, and all of our revenue is derived from our operations in the PRC. Accordingly, our future business, results of operations, financial condition and prospects are subject, to a significant degree, to economic, political and legal developments in the PRC, including the following risks:

PRC economic, political and social conditions as well as government policies could adversely affect our business and prospects

All of our revenue during the Track Record Period was derived from our operations in the PRC. We anticipate that China will remain our primary market in the foreseeable future. Accordingly, our business, prospects, results of operation and financial position are, to a significant degree, subject to the economic, political and legal developments of the PRC.

The PRC economy differs from the economies of most of the developed countries in many aspects, including political structure, the amount and degree of the PRC government involvement and control, level of corruption, growth rate and degree of development, level and control of capital investment and reinvestment, control of foreign exchange and allocation of resources. As a result of these differences, our business may not develop in the same way or at the same rate as might be expected if the PRC economy were similar to those of other developed countries.

The PRC economy has been transitioning from a centrally planned economy to a more market-oriented economy. For approximately three decades, the PRC government has implemented economic reform measures to utilize market forces in the development of the PRC economy. However, the PRC government continues to exercise significant control over the PRC economy through allocating resources, restricting capital flow and foreign exchange, setting monetary and fiscal policies, imposing industrial policies and various directives, providing government grants and other preferential treatment to particular industries and companies. We cannot predict whether changes in the PRC's economic, political and social conditions and in its laws, regulations and policies will have any adverse effect on our current or future business, results of operations and financial position. Moreover, even if new policies may benefit the real estate developers in the long term, we cannot assure you that we will be able to successfully adjust to such policies.

In addition, many of the economic reforms carried out by the PRC government are unprecedented or experimental and are expected to be refined and improved over time. This refining and adjustment process may not necessarily have a positive effect on our operations and business development. For example, the PRC government has in the past implemented a number of measures intended to slow down certain segments of the economy, including the real estate industry, which the government believed to be overheating. These actions, as well as other actions and policies of the PRC government, could cause a decrease in the overall level of economic activity in the PRC and, in turn, have an adverse impact on our business and financial position.

Fluctuations in the value of the Renminbi may have a material and adverse impact on your investment

Substantially all of our revenues and expenditures are denominated in Renminbi, while the net proceeds from the Global Offering and any dividends, if any, we pay on our Shares will be in Hong Kong dollars. Any appreciation in the Renminbi against the Hong Kong dollar will adversely affect the relative value of the proceeds we will receive from the Global Offering. A depreciation in the Renminbi, on the other hand, would adversely affect the value of any dividends, if any, we pay to our Shareholders in foreign currencies, or require us to use more Renminbi funds to service the same amount of any foreign debt. In addition, appreciation or depreciation in the value of Renminbi would affect our financial results in Hong Kong dollar or US dollar terms without giving effect to any underlying change in our business or results of operations.

Fluctuations in Renminbi exchange rates are affected by, among other things, changes in political and economic conditions and China's foreign exchange regime and policy. The Renminbi has been unpegged from the US dollar since July 2005 and, although the People's Bank of China regularly intervenes in the foreign exchange market to limit fluctuations in Renminbi exchange rate, the Renminbi may appreciate or depreciate significantly in value against the U.S. dollar in the future. Moreover, it is possible that in the future PRC authorities may lift restrictions on fluctuations in Renminbi exchange rates and lessen intervention in the foreign exchange market.

There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between the Renminbi and other currencies. The cost of such hedging instruments may fluctuate significantly over time and can outweigh the potential benefit from the reduced currency volatility. As at the Latest Practicable Date, we had not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risks. In any event, the availability and effectiveness of these hedges may be limited and we may not be able to hedge our exposure successfully, or at all.

The PRC legal system is less developed than legal systems in certain other jurisdictions and embodies inherent uncertainties that could limit the legal protection available to us and to our Shareholders

As all of our businesses are conducted and all of our assets are located in the PRC, our operations are governed principally by PRC laws and regulations. The PRC legal system is based on written statutes, and prior court decisions can be cited only as a reference. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commerce, taxation, foreign exchange and trade, with a view to developing a comprehensive system of commercial law. However, China has not developed a fully integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activity in China. In particular, because these laws and regulations are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of these laws and regulations involve uncertainties. In addition, the PRC legal system is based, in part, on governmental policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, we may not be aware that we have violated these policies and rules until some time after the violation. Further, depending on the government agency or how or by who an application or case is presented to such agency, we may receive less favorable interpretation of laws and regulations than our competitors. Any litigation in China may be protracted and result in substantial costs and diversion of resources and management's attention. All these uncertainties may limit the legal protections available to us and our Shareholders, including you.

The national and regional economies in China and our prospects may be adversely affected by natural disasters, acts of God, and occurrence of epidemics

Our business is subject to general economic and social conditions in China. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in China. Some cities in China may be under the threat of flood, earthquake, rainstorm or drought. In addition, past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in China. A recurrence of SARS, H5N1 avian flu, H1N1 influenza or an outbreak of any other epidemics in China, including the spread of MERS and H7N9 avian influenza virus, especially in the cities in which we operate, may result in material disruptions to our property development projects and our sales and marketing efforts, which in turn may adversely affect our results of operations and financial position.

The PRC government's control of foreign currency conversion may limit our foreign exchange transactions, including dividend payments on our Shares

Currently, the Renminbi cannot be freely converted into any foreign currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange requirements. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licenses to carry out foreign exchange businesses. However, approval from appropriate government authorities is required when Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as repayment of indebtedness denominated in foreign currency. The restrictions on foreign exchange transactions under capital accounts could also affect our subsidiaries' ability to obtain foreign exchange through debt or equity financing, including by means of loans or capital contributions from us. Furthermore, the PRC government may in the future and at its discretion restrict access to foreign currencies for current account transactions.

Under existing foreign exchange regulations, following the completion of the Global Offering, we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, there is no assurance that these foreign exchange policies regarding payment of dividends in foreign currencies will continue to be come into effect in the future. In addition, any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or to satisfy any other foreign exchange requirements. If we fail to obtain approval from the SAFE to convert Renminbi into any foreign exchange for any of the above purposes, our capital expenditure plans, and even our business, operating results and financial position, may be materially and adversely affected.

PRC regulations on provisions of loans and direct investments by offshore holding companies to PRC entities may delay or limit our ability to use the proceeds we receive from the Global Offering to make loans or additional capital contributions to our PRC subsidiaries

Any capital contributions or loans, if any, that we, as an offshore entity, make to our PRC subsidiaries that are foreign-invested enterprises, including the proceeds if the Global Offering, are subject to PRC regulations.

For example, any of our loans to our PRC operating business cannot exceed the difference between the total amount of investment our PRC operating businesses are allowed to make under relevant PRC laws and their respective registered capital, and must be registered with the local branch of the SAFE as a procedural matter. In addition, our capital contributions to our PRC operating businesses are subject to the approval of local PRC administrations for industry and commerce and other relevant local authorities. We cannot assure you that we will be able to obtain these governmental registrations or approvals on a timely basis, if at all, with respect to our future loans or capital contributions to our PRC subsidiaries or any of their respective subsidiaries. If we fail to receive such registrations or approvals, our ability to use the proceeds received from the Global Offering and to fund our PRC operations may be negatively affected, which may materially and adversely affect our liquidity of our relevant PRC subsidiaries, our business, results of operation and financial position and prospects.

Furthermore, pursuant to a circular promulgated by SAFE in August 2008 in relation to the administration of conversion of foreign exchange capital contribution by foreign invested enterprises into Renminbi, Renminbi converted from foreign exchange capital contributions can only be used for activities within the approved business scope of such foreign-invested enterprise, and cannot be used for domestic equity investments or acquisitions unless otherwise allowed by PRC laws or regulations. As a result, we may not be able to make additional capital contributions into Renminbi for equity investment or acquisitions in PRC.

We may be deemed a PRC resident enterprise under the PRC tax law and be subject to PRC taxation on our worldwide income

On 16 March 2007, the PRC National People's Congress, Chinese national legislature, adopted the Enterprise Income Tax Law (the "**EIT Law**"), which became effective on 1 January 2008. On 6 December 2007, the State Council issued the Implementation Regulations of the Enterprise Income Tax Law (the "**Implementation Regulations**"), which also became effective on 1 January 2008.

Under the EIT Law, enterprises established outside China whose "de facto management bodies" are located in China are considered "resident enterprises" and their global income will generally be subject to the uniform 25% Enterprise Income Tax ("**EIT**") rate. Under the Implementation Regulations for the EIT Law, "de facto management bodies" is defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise.

Substantially all of our management is currently based in China and may remain in China. In April 2009, the PRC State Administration of Taxation promulgated a circular to clarify the definition of "de facto management bodies" for enterprises incorporated overseas with controlling shareholders being onshore enterprises or enterprise groups in China. However, it remains unclear how the tax authorities will treat an overseas enterprise invested or controlled by another overseas enterprise and ultimately controlled by PRC individual residents, as in our case. Therefore, we may be treated as a PRC resident enterprise for EIT purposes. The tax consequences of such treatment are currently unclear as they will depend on how PRC finance and tax authorities apply or enforce the EIT Law and the Implementation Regulations.

Dividends payable by us to our foreign investors and gains on the sale of our Shares may become subject to withholding taxes under PRC tax laws

Under the EIT Law and the Implementation Regulations issued, EIT at the rate of 10% is applicable to dividends payable by a PRC "resident enterprise" to investors that are "non-resident enterprises" (those enterprises that do not have an establishment or place of business in the PRC, or those that have such an establishment or place of business but the relevant income of which is not effectively connected with the establishment or place of business) to the extent such dividends have their source within the PRC. Similarly, any gain realised on the transfer of shares by such enterprises is also subject to 10% PRC income tax if such gain is regarded as income derived from sources within the PRC. If we are regarded as a PRC "resident enterprise", it is unclear whether the dividends we pay with respect to our Shares, or the gain you may realise from the transfer of our Shares, will be treated as income derived from sources within the PRC and be subject to EIT. This will depend on how the PRC tax authorities interpret, apply or enforce the EIT Law and the Implementation Regulations. One example of a limitation on the 10% withholding tax is that, pursuant to a tax treaty between the PRC and Hong Kong, which became effective on 8 December 2006, a company incorporated in Hong Kong is subject to withholding tax at the rate of 5% on dividends it receives from a company incorporated in the PRC if it holds a 25% or greater interest in the PRC company, or 10% if it holds an interest of less than 25% in the PRC company. If we are required under the EIT Law to withhold PRC income tax on our dividends payable to our foreign Shareholders, or if you are required to pay EIT on the transfer of your Shares, the value of your investment in our Shares may be materially and adversely affected.

We may be subject to restrictions introduced by the PRC government on foreign investment in the PRC property market

Since our Company is an offshore company, we may be subject to the restrictions introduced by the PRC government on foreign investment in the PRC property market when we engage in new project development.

On 11 July 2006, the Ministry of Construction, MOFCOM, NDRC, People's Bank of China, the State Administration for Industry and Commerce and SAFE issued the Opinion on Regulating the Access and Management of Foreign Capital in the Real Estate Market (《關於規範房地產市場外資准入和管理的意見》) (the "**171 Opinion**"), which states that, among other things, a foreign entity or individual investing in the PRC property other than for self-use, must apply for the establishment of a FIREE in accordance with the applicable PRC laws and can only conduct operations within the authorized business scope. The opinion attempts to impose additional restrictions on the establishment and operation of a FIREE by measures including regulating the amount of registered capital as a percentage of total investment in certain circumstances, limiting the validity of a FIREE or the transfer of its projects and prohibiting the borrowing of money from domestic and foreign lenders where, among other things, the registered capital is not paid up, land use rights are not obtained, or the capital fund is less than 35% of the total investment amount in the intended development project. In addition, the opinion also limits the ability of certain foreign individuals to purchase residential properties in China.

On 23 May 2007, MOFCOM and SAFE issued the Circular on Further Reinforce and Standardize the Examination and Supervision on Foreign Direct Investment in Real Estate Industry (《關於進一步加強、規範外商直接投資房地產業審批和監管的通知》) (the "**May Circular**"), which states that, among other things, a foreign investor must apply to establish FIREE in accordance with PRC laws if it plans to develop or operate property business in the PRC. The May Circular states that foreign investors cannot bypass the examination and approval requirements applicable to foreign invested property businesses by changing the actual controllers of the domestic property enterprises in the PRC and the merger of or investment in domestic real estate enterprises by way of returning investment (返程投資) (including the same actual controller) shall be placed under strict control. If foreign-invested enterprises wish to engage in property development or operation business, or FIREE wish to engage in new project development operations, they must apply to the relevant examination and approval authorities for their expansion of scope of business or scale of business operation. In addition, local examining and approving organs shall file the approval of the establishment of foreign-funded real estate enterprises with the Ministry of Commerce for record in a timely manner according to law.

On 10 July 2007, SAFE issued the Circular of the General Affairs Department of SAFE on the Distribution of the List of the First Batch of Foreign-Invested Real Estate Projects Filed with the Ministry of Commerce (《關於下發第一批通過商務部備案的外商投資房地產項目名單的通知》). According to this circular, local branches of SAFE must not register any foreign debt of a foreign-invested real estate enterprise if it obtained approval for its new establishment or capital increase from the local MOFCOM branches and filed with MOFCOM on or after 1 June 2007. The local SAFE must not process any foreign exchange registration (or amendment of registration) or foreign exchange settlement for capital account items for a foreign-invested real estate enterprise that has been approved by the relevant MOFCOM branches on or after 1 June 2007, but has not been filed with MOFCOM. This circular is another restrictive measure taken by the PRC government to limit foreign investment in the PRC property market.

Pursuant to the above regulations, we must apply to the relevant authorities for approval if we plan to engage in new project development. We may not be able to obtain the required approval and filing with the MOFCOM, particularly, it is uncertain whether we will be considered as returning investment in the real estate industry and thus under strictly control. In the event that we are not able to make contributions, including without limitation remittance of the net proceeds from the Global Offering, to our PRC operations subsidiaries or new projects on a timely basis or at all due to the above-mentioned restrictions on foreign investment, our operations may be affected.

Any requirement to obtain a prior approval from the China Securities Regulatory Commission could delay this offering, and a failure to obtain such approval, if required, could have a material adverse effect on our business and results of operations

On 8 August 2006, six PRC regulatory agencies, including the MOFCOM, the State Assets Supervision and Administration Commission, the State Administration of Taxation, the SAIC, CSRC and SAFE, jointly issued the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the "**M&A Rules**"). The M&A Rules, which became effective on 8 September 2006 and were amended on 22 June 2009, require that, if an overseas company established or controlled by PRC domestic companies or citizens intends to acquire equity interest or assets of any other PRC domestic company affiliated with the PRC domestic companies or citizens, such acquisition must be submitted to the MOFCOM, rather than local regulators, for approval. In addition, the M&A Rules require that an offshore special purpose vehicle formed for the purpose of overseas listing of the equity interests in PRC companies by way of share swap and controlled directly or indirectly by PRC persons to obtain the approval of the CSRC, prior to the listing and trading of their securities on overseas stock exchanges. On 21 September 2006, the CSRC published a notice on its official website specifying the documents and materials required to be submitted by overseas special purpose companies seeking the CSRC's approval of their overseas listings.

The complex procedures for some acquisitions of PRC companies by foreign investors, established by the M&A Rules, could make it difficult for us to pursue growth through acquisitions in the PRC. The M&A Rules establish additional procedures and requirements that could make certain acquisitions of PRC companies by foreign entities, such as ours, more time-consuming and complex, particularly in instances where the approval of MOFCOM is required for transactions involving the shares of an offshore listed company being used as the acquisition consideration by foreign entities. Complying with the requirements of the M&A Rules to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from MOFCOM, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

In addition, it does not exclude the possibility of new contrary regulations or the interpretation of the M&A Rules promulgated by MOFCOM or other relevant authorities.

PRC regulations relating to acquisition of PRC companies by offshore holding companies may limit our ability to acquire PRC companies and may materially and adversely affect the implementation of our acquisition strategies as well as our business and prospects

The M&A Rules provide rules with which foreign investors must comply should they seek to (i) purchase the equities of the shareholders of a domestic non-foreign-funded enterprise, or subscribe to the increased capital of a domestic non-foreign-funded enterprise, and thus change the domestic non-foreign-funded enterprise into a foreign-funded enterprise, or (ii) set up a foreign-funded enterprise to acquire assets from a domestic enterprise, or acquire assets from a domestic enterprise and set up a foreign-funded enterprise by contribution of the acquired assets. The M&A Rules stipulate that the business scope upon acquisition of a domestic enterprise must conform to the Catalogue for the Guidance of Foreign Investment Industries《外商投資產業指導目錄》promulgated by the NDRC and MOFCOM. The M&A Rules also provide for the takeovers procedures for equity interests in domestic enterprises. There are uncertainties as to how the M&A Rules will be interpreted or implemented. If we decide to acquire a PRC enterprise, we cannot assure you that we or the owners of such PRC enterprise can successfully complete all necessary approval requirements under the M&A Rules. This may restrict our ability to implement our acquisition strategies and may materially and adversely affect our business, results of operation and financial position.

We face uncertainty with respect to tax effects on indirect transfers of equity interests in PRC subsidiaries through their non-PRC holding companies

Pursuant to the *Notice on Strengthening the Administration of Enterprise Income Tax on Income Tax From Transfers of Equity Interests by Non-resident Enterprises* (國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知), or Circular 698, issued by the SAT on 10 December 2009 with retroactive effect from 1 January 2008, and Public Notice (2011) No. 24 (國家稅務總局公告2011年第24號) issued by the SAT on 28 March 2011, where a non-resident enterprise transfers the equity interests of a PRC resident enterprise indirectly through disposing of the equity interests of an overseas holding company, or an indirect transfer, and the (i) actual tax imposed on the capital gain from the equity transfer is lower than 12.5%, or (ii) the jurisdiction in which the overseas holding company is established excludes foreign-sourced capital gain income, the foreign investor shall report this indirect transfer to the competent tax authority of the PRC resident enterprise. Using a "substance over form" principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of avoiding PRC tax. As a result, gains derived from such indirect transfer may be subject to PRC withholding tax at a rate of 10%. However, there is still uncertainty as to the application of Circular 698. After the Listing, we may engage in indirect transfers based on our operating needs and such transaction may be subject to tax obligations under Circular 698. Our business, results of operations and financial position may be materially and adversely affected as a result.

Our ability to pay dividends and utilize cash resources in our subsidiaries depends on our subsidiaries' earnings and distributions

Our Company is a holding company. Our revenue is generated from our business operations conducted through our subsidiaries. Our ability to make dividend payments and other distributions in cash, pay expenses, service indebtedness incurred and finance the needs of other subsidiaries depends upon the receipt of dividends, distributions or advances from our subsidiaries. The ability of our subsidiaries to pay dividends or other distributions may be subject to their earnings, financial position, cash requirements and availability, applicable laws and regulations and restrictions on making payments to us contained in financing or other agreements. If any of our subsidiaries incurs indebtedness in its own name, the instruments governing the indebtedness may restrict dividends or other distributions on its equity interest to us. These restrictions could reduce the amount of dividends or other distributions that we receive from our subsidiaries, which could in turn restrict our ability to fund our business operations and to pay dividends to our Shareholders. In addition, our future declaration of dividends will be at the absolute discretion of our Board.

Furthermore, applicable PRC laws and regulations permit payment of dividends by our PRC subsidiaries only out of their retained earnings, if any, determined in accordance with PRC accounting standards. Our PRC subsidiaries are required to set aside a certain percentage of their after-tax profit based on PRC accounting standards each year to their respective reserve funds in accordance with the requirements of relevant PRC laws and regulations as well as provisions in their respective articles of associations. As a result, our PRC subsidiaries are restricted in their abilities to transfer a portion of their net income to us either in the form of dividends, loans or advances. Any limitation on the ability of our PRC subsidiaries to pay dividends to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends or otherwise fund and conduct our business.

Distributions by our PRC subsidiaries to us in forms other than dividends may be subject to government approval and taxes. Any transfer of funds from us to our PRC subsidiaries, either as a shareholder loan or as an increase in registered capital, is subject to registration with or approval from the relevant PRC government authorities. In addition, our PRC subsidiaries are not permitted to lend funds directly to each other under PRC law. These limitations on the flow of funds between and amongst us and our PRC subsidiaries could restrict our ability to respond to changing market conditions or appropriately allocate funds to our PRC subsidiaries.

We may be subject to the PRC taxation if transfers of equity interests in PRC enterprises between related parties are not conducted at fair value

Pursuant to the EIT Law and the Implementation Regulations, the transfer of equity interests in PRC enterprises between related parties are related party transactions which may need to be filed with local tax authorities and may be subject to audit and challenge by PRC tax authorities. If the tax authorities determine the transfer price does not represent fair value, the tax authority shall have the right to do tax adjustment within ten years as from the tax paying year since the transaction occurs, thus we may be required to make up the taxable amount between the equity interest transferred and the cost of investment. During the Track Record Period, there were certain transfers of PRC enterprises between our Group and related parties.

There is uncertainty as to whether the PRC tax authorities will make adjustment to the taxable capital gains if the transfer prices are deemed not being determined to be fair value. It is currently unclear whether the relevant PRC tax authorities will deem that the transfer prices were not at fair value and hence the enterprise income tax on capital gains may be subject to any further change. In case we are required to make adjustment and to pay the enterprise income tax on capital gains by the relevant PRC tax authorities, and our tax provision is not sufficient, our business, results of operation and financial position may be materially and adversely affected.

RISKS RELATING TO THE GLOBAL OFFERING

You may have difficulties in protecting your interests because we are a Cayman Islands company and the laws of the Cayman Islands for minority shareholders protection may be different from those under the laws of Hong Kong or other jurisdictions

We are an exempted company incorporated in the Cayman Islands and our corporate affairs are governed by our Memorandum and Articles of Association, the Companies Law and common law of the Cayman Islands. The laws of Cayman Islands relating to the protection of the interest of minority shareholders may differ from those under statutes and judicial precedent in existence in Hong Kong and other jurisdictions. Therefore, remedies available to the minority shareholders of our Company may be less effective than those they would have under the laws of Hong Kong or other jurisdictions. Please refer to the section headed "Summary of the Constitution of our Company and Cayman Islands Company Law" in Appendix IV to this prospectus for further information.

There was no prior public market for our Shares and their liquidity and market prices following the Global Offering may be volatile

Prior to the Global Offering, there was no public market for our Shares. The initial issue price range for our Shares was the result of negotiations among us and the Sole Global Coordinator on behalf of the Underwriters, and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. We have applied for the listing of, and permission to deal in, our Shares on the Stock Exchange. A listing on the Stock Exchange, however, does not guarantee that an active and liquid public trading market for our Shares will develop or, if it does develop, will be sustained following the Global Offering or that the market price of our Shares will not decline following the Global Offering. Furthermore, the market price and trading volume of our Shares may be volatile and may result in substantial losses for investors purchasing the Offer Shares in the Global Offering. Factors such as the following may affect the market price and trading volume at which our Shares will trade:

- actual or anticipated fluctuations in our results of operations;
- announcements of new projects or land acquisitions by us or our competitors;
- reduction of or restriction on financing for the property industry or housing market;
- changes in management or other key personnel of us or of our competitors;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;
- changes in earnings estimates or recommendations by financial analysts;
- potential litigation or regulatory investigations;

- changes in laws, regulations and policies affecting our industry in China;
- general market conditions or other developments affecting us or our industry;
- the operating and stock price performance of other companies, other industries and other events or factors beyond our control; and
- release of lock-up or other transfer restrictions on our outstanding Shares or sales or perceived sales of additional Shares by us or other Shareholders.

You should note that the stock prices of listing companies in the property industry have experienced wide fluctuations. Such market fluctuations may also adversely affect the market price of our Shares. In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are not related to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of our Shares.

There may be a dilutive effect on the earnings per Share associated with the Share Option Scheme and an impact on future earnings

We have conditionally adopted the Share Option Scheme. For details of the Share Option Scheme, please refer to section headed "Statutory and General Information — Other Information — Share Option Scheme" in Appendix V to this prospectus. The issue of any options which may be granted under the Share Option Scheme in the future will result in an increase in the number of Shares in issue and may result in the dilution of the percentage of ownership of our Shareholders, the earnings per Share and net asset value per Share.

Future sale of our securities in the public market (or perception or speculation that such sales may occur) could have a material and adverse impact on the prevailing market price of our Shares

The market price of the Offer Shares could decline as a result of future sale of substantial amount of Shares or other securities relating to the Shares in the public market or the issuance of new Shares or other securities, or the perception or speculation that such sales or issuances may occur. Future sale of substantial amounts of our securities, including any future offerings, or the perception that such sales are likely to occur, may also materially and adversely affect our ability to raise capital in the future at a time and at a price we deem to be appropriate.

While the Shares held by our Controlling Shareholders are subject to a lock-up period, details of which are set out in the section headed "Underwriting — Underwriting Arrangements and Expenses — Undertakings" of this prospectus, we are not in a position to give any assurances that they will not dispose of any Shares during the relevant periods. If any of their undertakings are waived or breached, or after the restrictions lapse, any future sales of a substantial number of our Shares or the perception or speculation that these sales may occur, may materially and adversely affect the prevailing market price of our Shares.

Our Controlling Shareholders have substantial control over our Company and their interests may not be aligned with the interests of our other Shareholders

Our Controlling Shareholders will, upon the completion of the Capitalisation Issue and the Global Offering, beneficially own approximately 75% of our outstanding share capital, assuming the Over-allotment Option is not exercised. As such, our Controlling Shareholders will have substantial control over our business. By virtue of their ownership of our share capital as well as their positions on our Board, they will be able to exert significant influence over our business and other matters of significance to us and other Shareholders by voting at general meetings of our Shareholders or our Board meetings, including:

- election of our Directors;
- selection of senior management members;
- amount and timing of dividend payments and other distributions;
- acquisition of or merger with another entity;
- overall strategic and investment decisions;
- issuance of securities and adjustment to our capital structure; and
- amendments to our Articles of Association.

The interests of our Controlling Shareholders may differ from the interests of other Shareholders, and they are free to exercise their votes according to their own interests. For example, our Controlling Shareholders may choose to cause our business to pursue strategic objectives that conflict with our other Shareholders' interests. In the event that the interests of our Controlling Shareholders conflict with those of other Shareholders, our other Shareholders may be disadvantaged as a result.

Facts, forecasts and statistics in this prospectus relating to the PRC, the PRC economy and the PRC real estate industry may not be fully relied on

Facts, forecasts and statistics in this prospectus relating to the PRC, the PRC economy and the PRC real estate industry have been derived from various government official publications and commissioned research reports which our Directors believe are reliable. However, we cannot guarantee the quality or reliability of these sources. They have not been prepared or independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Underwriters or any of our or their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts, forecasts and statistics, which may not be consistent with other information compiled within or outside the PRC. We have, however, taken reasonable care in the reproduction and/or extraction of such information for the purpose of disclosure in this prospectus. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, these facts, forecasts and statistics in this prospectus may be inaccurate or may not be comparable to facts, forecasts and statistics produced with respect to other economies. Further, there can be no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other jurisdictions. Therefore, you should not unduly rely upon the facts, forecasts and statistics with respect to the PRC, the PRC economy and the PRC real estate industry contained in this prospectus.

In preparation for the Listing, we have sought the following waiver from strict compliance with the relevant provisions of the Listing Rules:

MANAGEMENT PRESENCE

Rule 8.12 of the Listing Rules requires an issuer to have a sufficient management presence in Hong Kong. This normally means that at least two of the issuer's executive directors must be ordinarily resident in Hong Kong. Since our headquarters are located in Hangzhou, Zhejiang Province, the PRC, and the principal business operations of our Group are conducted in the PRC, members of our senior management (other than Mr. Chen, being an executive Director, Ms. Gao, being a non-executive Director, two independent non-executive Directors (namely Mr. Lo Wa Kei, Roy and Mr. Fong Wo, Felix), and Ms. Lam Yuen Ling, Eva (林婉玲) ("**Ms. Lam**"), the company secretary of our Company) are and will be expected to continue to be based in the PRC in close proximity to our Group's central management in Hangzhou, Zhejiang Province, the PRC. At present, we have no business activities in Hong Kong and none of our executive Directors (except Mr. Chen) are ordinarily resident in Hong Kong. We will not be able to satisfy the requirement under Rule 8.12 of the Listing Rules as we do not have, and do not contemplate in the foreseeable future, that we will have sufficient management presence in Hong Kong.

Accordingly, we have applied to the Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with Rule 8.12 of the Listing Rules. We have made the following arrangements in order to maintain effective communication between the Stock Exchange and us:

1. we have appointed Mr. Chen, one of our executive Directors and Ms. Lam, our company secretary, as our authorized representatives pursuant to Rule 3.05 of the Listing Rules, and they will serve as our Company's principal channel of communication with the Stock Exchange and would be readily contactable by the Stock Exchange, and if required, will be able to meet with the Stock Exchange to discuss any matters in relation to our Company on short notice;

2. we have provided our authorized representatives and the Stock Exchange with the contact details of each Director, including mobile phone numbers, office phone numbers, email addresses and fax numbers. Both of our authorized representatives have means of contacting all Directors (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors for any reason;

3. each of our Directors who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong to meet with the Stock Exchange within a reasonable period of time when requested by the Stock Exchange;

4. we have appointed China Everbright Capital Limited as our compliance adviser, pursuant to Rule 3A.19 of the Listing Rules, who will serve as an additional channel of communication of our Company with the Stock Exchange from the Listing Date to the date when our Company distributes our annual reports to our shareholders for the first full financial year immediately after the Listing; and

5. meetings between the Stock Exchange and our Directors could be arranged through our authorized representatives or our compliance adviser or directly with our Directors within a reasonable time frame. Our Company will inform the Stock Exchange promptly in respect of any change in our authorized representatives and/or our compliance adviser.

CONTINUING CONNECTED TRANSACTIONS

After the Listing, certain transactions, whereby we have entered into or will continue to conduct, will constitute non-exempt continuing connected transactions for our Company under the Listing Rules. The transactions under respective agreements are subject to report, annual review, announcement and/or circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules, and the Company has applied for waivers from compliance with the applicable requirements under Rule 14A.105 of the Listing Rules and the Stock Exchange has granted, a waiver from strict compliance with the announcement, circular and independent Shareholders' approval, requirements set forth in Chapter 14A of the Listing Rules for such non-exempt continuing connected transactions. Further information on such waiver is set forth in the section headed "Connected Transactions" in this prospectus.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong), and the Listing Rules for the purpose of giving information with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offer which forms part of the Global Offering. For applicants under the Hong Kong Public Offer, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offer.

The Listing is sponsored by the Sole Sponsor. The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and the International Placing is expected to be fully underwritten by the International Underwriter pursuant to the International Underwriting Agreement and are subject to our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) agreeing on the Offer Price. The Global Offering is managed by the Sole Global Coordinator.

If, for any reason, the Offer Price is not agreed between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before the Price Determination Date, the Global Offering will not proceed. For information about the Underwriters and the underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by us, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, the Co-lead Managers, the Underwriters, any of our Company's or their respective directors, agents, employees or advisers or any other parties involved in the Global Offering. Further information on the structure of the Global Offering, including its conditions, is set forth in the section headed "Structure of the Global Offering" in this prospectus, and the procedures for applying for the Offer Shares are set forth in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus and in the relevant Application Forms.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which is expected to be determined by our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on the Price Determination Date. If our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) are unable to reach an agreement on the Offer Price on or before Tuesday, 30 June 2015, the Global Offering will not become unconditional and will lapse.

RESTRICTIONS ON SALE OF OFFER SHARES

Each person acquiring the Offer Shares under the Global Offering will be required to, or be deemed by his/her/its subscription for Offer Shares to, confirm that he/she/it is aware of the restrictions on offers of the Offer Shares described in this prospectus.

No action has been taken to permit an offering of the Offer Shares or the distribution of this prospectus or the Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution in this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant regulatory authorities an exemption therefrom.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has applied to the Listing Committee of the Stock Exchange for the granting of the approval for the listing of, and permission to deal in, the Shares in issue and the Offer Shares to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option), any Shares to be issued under the Capitalisation Issue, and any Shares which may be issued upon exercise of any option to be granted under the Share Option Scheme. Save as disclosed in this prospectus, no part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

HONG KONG BRANCH REGISTER AND STAMP DUTY

All Offer Shares issued pursuant to applications made in the Hong Kong Public Offer will be registered on our Company's branch register of members to be maintained in Hong Kong. The Company's principal register of members will be maintained by our Company's principal share registrar in the Cayman Islands.

Dealings in Offer Shares registered in the branch register of members of our Company maintained in Hong Kong will be subject to Hong Kong stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing or holding of and dealing in the Offer Shares. None of our Company, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Co-lead Managers and the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding or disposal of, dealing in or the exercise of any rights in relation to, the Offer Shares.

STABILIZATION AND OVER-ALLOTMENT OPTION

Details of the arrangement relating to the Over-allotment Option and stabilization are set out in the section headed “Structure of the Global Offering” in this prospectus.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedure for applying for Hong Kong Offer Shares is set out in “How to Apply for Hong Kong Offer Shares” in this prospectus and on the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Hong Kong Public Offer, the International Placing and the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” in this prospectus.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, our Shares on the Stock Exchange and our Company’s compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second trading date after the trade date. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on Monday, 6 July 2015. The Shares will be traded in board lots of 2,000 Shares each.

EXCHANGE RATE CONVERSION

Unless otherwise specified, amounts denominated in the Renminbi have been translated, respectively, for illustration purposes only, into Hong Kong dollars in this prospectus at the following rates:

HK$1.00 : RMB0.7917

No representation is made that any amounts in RMB or HK$ can be or could have been at the relevant dates converted at the above rates or any other rates, or at all.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments or are rounded to one or two decimal places. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

DIRECTORS

Name	Residential address	Nationality
Executive Directors		
Mr. Chen Chengshou (陳承守)	Flat F, 15/F Block 8 City Garden 233 Electric Road North Point Hong Kong	Chinese
Ms. Quan Xiaolin (全筱琳)	Room 1002, Unit 1, Building 4 Xingyuan Xidang Garden Xihu District Hangzhou City Zhejiang Province PRC	Chinese
Mr. Zhou Yongkui (周永魁)	1-601, Block 14 Baixinglong Yuhang District Hangzhou PRC	Chinese
Mr. Jin Zhanghai (金樟海)	Unit 1902, Block 8 Dongfang Jun Apartments Binjiang District Hangzhou PRC	Chinese
Non-executive Director		
Ms. Gao Qiaoqin (高巧琴)	Flat F, 15/F Block 8 City Garden 233 Electric Road North Point Hong Kong	Chinese
Independent non-executive Directors		
Mr. Gu Jiong (顧炯)	A28-2 Jianian Villa No. 3333 Hongmei Road Minhang District Shanghai PRC	Chinese

Name	Residential address	Nationality
Mr. Lo Wa Kei, Roy (盧華基)	Flat E, 16/F Block 6 29 Laguna Street Laguna City Cha Kwo Ling Kowloon Hong Kong	Chinese
Mr. Fong Wo, Felix (方和)	Flat D, 9/F Repulse Bay Towers 119A Repulse Bay Road Repulse Bay Hong Kong	Chinese

Please refer to the section headed "Directors, Senior Management and Employees" in this prospectus for further details.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	China Everbright Capital Limited 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong *(a licensed corporation to conduct type 1 (dealing in securities), type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO)*
Sole Global Coordinator and Sole Bookrunner	China Everbright Securities (HK) Limited 36/F, Far East Finance Centre 16 Harcourt Road Hong Kong *(a licensed corporation to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO)*
Joint Lead Managers	China Everbright Securities (HK) Limited 36/F, Far East Finance Centre 16 Harcourt Road Hong Kong *(a licensed corporation to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO)*

Astrum Capital Management Limited
11/F, 122 QRC
122-126 Queen's Road Central
Central
Hong Kong
(a licensed corporation to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO)

Jun Yang Securities Company Limited
Unit 2103, 21/F, Tower 1, Lippo Centre
89 Queensway
Admiralty
Hong Kong
(a licensed corporation to conduct type 1 (dealing in securities) regulated activity under the SFO)

SBI China Capital Financial Services Limited
Unit A2 32/F United Centre
95 Queensway
Hong Kong
(a licensed corporation to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO)

Co-lead Managers

BMI Securities Limited
Suites 909-916 Shui On Centre
6-8 Harbour Road
Wan Chai
Hong Kong
(a licensed corporation to conduct type 1 (dealing in securities) regulated activity under the SFO)

Innovax Capital Limited
Office 1 1/F Lucky Building
No. 39 Wellington Street
Central
Hong Kong
(a licensed corporation to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO)

Legal Advisers to the Company	*as to Hong Kong law:* Li & Partners 22nd Floor World-Wide House Central Hong Kong *as to PRC law:* Jingtian & Gongcheng Suite 1202-1204 K. Wah Centre 1010 Huai Hai Road (M) Xu Hui District Shanghai 200031 China *as to Cayman Islands law:* Appleby 2206-19 Jardine House 1 Connaught Place Central Hong Kong
Legal Adviser to the Sole Sponsor and Underwriters	*as to Hong Kong law:* Sidley Austin 39/F Two Int'l Finance Centre Central Hong Kong
Independent Auditors and Reporting Accountants	Ernst & Young *Certified Public Accountants* 22/F, Citic Tower 1 Tim Mei Avenue Central Hong Kong
Independent Property Valuer and Industry Consultant	Jones Lang LaSalle Corporate Appraisal and Advisory Limited 6th Floor, Three Pacific Place 1 Queen's Road East Hong Kong

Compliance Adviser	China Everbright Capital Limited 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong *(a licensed corporation to conduct type 1 (dealing in securities), type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO)*
Independent Internal Control Consultant	PRO-WIS Risk Advisory Services Limited Unit 317, 3/F Shui On Centre, 6 - 8 Harbour Road, Wanchai, Hong Kong
Receiving bank	Bank of Communications Co., Ltd. Hong Kong Branch 20 Pedder Street, Central, Hong Kong

Registered Office	Clifton House 75 Fort Street PO Box 1350 Grand Cayman KY1-1108 Cayman Islands
Headquarters in the PRC	Block I, 5th Floor Hengli Building Hangzhou Zhejiang Province, PRC
Principal Place of Business in Hong Kong	22nd Floor World-Wide House Central Hong Kong
Company Secretary	Lam Yuen Ling, Eva (林婉玲) *(ACS, ACIS)* 33rd Floor Shui On Centre Nos. 6-8 Harbour Road Wan Chai Hong Kong
Authorized Representatives	Mr. Chen Chengshou (陳承守) Flat F, 15th Floor Block 8, City Garden No.233 Electric Road Hong Kong
	Lam Yuen Ling, Eva (林婉玲) 33rd Floor Shui On Centre Nos. 6-8 Harbour Road Wan Chai Hong Kong
Audit Committee	Mr. Lo Wa Kei, Roy (盧華基) *(Chairman)* Mr. Gu Jiong (顧炯) Mr. Fong Wo, Felix (方和)
Remuneration Committee	Mr. Gu Jiong (顧炯) *(Chairman)* Mr. Fong Wo, Felix (方和) Mr. Zhou Yongkui (周永魁)
Nomination Committee	Mr. Chen Chengshou (陳承守) *(Chairman)* Mr. Fong Wo, Felix (方和) Mr. Gu Jiong (顧炯)

Cayman Islands Principal Share Registrar and Transfer Office	Appleby Trust (Cayman) Ltd. Clifton House 75 Fort Street PO Box 1350 Grand Cayman KY1-1108 Cayman Islands
Hong Kong Share Registrar and Transfer Office	Tricor Investor Services Limited Level 22, Hopewell Centre, 183 Queen's Road East Hong Kong
Principal Bankers	Industrial Bank Co. Ltd, Lu Qiao Branch No. 338-19 Tengda Road Lu Qiao District Taizhou City Zhejiang Province, the PRC
	Agricultural Bank of China, Jiao Jiang Branch No. 156 Jie Fang South Road Jiao Jiang District Taizhou City Zhejiang Province, the PRC
	China Construction Bank, Taizhou Branch No.1 Guangchang West Road Economic Development District Taizhou City Zhejiang Province, the PRC
Company Website Address	www.xinm.com.cn*

** The contents of the website do not form part of this prospectus.*

This section contains certain information which is derived from official government publications and industry sources as well as the Industry Research Report, a commissioned report from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an Independent Third Party. We believe that the sources of the information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. While we have exercised reasonable care in compiling and reproducing such information from official government and non-official sources, it has not been independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Underwriter(s) or any other party involved in the Global Offering and no representation is given as to its accuracy. Accordingly, such information should not be unduly relied upon.

SOURCES OF INFORMATION

In connection with the Global Offering, we have commissioned Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an Independent Third Party, for use in this prospectus to prepare the Industry Research Report with necessary information on the real estate markets in the PRC and the cities in which we operate. Jones Lang LaSalle Corporate Appraisal and Advisory Limited has charged us a total fee of RMB300,000 for the preparation of the Industry Research Report, which we believe is in line with the market rate for such reports.

Jones Lang LaSalle Corporate Appraisal and Advisory Limited is an international real estate consultancy group, which provides a range of services including valuation and consultancy for occupiers, investors and developers across all sectors of the real estate market. Jones Lang LaSalle Corporate Appraisal and Advisory Limited has licensed offices in Beijing, Shanghai, Guangzhou, Shenzhen and Chengdu in China, as well as Hong Kong, Singapore and so on in Asia.

For the purpose of the Listing, Jones Lang LaSalle Corporate Appraisal and Advisory Limited also serves as our Property Valuer. The Property Valuation Report prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited which relates to our property interests is included in Appendix III to this Prospectus. Jones Lang LaSalle Corporate Appraisal and Advisory Limited provided services through two business teams which are independent from each other. This section was prepared primarily by the designated market research team based on the followings:

- data from various government publications;
- site visits and interviews;
- proprietary database of Jones Lang LaSalle Corporate Appraisal and Advisory Limited; and
- renowned research institution, China Real Estate Information System ("**CREIS**").

The following sets out the main reasons why Jones Lang LaSalle Corporate Appraisal and Advisory Limited adopted the above sources of information and considered them as reliable:

1. It is general market practice to adopt official data and announcements from various Chinese government agencies; and

2. Jones Lang LaSalle Corporate Appraisal and Advisory Limited understands the data collection methodology and data source of the proprietary database of Jones Lang LaSalle Corporate Appraisal and Advisory Limited and the subscribed database from China Index Academy.

While preparing this section, Jones Lang LaSalle Corporate Appraisal and Advisory Limited has relied on the assumptions listed below:

- All land transaction records and contracted average selling prices of select projects provided by the Company are true and correct;

- All published data by the Statistics Bureaus are true and correct;

- All collected information relating to residential sales transactions from the relevant local housing administrative bureaus are true and correct;

- All land transaction records collected from the Land Resources Administrative Bureaus are true and correct; and

- Where subscribed data is obtained from renowned public institutions, Jones Lang LaSalle Corporate Appraisal and Advisory Limited will rely upon the apparent integrity and expertise of such institutions. Jones Lang LaSalle Corporate Appraisal and Advisory Limited will not verify the accuracy of this information or reports, and assume no responsibility for their accuracy.

Our Directors confirm that after taking reasonable care, there is no adverse change in the market information since the date of the Industry Research Report prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited which may qualify, contradict or have impact on the information set out in this section.

OVERVIEW OF THE PRC ECONOMY

(1) *China's economy remains strong although the growth rate is slowing down*

Since market reforms were initiated in 1978, China has transformed from a centrally planned to a market based economy and experienced rapid economic development. China's nominal GDP had increased from approximately RMB31,405 billion in 2008 to RMB56,885 billion in 2013, representing a CAGR of 12.6%.

Though the global financial crisis in late 2008 as well as the subsequent liquidity squeeze and credit crunch slowed down the PRC growth, a number of economic stimulus measures introduced by the PRC government, alongside similar measures from major developed countries, effectively boosted the short term growth in 2010. However, the spread of sovereign debt crisis of Eurozone countries deepened the crisis, the PRC government cut its nominal GDP growth target. In these circumstances, China's real GDP growth in 2011 slowed to 9.3% and further to 7.8% in 2012 and 7.7% in 2013, which was the first consecutive time period in the last decade that China's annual growth was below 8%. Even so, China's GDP totaled approximately RMB56.9 trillion in 2013.

(2) ***Fixed Asset Investment continues to grow substantially***

Rapid economic development has accelerated fixed assets investment. Fixed asset investment in the PRC has increased significantly from approximately RMB17,283 billion in 2008 to RMB44,707 billion in 2013, representing a CAGR of 20.9%, indicating continued strong investment confidence and further growth potential.

(3) ***Accelerating urbanisation and enhancing household consumption***

Strong economic growth has also encouraged the rapid expansion of cities in China and enhanced the household consumption. As a result, the urbanisation ratio increased from approximately 47.0% in 2008 to 53.7% in 2013. In particular, the total urban population exceeded total rural population for the first time in 2011. And the per capita disposable income of urban residents has increased from RMB15,781 in 2008 to RMB26,955 in 2013 at a CAGR of 11.3%. In addition, the China's retail sales of consumer goods also achieved a CAGR of 15.7% over the same period.

The table below sets out selected the related statistics for the periods indicated:

	2008	2009	2010	2011	2012	2013(1)	2008-2013 CAGR
Nominal GDP (RMB billion)	31,405	34,090	40,151	47,310	51,947	56,885	12.6%
Real GDP growth (%)	9.6%	9.2%	10.4%	9.3%	7.8%	7.7%	9.0%(2)
Fixed Asset Investment (RMB billion)	17,283	22,460	25,168	31,149	37,469	44,707	20.9%
Urban population (million)	624	645	670	691	712	731	3.2%
Population (million)	1,328	1,335	1,341	1,347	1,354	1,361	0.5%
Urbanisation	47.0%	48.3%	50.0%	51.3%	52.6%	53.7%	2.7%
Per Capita Disposable Income of Urban Households (RMB)	15,781	17,175	19,109	21,810	24,565	26,955	11.3%
Total Retail Sales of Consumer Goods (RMB billion)	11,483	13,268	15,700	18,392	21,031	23,781	15.7%

Source: National Statistics Bureau of China

Notes:

(1) According to the Industry Research Report, statistics for the year ended 31 December 2013 is the latest annual statistics available.

(2) It refers to the average growth rate between 2008 and 2013.

THE PRC REAL ESTATE MARKET

(1) *China's property market has seen steady growth although under the macro-control of Chinese government*

In line with the growth of the PRC economy and the accelerated fixed assets investment, real estate investment in the PRC has increased rapidly. Furthermore, the urbanisation process and rising living standard encouraged the need of local residential and commercial property demand. The PRC government also plays an active role in shaping China's economic environment. In addition to a RMB 4 trillion stimulus program in 2009, the PRC government launched a series of initiatives to stimulate domestic consumption, by the PRC government and the loose monetary policy, the real estate market rebounded significantly. However, the PRC property market experienced downward pricing pressures in the second half of 2011, as a result of the various policies and measures introduced by the PRC government aiming at "cooling off" the property market in the first half of 2011.

Despite continuous macro-control policies and measures implemented to prevent China's overheating real estate market by the PRC government in recent years, investment in real estate properties in the PRC increased from approximately RMB3,120 billion in 2008 to RMB8,601 billion in 2013, representing a CAGR of 22.5%, far exceeding the real GDP growth. In 2009, GFA of commodity properties sold increased by 43.6% to a record high of 948 million sq.m., and average selling price of the commodity properties climbed up to RMB4,681 per sq.m., representing an increase of 23.2% from 2008 as a result of the stimulus program in 2009. Growth rate of GFA of commodity properties sold and average price in 2012 subdued to 1.7% and 8.1% as a result of the "cooling off" measures adopted by the government in 2011. In 2013, affected by continuous austerity measures on property market, the GFA of commodity properties completed grew at a low level but the GFA of commodity properties sold rebounded to a high growth rate of 17.3% over 2012 due to the pend-up demand.

The table below sets out selected property market indicators of China between 2008 and 2013:

	2008	2009	2010	2011	2012	2013(note)	2008-2013 CAGR
Real estate investment of commodity properties (RMB billion)	3,120	3,624	4,826	6,180	7,180	8,601	22.5%
Real estate investment of residential properties (RMB billion)	2,244	2,561	3,403	4,432	4,937	5,895	21.3%
Total							
GFA of commodity properties completed (million sq.m.)	665	727	787	926	994	1,014	8.8%
GFA of commodity properties sold (million sq.m.)	660	948	1,048	1,094	1,113	1,306	14.6%
Average price of commodity properties (RMB per sq.m.)	3,800	4,681	5,032	5,357	5,791	6,237	10.4%

	2008	2009	2010	2011	2012	2013(note)	2008-2013 CAGR
Residential							
GFA of residential properties completed (million sq.m.)	543	596	634	743	790	787	7.7%
GFA of residential properties sold (million sq.m.)	593	862	934	965	985	1,157	14.3%
Average price of residential properties (RMB per sq.m.)	3,576	4,459	4,725	4,993	5,430	6,237	11.8%

Source: National Statistics Bureau of China

Note: According to the Industry Research Report, statistics for the year ended 31 December 2013 is the latest annual statistics available.

(2) ***Recent urbanisation efforts on small- and mid-sized cities is and will benefit the property market***

In March 2011, the China National People's Congress approved a new national economic and social development strategy for the years 2011 to 2015 (the "**Twelfth Five-Year Plan**"). The Twelfth Five-Year Plan provides that one way to increase domestic consumption is by "actively yet steadily accelerating urbanisation." The focus of the government's urbanisation efforts is on small- and mid-sized cities.

The PRC government has also stated its plan to promote integrated wholesale trading markets as well as large scale trade and logistic enterprise. The Twelfth Five-Year Plan stated that the government would support "wholesale and logistics facilities" in order to "improve the available network of services in rural areas."

In addition to being supported on the national level, it has also been actively supported by a number of local governments that typically require these projects to be able to increase consumption levels, promote local commerce, upgrade city scale and infrastructure, providing job opportunities and foster sustainable economic growth.

Our Directors believe that the urbanisation of cities will require a more streamlined flow of goods, the creation of efficient wholesale networks and a significant increase in residential property, and the real estate industry will benefit from the urbanisation trend.

Overview of Competitive Landscape in Real Estate Market in China

The property market in China is highly fragmented. Our existing and potential competitors include major domestic developers and, to a lesser extent, foreign developers primarily from Asia, including leading property developers from Hong Kong. We compete with them in relation to a number of factors, including the acquisition of land, brand recognition, financial resources, price, product quality, planning and design capabilities, service quality and other factors. Some of these competitors may have better track records, greater financial, human and other resources, larger sales networks and greater brand recognition. In order to establish a market share amidst the intense competition, developers have established different types of products and brands in order to differentiate their market position and to attract different groups of target customers.

Furthermore, there are certain barriers to enter into the PRC property development market. Property development requires intensive capital investment and various kinds of expertise. Property developers must possess planning and design capabilities, in-depth industry knowledge, a broad and high quality customer base, a good understanding of government policies on property development and demands from local residents in each cities and operation expertise on different types of properties. Throughout the years, our Group had been developing property development projects with quality products and nice landscape design. Also, some of the developments have cooperation with 紅星美凱龍家居集團股份有限公司 (Red Star Macalline Household Group Company Limited*), a household products department store chain operator, as our marketing strategy. Therefore, we enjoy competitive advantages against its peers with the special marketing strategy and reputation on landscape design.

Please refer to the section headed "Business — Competition" in this prospectus for further details on the competitive landscape of the real estate market in the PRC.

REAL ESTATE MARKETS OF SELECTED CITIES IN THE PRC

(1) *Hangzhou*

Hangzhou is the provincial capital of Zhejiang Province, one of the most important central cities in the southern wing of the Yangtze River Delta and a hub of transportation in southeast China. In 2013, Hangzhou's nominal GDP was approximately RMB834.3 billion, representing a CAGR of 11.7% from 2008 to 2013. The household population in Hangzhou was approximately 7.1 million in 2013, with a high urbanisation rate of 74.9% and a high per capita disposable income of RMB 39,310.

	2008	2009	2010	2011	2012	2013(1)	2008-2013 CAGR
Economic Indicators							
Population(2) (million)	6.8	6.8	6.9	7.0	7.0	7.1	0.8%
Nominal GDP (RMB billion)	478.9	508.8	594.9	701.9	780.2	834.3	11.7%
Per Capita Disposable Income (RMB)(3)	24,104	26,864	30,035	34,065	37,511	39,310	10.3%
Urbanisation(4)	69.3%	69.5%	73.3%	73.9%	74.3%	74.9%	1.6%
Real estate investment (RMB billion)	61.5	70.5	95.6	130.3	159.7	185.3	24.7%

Sources: Hangzhou Statistics Bureau, Zhejiang Province Population Change Sampling Survey

Notes:

(1) According to the Industry Research Report, statistics for the year ended 31 December 2013 is the latest annual statistics available.

(2) It is counted for household population.

(3) It refers to urban residential disposable income.

(4) It is calculated based on permanent resident of Hangzhou.

The residential properties accounted for 84.8% of the total commodity property market in terms of GFA sold in Hangzhou in 2014. The GFA sold, as well as the average price, of the commodity and residential properties rose dramatically and reached the peak in 2009 and 2010, respectively, following the nationwide government stimulus policy introduced in 2009, then dropped substantially in the subsequent years due to the "cooling down" measures introduced in the first half of 2011, and resumed the growth in 2012 due to the pend-up demand and the upgrading demand. During 2008 to 2014, the GFA sold of commodity and residential properties in Hangzhou increased at CAGR of 6.4% and 5.9%, respectively; and the average price of commodity and residential properties increased at CAGR of 8.7% and 9.3%, respectively.

	2008	2009	2010	2011	2012	2013	2014	2008-2014 CAGR
Total(note)								
GFA of completed (thousand sq.m.)	10,306	8,370	11,002	12,239	10,551	11,722	15,016	6.5%
GFA of sold (thousand sq.m.)	7,750	14,564	9,883	7,380	10,896	11,391	11,229	6.4%
Average price (RMB per sq.m.)	8,409	10,555	14,132	13,286	13,447	15,022	13,896	8.7%
Residential								
GFA of completed (thousand sq.m.)	7,727	6,266	8,023	8,409	6,740	8,451	9,280	3.1%
GFA of sold (thousand sq.m.)	6,770	13,144	7,976	6,002	9,203	9,688	9,525	5.9%
Average price (RMB per sq.m.)	8,212	10,613	14,259	12,749	13,292	14,679	14,035	9.3%

Source: CREIS

Note: It refers to commodity properties which includes all the properties such as residential, commercial and industrial properties.

(2) *Taizhou*

Taizhou, located in the Zhejiang province, is one of most important port cities in the southern wing of the Yangtze River Delta economic zone. In 2013, the number of household population reached approximately 5.9 million, ranking the fourth in Zhejiang province. Taizhou is also known as the cradle of private enterprises' economy, with over 97% of GDP was contributed by private enterprises. Nowadays, Taizhou has been developed into the integrated manufacturing centre of Yangtze River Delta, as well as the energy producing base of the eastern China.

In 2013, Taizhou's nominal GDP was approximately RMB315.3 billion, representing a CAGR of 9.9% from 2008 to 2013. The household population in Taizhou was approximately 5.9 million in 2013, with an urbanisation rate of 58.1% and a high per capita disposable income of RMB37,038.

	2008	2009	2010	2011	2012	2013[1]	2008-2013 CAGR
Economic Indicators							
Population[2] (million)	5.7	5.8	5.8	5.9	5.9	5.9	0.7%
Nominal GDP (RMB billion)	196.5	202.6	241.5	279.5	292.7	315.3	9.9%
Per Capita Disposable Income (RMB)[3]	22,738	24,429	27,212	30,490	33,979	37,038	10.3%
Urbanisation[4]	51.5%	51.7%	55.5%	56.0%	56.9%	58.1%	2.4%
Real estate investment (RMB billion)	12.6	15.2	19.6	32.2	35.7	45.3	29.2%

Source: Taizhou Statistics Bureau, Zhejiang Province Population Change Sampling Survey, Taizhou Statistics Yearbook, Taizhou National Economy and Social Development Statistics

Notes:

(1) According to the Industry Research Report, statistics for the year ended 31 December 2013 is the latest annual statistics available.

(2) It is counted for household population.

(3) It refers to urban residential disposable income.

(4) It is calculated based on permanent resident of Taizhou.

The residential properties accounted for 85.6% of the total commodity property market in terms of GFA sold in Taizhou in 2013. The GFA sold of commodity and residential properties reached the peak in 2010, amounting to 4.6 million sq.m. and 3.9 million sq.m., respectively. However, as the local government launched a series of cooling measures in the first half of 2011, the GFA sold of commodity and residential properties began to drop, reaching 3.5 million sq.m. and 3.0 million sq.m. in 2013. During 2008 to 2013, the GFA sold of commodity and residential properties in Taizhou increased at CAGR of 9.3% and 8.8%, respectively; and the average price of commodity and residential properties increased at a CAGR of 12.4% and 13.4%.

	2008	2009	2010	2011	2012	2013[1]	2008-2013 CAGR
Total[2]							
GFA of completed (thousand sq.m.)	9,415	8,429	9,926	10,353	11,109	12,330	5.5%
GFA of sold (thousand sq.m.)	2,259	4,224	4,636	3,296	3,197	3,518	9.3%
Average price (RMB per sq.m.)	5,383	6,429	7,148	8,723	9,550	9,661	12.4%
Residential							
GFA of completed (thousand sq.m.)	2,181	1,301	1,387	2,264	1,420	2,470	2.5%
GFA of sold (thousand sq.m.)	1,974	3,789	3,906	2,786	2,760	3,012	8.8%
Average price(RMB per sq.m.)	5,304	6,495	7,245	9,127	10,018	9,946	13.4%

Source: Taizhou Statistics Bureau, Zhejiang Province Population Change Sampling Survey, Taizhou Statistics Yearbook, Taizhou National Economy and Social Development Statistics

Notes:

(1) According to the Industry Research Report, statistics for the year ended 31 December 2013 is the latest annual statistics available.

(2) It refers to commodity properties which includes all the properties such as residential, commercial and industrial properties.

Taizhou's urban areas comprise three main districts, namely Huangyan District, Jiaojiang District and Luqiao District.

Jiaojiang District, situated in the northeastern side of Taizhou city, is the new city area where the Taizhou's government is located therein. In general, by the end of December 2013, the housing price of pre-sale or newly-built residential units ranged from RMB9,500 to RMB12,600 per sq.m. with an average of RMB10,920 per sq.m., depending on the location, facilities, infrastructure and transportation nearby etc.

By end of October 2014, the average housing prices of typical residential projects in Jiaojiang District was RMB10,500 per sq.m., representing a slight decline of approximately 3.8% over December 2013.

(3) ***Dazu District in Chongqing***

Chongqing is located at the cross-roads of East and West China. With the implementation of the PRC central government's "Go West" campaign, Chongqing has been one of the most important economic centres and transportation hubs and major economic driver in western China and was appointed as a new "Special Economic Zone". Chongqing has a total permanent population of approximately 33.6 million in 2013, which is the most populous city in the PRC.

Dazu District, where our property development is located, is 80 kilometres to the west of the Chongqing city centre, with a total land area of 1,436 sq. km. Dazu's nominal GDP has seen a substantial growth, increased from of approximately RMB10.2 billion in 2008 to RMB27.8 billion in 2013 at a CAGR of 22.2%. The household population in Dazu District was 1.0 million in 2013, with low urbanisation rate of 48.7% and a moderate per capita disposable income of RMB23,721.

It is worth noting that the real estate investment had seen a substantial growth with a CAGR of 35.3% from 2008 to 2013.

	2008	2009	2010	2011	2012	2013(1)	2008-2013 CAGR
Economic Indicators							
Population(2) (million)	0.95	0.96	0.97	1.03	1.04	1.04	1.9%
Nominal GDP (RMB billion)	10.2	11.9	14.5	23.4	24.7	27.8	22.2%
Per Capita Disposable Income (RMB)(3)	N/A	14,697	16,397	19,430	21,742	23,721	10.0%
Urbanisation(4)	34.3%	36.1%	40.0%	45.5%	47.3%	48.7%	7.3%
Real estate investment (RMB billion)	0.8	0.8	1.4	2.4	2.8	3.6	35.3%

Source: Chongqing Statistics Bureau

Notes:

(1) According to the Industry Research Report, statistics for the year ended 31 December 2013 is the latest annual statistics available.

(2) It is counted for household population.

(3) It refers to urban residential disposable income.

(4) It is calculated based on permanent resident of Dazu District.

The residential properties accounted for 94.1% of the total commodity property market in terms of GFA sold in Dazu District in 2013. The GFA of commodity properties completed reach its peak in 2013 at 1.13 million sq.m. Meanwhile, the GFA sold of commodity and residential properties in Dazu District remained high with the CAGRs of 29.2% and 107.4% over 2008 to 2013, respectively; and the average price of commodity and residential properties increased at high CAGR of 22.9% and 22.4% over the same period, respectively.

	2008	2009	2010	2011	2012	2013(1)	2008-2013 CAGR
Total(2)							
GFA of completed (thousand sq.m.)	248	245	721	605	546	1,129	35.4%
GFA of sold (thousand sq.m.)	326	629	721	723	588	1,171	29.2%
Average price (RMB per sq.m.)	1,692	2,005	2,598	3,495	3,996	4,738	22.9%
Residential							
GFA of completed (thousand sq.m.)	207	207	612	538	515	948	35.6%
GFA of sold (thousand sq.m.)	287	574	681	681	548	1,101	107.4%
Average price(RMB per sq.m.)	1,437	1,866	2,474	3,347	3,806	3,954	22.4%

Source: Chongqing Statistics Bureau

Notes:

(1) According to the Industry Research Report, statistics for the year ended 31 December 2013 is the latest annual statistics available.

(2) It refers to commodity properties which includes all the properties such as residential, commercial and industrial properties.

(4) *Jiading District in Shanghai*

Shanghai sits at the mouth of the Yangtze River, with a total population of nearly approximately 24 million permanent residents as of 2014. It is a global financial centre, and a transport hub with the world's busiest container port. Shanghai is administratively equal to a province and is divided into 17 county-level divisions.

Jiading's Added Value has seen a rapid growth increased from of approximately RMB65.5 billion in 2008 to RMB163.0 billion in 2014 at a CAGR of 16.4%. The household population in Jiading District was approximately 0.6 million in 2013, with a high urbanization rate of 85.5% and a high per capita disposable income of RMB36,336.

	2008	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2008-2014 CAGR**
Economic Indicators								
Population[(1)] (million)	0.5	0.6	0.6	0.6	0.6	0.6	0.6	1.3%
Added Value[(2)] (RMB billion)	65.5	70.7	80.6	91.5	129.3	146.1	163.0	16.4%
Per Capita Disposable Income (RMB)[(3)]	22,241	24,020	26,611	29,764	33,222	36,336	40,042	10.3%
Urbanisation[(4)]	81.6%	82.4%	83.6%	84.5%	84.9%	85.5%	86.5%	1.0%
Real estate investment (RMB billion)	9.0	12.7	17.8	23.9	22.7	29.3	29.9	22.1%

Source: Jiading Statistics Yearbook

Notes:

(1) It is counted for household population.

(2) It is an important indicator of GDP, which is refer to the difference between the input and the output during the national production process, and is calculated based on income approach by adding up the amounts of labour's remuneration, net production tax, depreciation of fixed assets and operating surplus.

(3) It refers to urban residential disposable income.

(4) It is calculated based on permanent resident of Jiading district.

The residential properties accounted for 84.9% of the total commodity property market in terms of GFA sold in Jiading District in 2013. The GFA sold of commodity properties in Jiading District remained a stable growth over 2008 to 2013, but dropped in 2014 because of the nationwide macro policy; while the GFA sold of residential properties turned downward in 2012, due to the home purchasing limitations introduced in the first half of 2011. In addition, the average price of commodity and residential properties increased at CAGR of 11.0% and 11.3%, respectively.

	2008	2009	2010	2011	2012	2013[1]	2008-2013 CAGR
Total[2]							
GFA of completed (thousand sq.m.)	2,447	2,129	2,366	3,118	4,086	4,866	14.7%
GFA of sold (thousand sq.m.)	1,712	1,875	1,968	2,618	2,343	3,754	17.0%
Average price (RMB per sq.m.)	7,056	10,501	12,922	11,261	12,356	11,907	11.0%
Residential							
GFA of completed (thousand sq.m.)	1,748	1,700	1,767	1,957	2,847	2,808	9.9%
GFA of sold (thousand sq.m.)	1,506	1,608	1,649	2,286	1,959	3,186	16.2%
Average price (RMB per sq.m.)	6,811	10,345	12,398	10,634	11,999	11,627	11.3%

Source: Jiading Statistics Yearbook

Notes:

(1) According to the Industry Research Report, statistics for the year ended 31 December 2013 is the latest annual statistics available.

(2) It refers to commodity properties which includes all the properties such as residential, commercial and industrial properties.

(5) *Tengzhou*

Tengzhou is a county-level city under the jurisdiction of Zaozhuang city, Shandong province of PRC, which is located in the south of the province, with a population of approximately 1.7 million in 2013, which is the most populated county-level city of Shandong.

Tengzhou's nominal GDP has seen a rapid growth increased from approximately RMB 47.4 billion in 2008 to RMB90.2 billion in 2013 at a CAGR of 13.7%. The urbanisation process of Tengzhou is accelerating. According to Tengzhou government's city master plan, Tengzhou's urbanisation rate is expected to reach 60% in 2020. As a result of the accelerated urbanisation and city expansion, the real estate investment had seen a substantial growth with a CAGR of 36.4% from 2008 to 2013. Tengzhou's household population was approximately 1.7 million in 2013, with a low urbanisation rate and a moderate per capita disposable income.

	2008	2009	2010	2011	2012	2013(1)	2008-2013 CAGR
Economic Indicators							
Population(2) (million)	1.7	1.7	1.7	1.7	1.7	1.7	0.4%
Nominal GDP (RMB billion)	47.4	54.2	63.4	74.9	83.1	90.2	13.7%
Per Capita Disposable Income (RMB)(3)	14,320	15,651	17,630	20,193	22,960	25,238	12.0%
Urbanisation(4)	25.1%	30.3%	31.2%	31.3%	31.2%	31.2%	5.7%
Real estate investment (RMB billion)	1.8	3.5	4.7	7.0	6.1	8.5	36.4%

Source: Tengzhou Statistics Bureau

Notes:

(1) According to the Industry Research Report, statistics for the year ended 31 December 2013 is the latest annual statistics available.

(2) It is counted for household population.

(3) It refers to urban residential disposable income.

(4) It is calculated based on permanent resident of Tengzhou.

The residential properties accounted for 93.8% of the total commodity property market in terms of GFA sold in Tengzhou in 2013. The GFA sold of commodity properties kept an upward trend and reached the peak in 2011, while that of the residential properties started to decline in 2009. The GFA sold of commodity and residential properties in Tengzhou grew at a CAGR of 21.0% and 22.0% over 2008 to 2013. In addition, the average price of residential properties increased at a CAGR of 9%, however, the average price of commodity properties decreased from RMB4,012 per sq.m. in 2008 to RMB3,896 per sq.m. in 2013.

	2008	2009	2010	2011	2012	2013(1)	2008-2013 CAGR
Total(1)							
GFA of completed (thousand sq.m.)	722	627	711	857	1,393	1,227	11.0%
GFA of sold (thousand sq.m.)	533	1,032	1,013	1,053	963	1,380	21.0%
Average price (RMB per sq.m.)	4,012	4,955	5,317	5,019	5,940	3,896	-1.0%
Residential							
GFA of completed (thousand sq.m.)	704	615	643	783	1,235	1,091	9.0%
GFA of sold (thousand sq.m.)	474	1,012	947	929	903	1,295	22.0%
Average price (RMB per sq.m.)	2,383	2,877	3,306	3,756	3,745	3,659	9.0%

Source: Tengzhou Statistics Bureau

Notes:

(1) According to the Industry Research Report, statistics for the year ended 31 December 2013 is the latest annual statistics available.

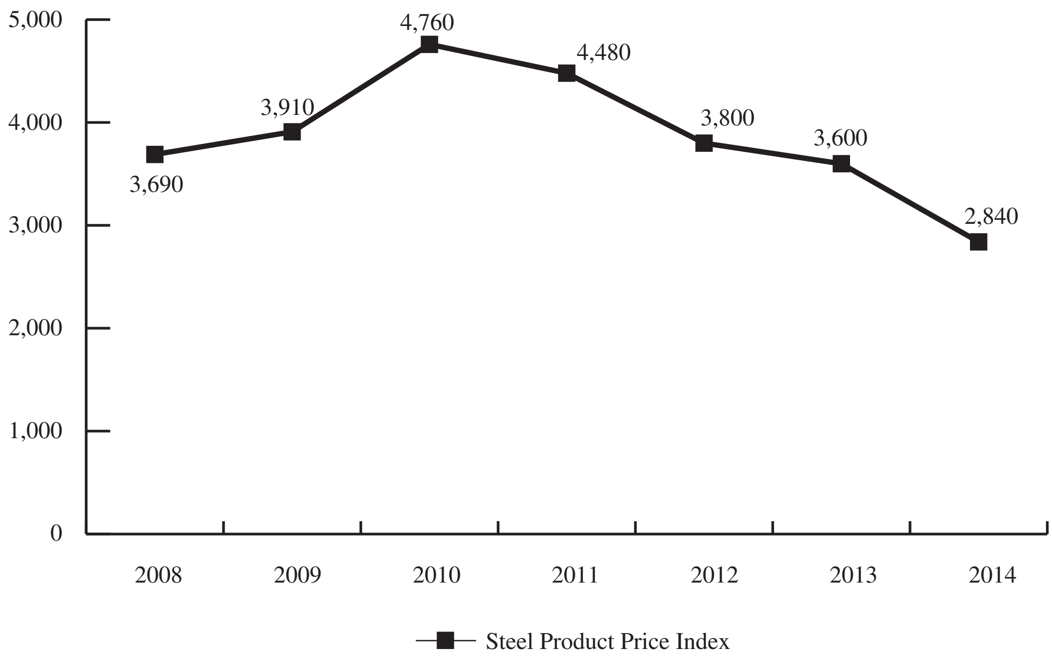
(2) It refers to commodity properties which includes both of the residential and the commercial properties.

HISTORICAL PRICE TRENDS OF MAJOR CONSTRUCTION MATERIALS AND LAND

(1) Construction Materials

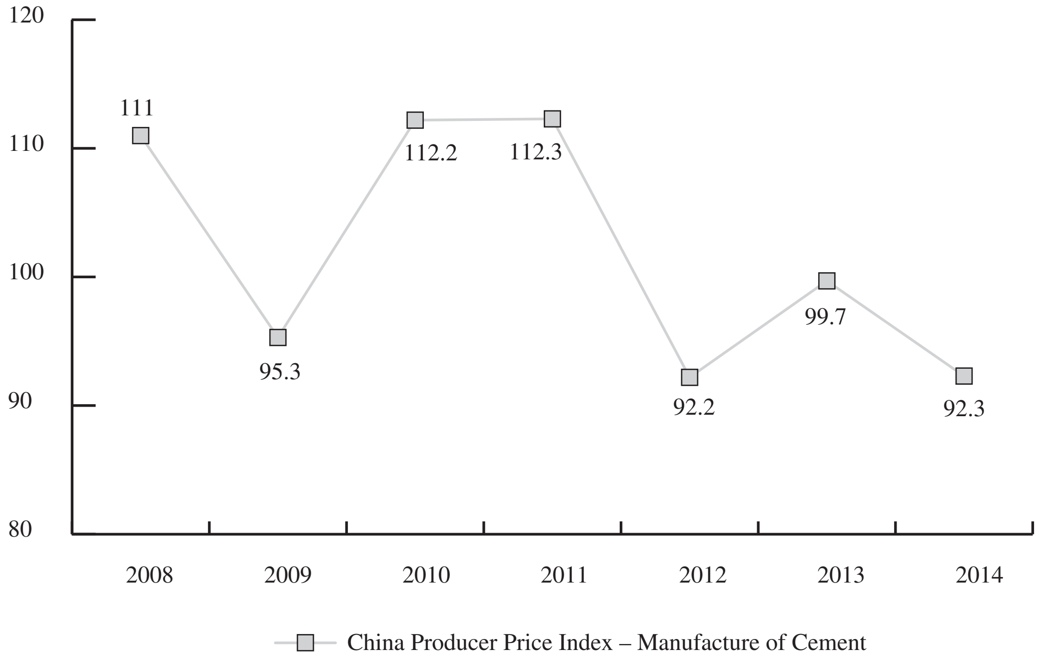
Construction material cost is an important factor for real estate developers, and steel and cement constitute the major part of the total construction materials. During 2008 to 2014, the steel product price index and the price index manufacture of cement decreased. In general, the fluctuation of price of both construction materials over the years are owing to economic, political and social changes. Specifically speaking, the steel and cement price index kept at a relatively high level during 2008 to 2011, which was due to the strong economic growth, where the real GDP growth rate reached a peak of 10.4% in 2010 during the period between 2008 and 2011, as well as the growing demand stimulated by the government's stimulus introduced in 2009. However, accompanying with the downward trend of real GDP growth and the cooling off measures implemented on the property market, the lowering demand and massive supply led to furious competition in the market, which caused the price index of steel and cement dropped and kept at a relatively low level during 2012 to 2014.

The table below sets out the steel product price index over the periods indicated:



Sources: Standard Commodity Trade Centre (西本新幹線電子商務有限公司), Bloomberg

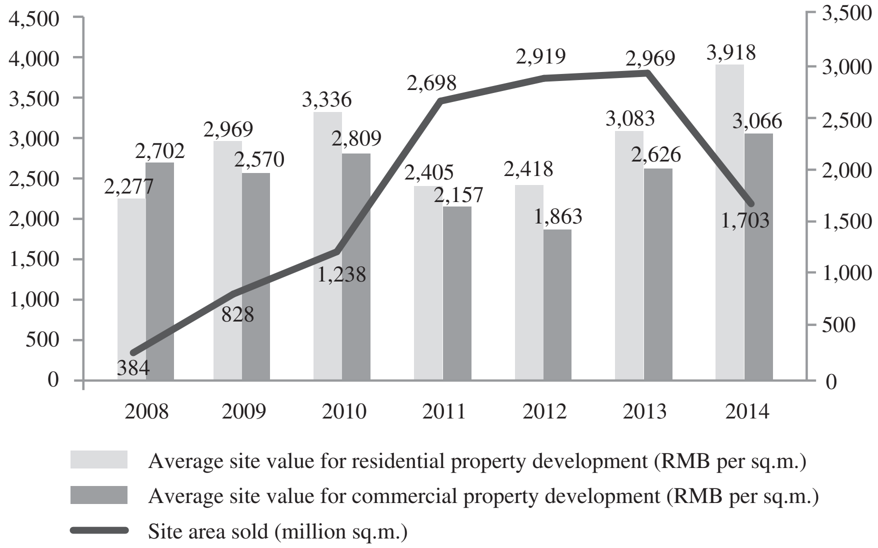
The table below sets out the price index of manufacture of cement over the periods indicated:



Sources: Standard Commodity Trade Centre (西本新幹線電子商務有限公司), Bloomberg

(2) Land Price

Land price is also a crucial factor for real estate developers when operating business. However, land price can vary in line with the amount of supply, policies, local land characteristics and so on. During 2008 to 2014, total site area sold grew at a CAGR of 28.2% from 384 million sq.m. in 2008 to 1,703 million sq.m., among which the commercial and office property development picked up at a CAGR of 37.6%, from RMB40 million sq.m. in 2008 to RMB271 million sq.m. in 2014. The average site value for residential property grew at a CAGR of 9.5% from RMB2,277 per sq.m. in 2008 to RMB 3,918 per sq.m. in 2014, followed by the commercial and office property at a CAGR of 2.1% from RMB2,702 per sq.m. in 2008 to RMB3,066 per sq.m. in 2014. The chart below sets out the site area sold and the average site values for residential and commercial property development over the periods indicated according to land transaction records of Bohai Costal region, Northeastern region, Yangtze River Delta region, Pearl River Delta region, and Central-western region:



Source: CREIS

REGULATIONS

This section sets forth a summary of the most significant PRC laws and regulations that affect our business and the industry in which we operate.

REGULATIONS ON THE ESTABLISHMENT OF REAL ESTATE ENTERPRISES

Establishment of a Real Estate Development Enterprise

According to the Law of the People's Republic of China on Administration of Urban Real Estate (《中華人民共和國城市房地產管理法》) (the "**Urban Real Estate Law**") promulgated by the Standing Committee of the National People's Congress (中華人民共和國全國人大常委會) (the "**SCNPC**"), effective on 1 January 1995, amended on 30 August 2007, a real estate developer is defined as an enterprise which engages in the development and sale of real estate for the purpose of making profits. Under the Regulations on Administration of Development of Urban Real Estate (《城市房地產開發經營管理條例》) (the "**Development Regulations**") promulgated and implemented by the State Council on 20 July 1998, an enterprise which is to engage in development of real estate shall satisfy the following requirements: 1) its registered capital shall be RMB 1 million or more; and 2) it shall have four or more full-time professional real estate/construction technicians and two or more full-time accounting officers, each of whom shall hold the relevant qualification certificate. The Development Regulations also stipulate that the local government of a province, autonomous region or municipality directly under the central government may, based on local circumstances, impose more stringent requirements on the registered capital and the professional personnel of a real estate developer.

Pursuant to the Development Regulations, a developer who aims to establish a real estate development enterprise shall apply for registration with the administration for industry and commerce. The real estate developer must also report its establishment to the real estate development authority in the location of the registration authority, within 30 days of the receipt of its business license.

Under the Notice on Adjusting the Portion of Capital Fund for Fixed Assets Investment of Certain Industries (《關於調整部分行業固定資產投資項目資本金比例的通知》) issued by the State Council on 26 April 2004, the portion of capital funding for real estate projects (excluding economical housing projects) has been increased from 20% or above to 35% or above.

However, the Notice on Adjusting the Portion of Capital Fund for Fixed Assets Investment (關於調整固定資產投資項目資本金比例的通知》) issued by the State Council on 25 May 2009 has reduced the requirement on the minimum capital for social welfare housing and general commercial residence from 35% to 20%, while the requirement on the minimum capital for other real estate projects has been reduced to 30%.

FOREIGN-INVESTED REAL ESTATE DEVELOPMENT ENTERPRISE

Pursuant to the Development Regulations, where a foreign-invested enterprise is to be established to engage in the development and sale of real estate, it must also comply with the relevant requirements under the PRC laws and administrative regulations regarding foreign-invested enterprises and apply for approvals relating to foreign investments in China.

Under the Catalog of Guidance on Foreign Investment Industrial (Revised in 2015) (外商投資產業指導目錄), or the Foreign Investment Catalog, promulgated by MOFCOM and NDRC on 10 March 2015, and enforced on 10 April 2015,

- the construction and operation of villa falls under the category of industries in which foreign investment is prohibited; and

- other real estate developments fall within the category of industries in which foreign investment is permitted.

Subject to the approval by the relevant foreign investment regulatory authorities, a foreign investor intending to engage in the development and sale of real estate in China may establish an equity joint venture, a cooperative joint venture or a wholly foreign owned enterprise by the foreign investor in accordance with the PRC laws and regulations governing foreign-invested enterprises.

On 11 July 2006, the Ministry of Construction, MOFCOM, NDRC, PBOC, the State Administration for Industry and Commerce of the PRC (the "**SAIC**") and SAFE jointly issued the Circular on Standardising the Admittance and Administration of Foreign Capital in the Real Estate Market (關於規範房地產市場外資准入和管理的意見), or the 171 Opinion, which states that, among other things, a foreign entity or individual investing in the PRC property other than for self-use, must apply for the establishment of a FIREE in accordance with the applicable PRC laws and can only conduct operations within the authorised business scope. The 171 Opinion attempts to impose additional restrictions on the establishment and operation of a FIREE by measures including regulating the amount of registered capital as a percentage of total investment in certain circumstances, limiting the validity of a FIREE or the transfer of its projects and prohibiting the borrowing of money from domestic and foreign lenders where, among other things, the registered capital is not paid up, land use rights are not obtained, or the capital fund is less than 35% of the total investment amount in the intended development project. In addition, the 171 Opinion also limits the ability of certain foreign individuals to purchase residential properties in China.

On 23 May 2007, MOFCOM and SAFE jointly issued the Circular on Further Strengthening and Regulating the Approval and Supervision on Foreign Direct Investment in Real Estate Sector (關於進一步加強、規範外商直接投資房地產業審批和監管的通知), or Circular 50, which states that, among other things, foreign investment in the real estate sector in the PRC relating to high-grade properties should be strictly controlled. According to Circular 50, before applying for the establishment of FIREEs, (i) both the land use rights certificates and property ownership certificates should have been obtained or; (ii) contracts for obtaining land use rights and property ownership rights should be entered into. Also, acquisitions of domestic real estate entities and foreign investment in real estate sector in a way of a round-trip investment channel should be strictly regulated, and foreign investors may not bypass approval procedures through changes in actual controlling persons. In addition, existing foreign-invested enterprises need to obtain approval before expanding their business operations into the real estate sector and existing FIREEs need to obtain new approval in case they wish to expand their existing real estate business operations. SAFE authorities and banks authorised to conduct foreign exchange business should not effectuate foreign exchange settlements or sales regarding capital account items to those entities failing to file with the MOFCOM or failing to pass the joint annual reviews of foreign-invested enterprises. For those FIREEs, which are wrongfully approved by local authorities for their establishment, (i) the MOFCOM will carry out investigation, order punishment and corrections, and (ii) SAFE authorities should not carry out foreign exchange registrations for these entities.

In connection with the filing requirement, on 18 June 2008, the MOFCOM issued the Notice on Properly Archiving the Filings for Foreign Investment in Real Estate Sector (關於做好外商投資房地產業備案工作的通知). According to the notice, since 1 July 2008, the MOFCOM entrusts its provincial level branch to review the filing materials with respect to FIREEs and check and confirm the legality, authenticity and accuracy of the materials. The MOFCOM will archive the filing after receiving the archival form duly completed and submitted by the provincial level branches. The notice also requires that the establishment (including the increase of registered capital) of an enterprises with foreign investment must comply with the principle of one project company engaging in one approved real estate project only.

Moreover, on 22 November 2010, the General Office of MOFCOM promulgated the Notice on Strengthening Administration of the Approval and Registration of Foreign Investment into Real Estate Industry (關於加強外商投資房地產業審批備案管理的通知), which provides that, among other rights, in the case that a real estate enterprise is established within the PRC with oversea capital, it is prohibited to purchase and/or sell real estate properties completed or under construction within the PRC for arbitrage purposes. The local MOFCOM authorities are not permitted to approve investment companies to engage in the real estate development and management.

Qualification of a Real Estate Developer

Classification of a real estate enterprise' qualification

Under the Development Regulations, a real estate developer must record its establishment with the governing real estate development authorities in the location of the registration authority within 30 days after receiving its Business License. The real estate development authorities shall examine applications for classification of a real estate developer's qualification by considering its assets, professional personnel and industrial achievements. A real estate enterprise shall only engage in real estate development projects in compliance with its approved qualification.

Under the Provisions on Administration of Qualifications of Real Estate Developers (《房地產開發企業資質管理規定》) (the "**Provisions on Administration of Qualifications**") promulgated by the Ministry of Construction of PRC and implemented on 29 March 2000, a real estate developer shall apply for registration of its qualifications. An enterprise may not engage in the development and sale of real estate without a qualification classification certificate for real estate development.

In accordance with the Provisions on Administration of Qualifications, qualifications of an enterprise are classified into four classes: class 1, class 2, class 3 and class 4. Different classes of qualification should be examined and approved by corresponding authorities. The class 1 qualification shall be subject to preliminary examination by the construction authority under the government of the relevant province, autonomous region or municipality directly under the central government and then final approval of the construction authority under the State Council. Procedures for approval of developers of class 2 or lower classes shall be formulated by the construction authority under the people's government of the relevant province, autonomous region or municipality directly under the central government. A developer that passes the qualification examination will be issued a qualification certificate of the relevant class by the qualification examination authority. For a newly established real estate developer, after it reports its establishment to the real estate development authority, the latter shall issue the Provisional Qualification Certificate (《暫定資質證書》) to the eligible developer within 30 days. The Provisional Qualification Certificate is effective for 1 year from its issuance while the real estate development authority may extend the validity to a period of no longer than 2 years considering the actual business situation of the enterprise. The real estate developer shall apply for qualification classification by the real estate development authority within 1 month before the expiry of the Provisional Qualification Certificate.

Business scope of a real estate developer

Under the Provisions on Administration of Qualifications, a developer of any qualification classification may only engage in the development and sale of the real estate within its approved scope of business and may not engage in business which falls outside the approved scope of its qualification classification. A class 1 real estate developer may undertake a real estate development projects throughout the country without any limit on the scale of the project. A real estate developer of class 2 or lower may undertake a project with a gross floor area of less than 250,000 sq.m. and the specific scopes of business shall be formulated by the construction authority under the people's government of the relevant province, autonomous region or municipality.

REGULATIONS ON LAND AND THE DEVELOPMENT OF REAL ESTATE PROJECTS

Land Grants

Under the Provisional Regulations of the People's Republic of China on Grant and Transfer of the Land-Use Rights of State-owned Urban Land (《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例》) (the "**Provisional Regulations on Grant and Transfer**") promulgated by the State Council on 19 May 1990, a system of assignment and transfer of the right to use State-owned land is adopted. A land user shall pay an assignment price to the State as consideration for the grant of the right to use a land site within a certain term, and the land user may transfer, lease out, mortgage or otherwise commercially exploit the land use rights within the term of use. Under the Provisional Regulations on Grant and Transfer and the Urban Real Estate Law, the land administration authority under the local government of the relevant city or county shall enter into an assignment contract with the land user to provide for the grant of land use rights. The land user shall pay the assignment price as provided by the assignment contract. After full payment of the assignment price, the land user shall register with the land administration authority and obtain a land use rights certificate which evidences the acquisition of land use rights. The Development Regulations provide that the land use right for a land parcel intended for real estate development shall be obtained through grant except for land use rights which may be obtained through appropriation pursuant to PRC laws or the stipulations of the State Council.

Under the Regulations regarding the Grant of State-Owned Land Use Rights by Way of Tender, Auction and Listing-for-sale (《招標拍賣掛牌出讓國有土地使用權規定》) promulgated by the MLR on 9 May 2002 and implemented on 1 July 2002 (the "**2002 Regulations**") and revised on 28 September 2008 with the name of Regulations regarding the Grant of State-Owned Construction Land Use Rights by Way of Tender, Auction and Listing-for-sale《招標拍賣掛牌出讓國有建設用地使用權規定》) (the "2007 Regulations") effective on 2 November 2007. Following the 2002 Regulations, the MLR and the Ministry of Supervision issued the Notice on Continuing the Review of the Implementation of the Grant of Land Use Rights for Commercial Uses By Soliciting Auction Bids or Listing on a Land Exchange (《關於繼續開展經營性土地使用權招標拍賣掛牌出讓情況執法監察工作的通知》) on 18 March 2004, which requires all local land administration authorities to strictly enforce the 2002 Regulations. In addition, the Ministry of Land and Resources required that beginning from 31 August 2004, no land use rights shall be granted by way of agreement for reasons of historical issues. In the Urgent Notice of the General Office of the State Council on Intense Regulation and Rectification of the Land Market and Strict Administration of Land (《國務院辦公廳關於深入開展土地市場治理整頓嚴格土地管理的緊急通知》), issued by the State Council on 29 April 2004, the approval process for the change of use from agricultural land to non-agricultural land for development was suspended for a period of approximately six months so that the PRC government could rectify irregularities in land development in China. The 2007 Regulations specifically provide that land to be used for industry, commerce, tourism, entertainment or commodity residential purposes, or where there are two or more intended users for a certain piece of land, must be granted through tender, auction or listing-for-sale processes. A number of measures in the 2007 Regulations ensure such grants of land use rights for commercial purposes are conducted openly and fairly. For instance, the local land bureau must take into account various social, economic and planning considerations when deciding on the use of a certain piece of land, and its decision regarding land use designation is subject to approval of the city or county government. The grantee shall apply for land registration and obtain the State-owned land use rights certificate upon full payment of the land premium for the granted land according to the land grant contract. In the event that the land premium for the granted land is not paid in full, the grantee will not receive the land use rights certificate. In addition, the announcement of tender, auction or listing-for-sale must be made 20 days prior to the date on which such competitive process begins. Further, the 2007 Regulations stipulate that for listings on a land exchange, the time period for accepting bids must be no less than ten days. On 11 May 2011, the MLR promulgated the Opinions on Upholding and Improving the System for the Transfer of Land by Tender, Auction and Listing-for-Sale (《國土資源部關於堅持和完善土地招標拍賣掛牌出讓制度的意見》), which provide, among other things (i) how to correctly implement the land transfer policy through tenders, auctions and listing-for-sale; (ii) an explanation of improvements in the transparency of the system of tenders, auctions and listings for housing land; (iii) an explanation of adjustments and improvements to the land transfer policy through tenders, auctions and listing-for-sale; (iv) promotion of online operation of the transfer of land use rights; (v) improvement in contracts for land transfers through tenders, auctions and listing-for-sale.

In the case of tenders, the local land bureau granting the land use rights should examine the qualifications of the intended bidders and encourage those who are qualified to participate in the bidding processes by sending out invitations to tender. Bidders are asked to submit sealed bids together with the payment of a security deposit. When land use rights are granted through tenders, a tender evaluation committee consisting of odd number of members of at least five (including a representative of the grantor and relevant expert) shall be formed by the land bureau which is responsible for opening the tenders and deciding on the successful bidder. The successful bidder will then sign the land grant contract with the land bureau and pay the balance of the land premium before obtaining a State land use rights certificate.

Where land use rights are granted by way of auction, a public auction will be held by the relevant local land bureau. The land use rights are granted to the highest bidder. The successful bidder will then be asked to sign the land grant contract with the local land bureau and pay the relevant land premium within a prescribed period.

Where land use rights are granted through a listing administered by the local government, a public notice will be issued by the local land bureau to specify, among other things, the location, the area, purpose of use of the land and the period for receiving bids. The land use rights are granted to the bidder with the highest bid who satisfies the terms and conditions. The successful bidder will enter into a land grant contract with the local land bureau and pay the relevant land premium within a prescribed period.

On 11 June 2003, the MLR promulgated the Regulations on the Grant of State-owned Land Use Rights by Agreement (《協議出讓國有土地使用權規定》). According to this regulation, if there is only one entity interested in using the land, the land use rights (excluding commercial, tourism, entertainment and commodity residential properties) may be assigned by way of agreement. If two or more entities are interested in the land use rights to be assigned, such land use rights shall be granted by means of tender, auction or listing-for-sale.

According to the Notice of the Ministry of Land and Resources on Relevant Issues Concerning the Strengthening of Examination and Approval of Land Use in Urban Construction (《關於加強城市建設用地審查報批工作有關問題的通知》) promulgated by the MLR on 4 September 2003, from the day of issuance of the Notice, the grant of land use rights for luxurious commodity houses shall be stringently controlled. On 30 May 2006, the MLR issued the Urgent Notice on Further Strengthening the Administration of Land (《關於當前進一步從嚴土地管理的緊急通知》). The Notice stated that land for real estate development must be granted by competitive bidding, public auction or listing-for-sale.

On 12 December 2006, the MLR and the NDRC issued the 2006 Catalogue of Restricted Uses of Land (《限制用地項目目錄(2006年本)》) and the 2006 Catalogue of Prohibited Uses of Land (《禁止用地項目目錄(2006年本)》). According to these Catalogues, land use applications for projects involving theme parks, low density housing complexes and oversized houses may only be processed by the relevant level of MLR and the NDRC where such projects conform to certain restrictive requirements.

The Measures on the Administration of Reserved Land (《土地儲備管理辦法》), promulgated by Ministry of Finance (the "**MOF**"), the PBOC and the MLR on 19 November 2007, define "reserved land" and stipulate the administrative, regulatory and implementing procedures involved with the management, planning, allocation, use, development, capital expenditure and supply of reserved land. Moreover, this Measures makes it clear that land must be reserved in accordance with corresponding land programs or plans, and that in determining land reserves priority must be given to land included in state inventories which is unused, unoccupied or under-utilized.

On 18 November 2009, the MOF, the MLR, the PBOC and Ministry of Supervision issued A Notice on Further Strengthening the Land Transfer Revenue and Expenditure Management (《關於進一步加強土地出讓收支管理的通知》) jointly, which stipulates:

(a) The municipal or county land resource department must specify land transfer price, rent and the total sum of the allocated land price, payment time and payment mode in the state-owned land transfer contract, lease contract and letter of decision on appropriation; if the land use conditions as the use of land have been changed upon approval according to law, the municipal or county land resource management department must specify the land price that shall be paid additionally in the land transfer and lease contracts and the payer shall pay the sum of money as stipulated by the contract. If a unit or individual that fails to pay up the land price as required, the municipal or county land resource management department must neither approve, issue the state-owned land use rights certificate nor issue certificate in a segmented way by the proportion of the land price paid.

(b) The term for paying the full land transfer price by installments agreed between the municipal or county land resource management department and land transferee pursuant to law shall not exceed one year in principle. The proportion of first payment shall not be less than 50% of total land transfer price.

On 8 March 2010, the Ministry of Land and Resources issued A Notice of the Problems on Strengthening the Supply and Supervision of the Land used for Real Estate Development (《關於加強房地產用地供應和監管有關問題的通知》), among others, strictly regulating the behavior of commercial land transfer and the lowest price of land transfer, strictly implementing the verification process on land bidder qualification, strictly managing the land transfer contract, and insisting on and improving the land bid invitation, auction and listing system.

Development of a real estate project

Commencement of real estate project and regulations with respect to idle land

Pursuant to the Measures on Disposal of Idle Land (《閒置土地處置辦法》) promulgated by the MLR on 28 April 1999, "idle land" refers to land granted for use but that is lying idle because the land user failed to commence development and construction before the specified commencement date without the consent of the government that approved the use of the land. The amended Measures on the Disposal of Idle Land, which became effective on 1 July 2012, expanded the definition of idle land to include land lying idle due to government action. When certain land is deemed "idle land", relevant municipal or county land administrative departments) shall inform the land user and prepare a plan for disposing of the idle land. When the land is mortgaged, the mortgagee shall be invited to participate in the preparation of the disposal plan.

The methods of disposing of idle land include, among others: (i) extending the development and construction period by a maximum of one year; (ii) changing the use of the land, and continuing development and construction afterward; or (iii) arranging for the temporary use of the land and re-approving the development after the original project satisfies the construction requirements.

The Notice on Strengthening the Disposing of Idle Land (《關於加大閒置土地處置力度的通知》) issued by the Ministry of Land Resources on 8 September 2007 emphasizing that the disposal of idle land shall be speeded up. The land regulatory authority may impose an idle land penalty of up to 20% of the land premium; the land regulatory authority shall reclaim the idle land without compensation as required by the relevant regulations. For land that becomes idle as a result of illegal approval, such land shall be reclaimed before the end of 2007.

On 3 January 2008, the State Council promulgated the Circular on Conservation of Intensive Land Use (《關於促進節約集約用地的通知》), as summarized below:

(a) Strictly implement the tender, auction and listing-for-sale regime for land intended for industrial and business purposes. Where the land premium is not paid in full according to contractual agreement, the land use rights certificate shall not be issued, nor shall a land use rights certificate be issued on parts of the land in proportion to the paid-up land premium. Strictly prohibit unauthorized conversion of agricultural land to land for construction.

(b) With respect to real estate projects (i) commenced one year after the commencement date as stipulated under the land grant contract, (ii) the area of land developed is less than 1/3 of the entire area, and (iii) the investment of less than 1/4 of the investment amount, financial institutions shall be cautious in granting loans and approving financing, and shall not grant loans or offer listing financing to projects engaging in illegal land use.

Planning of a real estate project

On 28 October 2007, the Standing Committee of National People's Congress promulgated the PRC City and Countryside Planning Law (《中華人民共和國城鄉規劃法》), pursuant to which, a construction work planning permit must be obtained from the relevant urban and rural planning government authorities for building any structure, fixture, road, pipeline or other engineering project within an urban or rural planning area.

After obtaining the construction work planning permit, a real estate developer shall apply for a construction work commencement permit from the construction authority under the local people's government at the county level or above according to the Measures for the Administration of Construction Permits for Construction Projects (《建築工程施工許可管理辦法》) promulgated by the Ministry of Construction on 15 October 1999 and as amended and implemented respectively on 4 July 2001 and 25 October 2014. The Notice about Strengthening and Regulating the Management of New Projects (《關於加強和規範新開工項目管理的通知》), promulgated by the General Office of the State Council on 17 November 2007, strictly regulates the conditions of commencing investment projects, establishes the linkage mechanism of governmental departments regarding new projects, and strengthens the statistics and information management while intensifying the supervision and inspection of new projects.

According to the Development Regulations, the Regulation on the Quality Management of Construction Projects (《建設工程質量管理條例》) promulgated by State Council on 30 January 2000, the Measures for Reporting Details Regarding Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure (《房屋建築工程和市政基礎設施工程竣工驗收備案管理辦法》), promulgated by the Ministry of Construction on 19 October 2009 and the Interim Provisions on Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure (《房屋建築工程和市政基礎設施工程竣工驗收暫行規定》) promulgated by the Ministry of Construction on 30 June 2000, upon completion of the real estate development project, the real estate developer shall submit an application, including the filing form for the Examination Upon Completion of Construction Projects (工程竣工驗收備案表), to the control department of real estate development of the local people's government at the county level or above, where the project is located, for examination upon completion of the building and for filing purposes. A real estate project may not be delivered unless it passes the acceptance examination and a completion certificate has been obtained.

According to the Notice on Further Strengthening the Quality Supervision and Management of Construction Projects (《關於進一步加強建築工程質量監督管理的通知》) promulgated by the Ministry of Construction on 13 April 2009, the legal regulatory framework and the supervision system concerning quality supervision and completion acceptance examination shall be further improved.

REGULATIONS ON REAL ESTATE TRANSFER AND SALE

Real Estate Transfer

According to the Urban Real Estate Law and the Provisions on Administration of Transfer of Urban Real Estate (《城市房地產轉讓管理規定》) promulgated by the Ministry of Construction on 7 August 1995 and as amended on 15 August 2001, a real estate owner may sell, bequeath or otherwise legally transfer property to another person or legal entity. When transferring a building, the ownership of the building and the land use rights to the site on which the building is situated are transferred simultaneously. The parties to a transfer shall enter into a property transfer contract in writing and register the transfer with the real estate administration authority having jurisdiction over the location of the property within 90 days of the execution of the transfer contract.

Where the land use rights were originally obtained by grant, the real property may only be transferred on the condition that: a) the assignment price has been paid in full for the grant of the land use rights as provided by the grant contract and a land use rights certificate has been obtained; b) development has been carried out according to the grant contract and, in the case of a project in which buildings are being developed, development representing more than 25 percent of the total investment has been completed.

If the land use rights were originally obtained by grant, the term of the land use rights after transfer of the real property shall be the remaining portion of the original term provided by the land use rights grant contract after deducting the time that has been used by the former land users. In the event that the transferee intends to change the use of the land provided in the original grant contract, consent shall first be obtained from the original grantor and the planning administration authority under the local government of the relevant city or county and an agreement to amend the land use rights grant contract or a new land use rights grant contract shall be signed in order to, inter alia, adjust the land use rights assignment price accordingly.

If the land use rights were originally obtained by allocation, transfer of the real estate property shall be subject to the approval of the government vested with the necessary approval power as required by the State Council. Upon such approval, the transferee shall complete the formalities for transfer of the land use rights, unless the relevant statutes require no transfer formalities, and pay the transfer price according to the relevant statutes.

Sale of Commodity Properties

Under the Regulatory Measures on the Sale of Commodity Properties (《商品房銷售管理辦法》) (the "**Regulatory Measures**") promulgated by the Ministry of Construction on 4 April 2001 and implemented on 1 June 2001, sale of commodity properties can include both pre-completion sales (pre-sale) and post-completion sales.

Permit of Pre-sale of Commodity Properties

According to the Development Regulations and the Measures for Administration of Pre-sale of Commodity Properties (《城市商品房預售管理辦法》) (the "Pre-sale Measures") promulgated by the Ministry of Construction on 15 November 1994 and as amended on 15 August 2001 and 20 July 2004 respectively, the pre-sale of commodity properties shall be subject to a licensing system, and a real estate developer intending to sell a commodity property before its completion shall make the necessary pre-sale registration with the real estate development authority of the relevant city or county to obtain a Pre-Sales Permit. A commodity property may be sold before completion only if: a) the assignment price has been paid in full for the grant of the land use rights involved and a land use rights certificate has been obtained; b) a construction works planning permit and construction works commencement permit have been obtained; c) the funds invested in development construction represent 25 percent or more of the total investment in the project and the progress of works and the completion and delivery dates have been ascertained; and d) the pre-sale has been registered and a Pre-Sales Permit has been obtained.

Supervision of pre-sale income of commodity properties

According to the Pre-sale Measures, the income of a real estate developer from the pre-sale of commodity properties must be used for the construction of the relevant projects. The specific measures for the supervision of the income from the pre-sale of commodity properties shall be formulated by the real estate administrative authorities.

Conditions of the sale of post-completion commodity properties

Under the Regulatory Measures, commodity properties may be put to post-completion sale only when the following preconditions have been satisfied: (i) the real estate development enterprise shall have a business license and a qualification certificate of a real estate developer; (ii) the enterprise shall obtain a land use rights certificate or other approval documents for land use; (iii) the enterprise shall have the construction works planning permit and construction works commencement permit; (iv) the building shall have been completed, inspected and accepted as qualified; (v) the relocation of the original residents shall have been well completed; (vi) the supplementary essential facilities for supplying water, electricity, heating, gas, communication, etc. shall have been made ready for use, and other supplementary essential facilities and public facilities shall have been made ready for use, or the schedule of construction and delivery date shall have been specified; (vii) the real estate property management plan shall have been completed. Before the post-completion sale of a commodity property, a real estate developer shall submit the Real estate Development Project Manual and other documents evidencing the satisfaction of preconditions for post-completion sale to the real estate development authority.

Restrictions on the Sale of Commodity Properties

According to the Regulatory Measures, the real estate development enterprise may not (i) sell commodity houses by means of cost-returned sale or any such means in disguised forms; or (ii) sell uncompleted commodity houses by the after-sale lease guarantee or by any such means in disguised forms. If a real estate development enterprise violates such provisions, it would be subject to a disciplinary warning and be ordered to take remedial measures as well as be imposed on a fine of not less than RMB10,000 but not more than RMB30,000.

The “cost-returned sale” in the Regulatory Measures refers to the act that the real estate development enterprise sells commodity houses by means of returning periodically to the buyer the purchase price for the house. The “after-sale lease guarantee” in abovementioned “sell uncompleted commodity houses by the after-sale lease guarantee” refers to the act that the real estate development enterprise sells the commodity houses by making pledges to be lessee or lease agent of the house within a certain period after sale.

Our PRC Legal Advisers are of the view that the exclusive management and operation agreements (the "**Management Agreements**") we entered into with the property buyers of our commercial properties at the Construction Materials Trading Centre (建材中心) in Xinming International Household Products Mall and Wenshang Times • Xinming Household Decorations and Fittings City shall not be considered as "cost-returned sale" (or any form thereof) as defined under the Regulatory Measures for the following reasons: (a) the Management Agreement is entered into separately from the sales and purchase agreement for the property; (b) the agreed fees payable to the property buyer under the Management Agreement and the purchase price under the sales and purchase agreement are clearly differentiated in the Management Agreement and sales and purchase agreement; and (c) the agreed fees payable to the property buyers under the Management Agreements are part of a commercial arrangement where fees are paid to the Property Buyers in exchange for the right to use, manage, lease and receive rent as opposed to the act where the total property price are returned to the property buyers after sales. In addition, Jiaojiang branch office of Taizhou Urban and Rural Residential Construction Planning Bureau issued written confirmations each to Taizhou Investment and Wenshang Times on 19 September 2014 confirming that the sale model under which the agreed fees payable to the property buyers be determined with reference to the original selling price of the property under the Management Agreements between the property buyers on one hand, and Taizhou Investment or Wenshang Times on the other hand, as the case may be, did not constitute any "cost-returned sale or any such means in disguised forms" under relevant PRC laws and regulations and both the sales and purchase agreements and the Management Agreements were legal and valid.

Regarding the restriction on "selling uncompleted commodity houses by the after-sale lease guarantee or by any such means in disguised forms" under the Regulatory Measures, during the Track Record Period, Wenshang Times had sold uncompleted commercial units in Wenshang Times • Xinming Household Decorations and Fittings City and entered into Management Agreements with the property buyers before passing the construction completion examination against such restriction. Please refer to the paragraph headed "Selling uncompleted commercial units and leasing such units before passing the construction completion examination" in the section headed "Business" in this prospectus for further details of this non-compliant incident.

Based on the above, our PRC Legal Advisers are of the view that save and except for the non-compliant incident as set out in the paragraph headed "Selling uncompleted commercial units and leasing such units before passing the construction completion examination" in the section headed "Business" in this prospectus, our Group had been in compliance with the Regulatory Measures in all material respects during the Track Record Period.

Transaction of commodity properties

According to the Development Regulations and the Pre-sale Measures, for the pre-sale of commodity properties, the developer shall sign a contract on the pre-sale of a commodity property with the purchaser. The developer shall, within 30 days after signing the contract, apply for registration and filing of the pre-sale commodity property to the relevant real estate administration authorities.

Pursuant to the Circular of the General Office of the State Council on Forwarding the Opinions of the Ministry of Construction and other Departments on Stabilizing House Prices (《國務院辦公廳轉發建設部等部門關於做好穩定住房價格工作意見的通知》) issued on 9 May 2005:

(a) A buyer of a commodity property is prohibited from conducting any further transfer of a pre-sold commodity property before completion of construction and obtaining the Property Ownership Certificate. If there is discrepancy in the name of the applicant for property ownership and the name of the advance buyer in the pre-sale contract, the registration organ of the real estate administration authorities shall not register the application of property ownership.

(b) A real name system is applied for each real estate transaction and an immediate archival filing network system is in place for pre-sale contracts of commodity properties.

CIVIL AIR DEFENSE PROPERTY

Pursuant to the PRC Law on National Defense (中華人民共和國國防法) promulgated by the National People's Congress(the "**NPC**") on 14 March 1997, as amended on 27 August 2009, national defense assets are owned by the state. Pursuant to the PRC Law on Civil Air Defense (中華人民共和國人民防空法), or the Civil Air Defense Law, promulgated by the SCNPC on 29 October 1996, as amended on 27 August 2009, civil air defense is an integral part of national defense. The Civil Air Defense Law encourages the public to invest in construction of civil air defense property and investors in civil air defense are permitted to use (including lease), manage the civil air defense property in time of peace and profit therefrom. However, such use may not impair their functions as air defense property. The design, construction and quality of the civil air defense properties must conform to the protection and quality standards established by the State. On 1 November 2001, the National Civil Air Defense Office issued the Administrative Measures for Developing and Using the Civil Air Defense Property at Ordinary Times (人民防空工程平時開發利用管理辦法) and the Administrative Measures for Maintaining the Civil Air Defense Property (人民防空工程維護管理辦法), which specify how to use, manage and maintain the civil air defense property. Implementing Rules of the Civil Air Defense Law of Zhejiang Province (浙江省實施《中華人民共和國人民防空法》辦法) was promulgated on 3 September 1999 and amended on 28 May 2014, under the rules, after obtaining the approval from the civil air defense supervising authority, the developer can manage and use the civil air defense projects in the times of peace and make profit therefrom.

ADJUSTING THE STRUCTURE OF HOUSING SUPPLY AND STABILIZING HOUSING PRICE

The General Office of the State Council promulgated the Circular on Duly Stabilizing the Prices of Residential Properties (《關於切實穩定住房價格的通知》) on 26 March 2005, requiring measures to be taken to restrain housing prices from increasing too fast and to promote the healthy development of the property market. On 9 May 2005, the General Office of the State Council issued the Opinion of the Ministry of Construction and other Departments on Improving the Works on Stabilizing the Prices of Residential Properties (《關於做好穩定住房價格工作的意見》) which requires the rectification of and regulation on the market order and serious investigation into and punishment on any irregular and rule-breaking sales.

On 24 May 2006, the General Office of the State Council issued the Opinion of the Ministry of Construction and other Departments on Adjusting Housing Supply Structure and Stabilization of Housing Prices (《關於調整住房供應結構穩定住房價格的意見》). As to the adjustment of housing supply and stabilization of housing prices, the opinion provides that:

(a) Adjustment to the housing supply structure: the construction of medium and small-sized regular commodity houses at medium or low prices should be especially developed to satisfy the demands of local residents;

(b) Adjustment to tax, credit and land policies: from 1 June 2006, the first installment of individual house loans should be no less than 30 percent. When a borrower applies for individual house loans for his own use and the floor area of the unit is less than 90 sq.m., the first installment remains at 20 percent.

To implement the Opinions on Adjusting the Housing Supply Structure and Stabilizing Housing Prices, the Ministry of Construction promulgated Certain Opinions Regarding the Implementation of the Ratio Requirement for the Structure of Newly Constructed Residential Units (《關於落實新建住房結構比例要求若干意見》) on 6 July 2006 and made supplemental requirements on the proportion of newly built housing structure as follows:

From 1 June 2006, in any city (including counties), the floor area of the housing which is less than 90 sq.m. should reach 70 percent of the total floor area of commercial commodity properties newly approved or constructed.

On 20 December 2008, the General Office of the State Council issued Several Opinions on Promoting the Sound Development of the Real Estate Market (《關於促進房地產市場健康發展的若干意見》) in order to speed up the development of social security housing, encourage purchases of properties for self-use and upgrade purposes, and direct real estate developers to cope with the changing market, as well as to:

(a) Promote the construction of affordable residential housing;

(b) Encourage the purchase of regular commodity houses for residential purposes; and

(c) Support real estate developers in dealing with the changing market.

According to Several Opinions of the General Office of the State Council on Providing Financial Support for Economic Development (《國務院辦公廳關於當前金融促進經濟發展的若干意見》), issued by General Office of the State Council on 8 December 2008, the State Council (1) implemented and promulgated relevant credit policies and measures to support people's purchase of their first ordinary home or improved ordinary home; (2) provided more credit support for the construction of low rent houses and economically affordable houses and the reconstruction of shed areas for low-income urban residents; and (3) initiated the pilot operation of real estate trust investment funds and diversify the financing channels of real estate enterprises.

Notices on Accelerating a Stable and Healthy Development in the Real Estate Market

On 7 January 2010, the General Office of the State Council issued A Notice on Accelerating a Stable and Healthy Development in the Real Estate Market (《關於促進房地產市場平穩健康發展的通知》), which stipulates:

(a) increase the effective supply of security housing and common commercial housing;

(b) reasonably steer housing consumption and suppress speculative house purchasing demand;

(c) strengthen risk prevention and market supervision; and

(d) quicken the security Comfort Housing Project construction.

On 17 April 2010, the State Council issued the Notice on restraining resolutely over-rise of housing prices in some cities (《關於堅決遏制部分城市房價過快上漲的通知》), which requires that each district and each department practically implement their duty to stabilize property prices and residential housing guarantees.

Unreasonable housing demands should be strictly restricted and stricter differentiating credit policies should the implemented.

MORTGAGE ON REAL ESTATE

Under the Urban Real Estate Law, the Guarantee Security Law of the People's Republic of China (《中華人民共和國擔保法》) promulgated by the Standing Committee of the National People's Congress on 30 June 1995 and implemented on 1 October 1995, and the Measures on the Administration of Mortgages of Real Estate in Urban Areas (《城市房地產抵押管理辦法》) promulgated by the Ministry of Construction in May 1997 and as amended on 15 August 2001, when a mortgage is created on a building legally obtained, a mortgage shall be simultaneously created on the land use rights of the land on which the building is situated. When the land use rights of State-owned land acquired through means of grant are being mortgaged, the buildings on the land shall also be mortgaged at the same time. The land use rights of town and village enterprises cannot be mortgaged alone. When buildings owned by town and village enterprises are mortgaged, the land use rights occupied by the buildings shall also be mortgaged at the same time. The mortgager and the mortgagee shall sign a mortgage contract in writing.

Within 30 days after a real estate mortgage contract is signed, the parties to the mortgage shall register the mortgage with the real estate administration authorities at the location where the real estate is situated. A real estate mortgage contract shall become effective on the date of registration of the mortgage. If a mortgage is created on the real estate in respect of which a property ownership certificate has been obtained, the registration authority shall make an entry under the "third party rights" item on the original property ownership certificate and then issue a Certificate of Third Party Rights to the mortgagee. If a mortgage is created on the commodity property put to pre-sale or under construction, the registration authority shall record the details on the mortgage contract. If construction of a real property is completed during the term of a mortgage, the parties involved shall re-register the mortgage of the real property after issuance of the certificates evidencing the ownership of the real property.

LEASE OF BUILDINGS

Pursuant to the Administration Measures for Administration of Commodity Housing Tenancy (《商品房屋租賃管理辦法》) promulgated on 1 December 2010 and effective as at 1 February 2011. The parties to a real estate lease shall go through the lease registration formalities with the competent construction (real estate) departments of the municipalities directly under the Central Government, cities and counties where the housing is located within 30 days after the lease contract is signed. There will be a fine below RMB1,000 on individuals who fail to make corrections within the specified time limit, and a fine between RMB1,000 and RMB10,000 on units which fail to make corrections within the specified time limit.

NEW PROPERTY LAW

On 16 March 2007, the 5th Session of the 10th National People's Congress of China adopted the Law of the People's Republic of China on Property Rights (《中華人民共和國物權法》) (the "**New Property Law**"), which took effect as at 1 October 2007.

There are various clauses in the New Property Law to strengthen the protection of the rights of the house owners:

i) Article 89 of the New Property Law requests that "the construction of a building shall not violate the relevant provisions of the State on project construction, nor obstruct the air circulation, sunlight or daylight of any neighboring building." This clause protects house owners' right to enjoy sunlight and prevents house developers from illegal constructions;

ii) Article 81 of the New Property Law grants house owners the right to manage by themselves the building and its ancillary facilities and replace the property management company or any other manager engaged by the house developer. This clause reinforces the independent rights of house owners to manage their own community.

The New Property Law further widens the scope of assets that can be mortgaged, allowing for any asset associated with property rights to be mortgaged as collateral unless a specific prohibition under another law or regulation applies.

REAL ESTATE REGISTRATION

According to Interim Regulations on Real Estate Registration (不動產登記暫行條例) promulgated by the State Council on 24 November 2014 and enforced on 1 March 2015, PRC will apply a uniform registration system over real estate, under this system, ownership of buildings and land use right shall be registered in accordance with the provisions of the mentioned Interim Regulations. If registration is applied by reasons of transfer or settlement of mortgage, the application shall be made jointly by both parties. However, the first registration application for the real estate without registration record shall be filed by either party involved. Any interested party may apply for inquiring or copying the real estate registration materials in accordance with the law and the registration, the competent authorities shall not refuse to provide the information which has been registered. Furthermore, the Interim Regulation confirmed that various real estate ownership certificates issued prior to the implementation of the Interim Regulation shall remain valid.

REGULATIONS ON REAL ESTATE FINANCING

The PBOC issued the Circular on Further Strengthening the Management of Real Estate Loans (《關於進一步加強房地產信貸業務管理的通知》) on 5 June 2003 to specify the requirements for banks to provide loans for the purposes of residential development. Real estate loans by commercial banks to real estate enterprises shall be granted only in respect of a particular item of real estate development rather than a cash flow or other loan item. Loans of any kind must not be granted for projects which do not obtain a land use rights certificate, construction land planning permit, construction works planning permit and construction works commencement permit.

Pursuant to the Guidance on Risk Management of Real Estate Loans of Commercial Banks (《商業銀行房地產貸款風險管理指引》) issued by the China Banking Regulatory Commission on 30 August 2004, any real estate developer applying for real estate development loans shall have at least 35 percent of capital required for the development.

According to the Notice of the People's Bank of China on the Adjustment of Commercial Bank Housing Credit Policies and the Interest Rate of Excess Reserve Deposits (《中國人民銀行關於調整商業銀行住房信貸政策和超額準備金存款利率的通知》) promulgated by the PBOC on 16 March 2005, from 17 March 2005, in the cities and areas where there has been a rapid increase in house prices, the payment ratio of first installment of individual house loans increases from 20 percent to 30 percent. The commercial banks can independently determine the specific cities or areas under such adjustment according to special situations in different cities or areas.

On 24 May 2006, the State Council issued the Opinions of the Ministry of Construction and other Departments on Adjusting the Housing Supply Structure and Stabilizing Housing Prices (《關於調整住房供應結構穩定住房價格的意見》), according to which credit qualifications with respect to real estate developers shall be strictly complied with. In order to suppress real estate development enterprises from storing up land and housing resources by use of bank loans, commercial banks shall not provide loans to real estate enterprises/projects that fail to meet loan qualifications, such as, project whose capital ratio fails to meet the 35% baseline. For real estate development enterprises that have comparatively a large quality of idle land and vacant commodity properties, commercial banks shall apply the principle of prudent operation and use higher standard of scrutiny in controlling renewable loans and any form of revolving credit. Commercial banks shall not accept any commodity property that has been idle for three or more years as collateral for loans.

On 27 September 2007, the PBOC and the CBRC issued the Notice on Strengthening the Management of Commercial Real Estate Credit and Loans (《關於加強商業性房地產信貸管理的通知》) (the "**Notice**"). The Notice puts forward requirements for the purposes of strengthening loan management in association with (i) real estate development; (ii) land reserves; (iii) housing consumption; and (iv) purchase of commercial buildings, together with credit checks in real estate credit reference management, monitoring of real estate loans, risk prevention and so forth.

The Supplemental Notice on Strengthening the Management of Commercial Real Estate Credit and Loans (《關於加強商業性房地產信貸管理的補充通知》) (the "**Supplemental Notice**") jointly issued by the PBOC and the CBRC and dated 5 December 2007, sets forth supplemental requirements in respect of strengthening housing consumption loan management.

On 26 May 2008, the CBRC issued the Notice on Further Strengthening Risk Management in the Provision of Credit to the Real Estate Market (《關於進一步加強房地產行業授信風險管理的通知》). Such Notice was intended to combat real estate developers who (i) "falsify mortgages" by using forged real property sale contracts; (ii) process "falsified down payments" from borrowers by accepting initial repayments in the pre-sale stage, paying for buyers in advance or by other means; or (iii) mislead banks about decisions over the provision of loans by forging their sale performances or house prices as well as other problems arising in the real estate market.

On 20 December 2008, the General Office of the State Council promulgated the Several Opinions on Promoting the Sound Development of the Real Estate Market (《關於促進房地產市場健康發展的若干意見》), which provides the following requirements regarding loans for real estate property businesses:

(a) consumption of regular commodity houses is to be encouraged; and

(b) reasonable financing requirements of real estate developers shall be supported.

REGULATIONS ON CONSTRUCTION SAFETY

Under relevant construction safety laws and regulations, including the Law of the People's Republic of China on Safe Production (《中華人民共和國安全生產法》) implemented by the Standing Committee of the National People's Congress in 1 November 2002, revised on 27 August 2009, the developer shall apply with the relevant supervisory entity on safety for the registration of supervision for work safety in construction before its commencement of construction. Construction without such registration will not be granted construction works commencement permit. Contractors for the construction shall establish objectives and measures for work safety and improve working environment and conditions for workers in a planned and systematic way. A work safety protection scheme shall also be set up to carry out the work safety job responsibility system. At the same time, contractors shall adopt corresponding site work safety protective measures according to the work protection requirements in different construction stages and such measures shall comply with the labour safety and hygiene standards of the State.

REGULATIONS ON ENVIRONMENTAL PROTECTION

Under the requirements of the relevant environmental laws and regulations, including the Appraisal Measures for the Impact on the Environment of the PRC (《中華人民共和國環境影響評價法》) implemented by the Standing Committee of the National People's Congress on 1 September 2003, and the Regulations Governing Environmental Protection of Construction Projects (《建設項目環境保護管理條例》) implemented by the State Council on 29 November 1998, enterprises engaging in real estate development and construction must carry out an appraisal of the impact the construction project will have on the environment. The relevant project shall not commence until approval is obtained from the supervisory body for environmental protection. While the project is in progress, the developer should also enforce the appraisal documents relating to the impact on the environment and implement the environmental protection measures suggested in the opinion of the supervisory body for environmental protection. Such measures must be incorporated into the design, construction and operation of the general construction. Upon completion of the project, the developer should apply to the supervisory body for environmental protection for the inspection and acceptance of the completed environmental protection facilities. Only those projects that have been inspected and accepted may go into operation or be available for use.

REGULATIONS ON TAXATION

Income Tax

According to the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) ("**EIT Law**") enacted by the National People's Congress on 16 March 2007 and enforced from 1 January 2008 onwards, a unified income tax rate of 25% will be applied towards foreign investment and foreign enterprises which have set up institutions or facilities in the PRC as well as PRC enterprises. Under the EIT Law, enterprises established outside of China whose "de facto management bodies" are located in China are considered "resident enterprises" and will generally be subject to the unified 25% enterprise income tax rate as to their global income.

Business Tax

Pursuant to the Interim Regulations of the People's Republic of China on Business Tax (《中華人民共和國營業稅暫行條例》) promulgated by the State Council on 13 December 1993, amended on 5 November 2008, and implemented on 1 January 2009, and the Detailed Implementation Rules on the Provisional Regulations of The People's Republic of China on Business Tax (《中華人民共和國營業稅暫行條例實施細則》) issued by the MOF on 25 December 1993, amended on 15 December 2008 and implemented on 1 January 2009, the tax rate applicable to the transfer of real estate properties, their superstructures and attachments is 5 percent.

In accordance with The Notice on the Adjustment of Business Tax Policies on Individual Housing Transfer (《關於調整個人住房轉讓營業稅政策的通知》) jointly issued by the MOF and the State Administration of Taxation on 12 December 2009, it requires that: since 1 January 2010, anyone selling a non-ordinary residential housing within five years of its purchase pay a full sales tax; while anyone selling a non-ordinary residential housing beyond five years (including five years) of its purchase and anyone selling an ordinary residential housing within five years of its purchase pay a sales tax from the difference of sales income less the purchasing price; anyone selling an ordinary residential housing beyond five years (including five years) of its purchase exempt from the sales tax.

Land Appreciation Tax

According to the requirements of the Provisional Regulations of the People's Republic of China on Land Appreciation Tax (《中華人民共和國土地增值稅暫行條例》) (the "**Land Appreciation Tax Provisional Regulations**") which were promulgated on 13 December 1993 and effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the People's Republic of China on Land Appreciation Tax (《中華人民共和國土地增值稅暫行條例實施細則》) (the "**Land Appreciation Tax Detailed Implementation Rules**") which were promulgated and came into effect on 27 January 1995, any capital gain from transfer of real property shall be subject to land appreciation tax. Land appreciation tax shall be charged at four levels of progressive rates: 30 percent for the appreciation amount not exceeding 50 percent of the sum of deductible items; 40 percent for the appreciation amount exceeding 50 percent but not exceeding 100 percent of the sum of deductible items; 50 percent for the appreciation amount exceeding 100 percent but not exceeding 200 percent of the sum of deductible items; and 60 percent for the appreciation amount exceeding 200 percent of the sum of deductible items. The aforesaid deductible items include the following:

(a) amount paid for obtaining the land use rights;

(b) costs and expenses for the development of the land;

(c) costs and expenses of new buildings and ancillary facilities, or estimated prices of old buildings and constructions;

(d) related tax payable for the transfer of real estate property; and

(e) other deductible items as specified by the MOF.

In addition, for taxpayers who construct ordinary standard residences for sale (i.e. the residences built in accordance with the local standards for residential properties. Deluxe apartments, villas, resorts etc. are not under the category of ordinary standard residences), the appreciation amount does not exceed 20 percent of the sum.

On 28 December 2006, the SAT issued the Notice on the Administration of the Settlement of Land Appreciation Tax of Real Estate Development Enterprises (《國家稅務總局關於房地產開發企業土地增值稅清算管理有關問題的通知》) which came into effect on 1 February 2007. Pursuant to the Notice, a real estate developer shall settle and clear the land appreciation tax ("**LAT**") payment of its development projects that meet certain criteria with the tax authorities in accordance with the applicable LAT rates. The LAT shall be settled for projects approved by the competent authorities; and for projects developed in different stages, the LAT shall be settled in stages. LAT must be settled if (1) the real estate development project has been completed and fully sold; (2) the real estate developer transfers the whole uncompleted development project; or (3) the land use rights with respect to the project are transferred. In addition, the relevant tax authorities may require the developer to settle the

LAT if either of the following criteria is met: (1) for completed real estate development projects, the transferred ground floor area ("**GFA**") represents more than 85 percent of total saleable GFA, or the proportion represented is less than 85 percent, but the remaining saleable GFA has been leased out or used by the developer; (2) the project has not been sold out for more than three years after obtaining the sale permit or Pre-Sales Permit; (3) the developer applies for cancellation of the tax registration without having settled the relevant LAT; or (4) other conditions stipulated by the tax authorities.

On 22 October 2008, the MOF and the SAT issued the Circular on Taxation Policy Adjustment Concerning Real Estate Trading (《關於調整房地產交易環節稅收政策的通知》) and temporarily exempted the LAT for individuals selling houses starting from 1 November 2008.

On 12 May 2009, the SAT issued the Administrative Rules for the Settlement of Land Appreciation Tax (《土地增值稅清算管理規程》) (the "**Settlement Rules**"), which became effective on 1 June 2009. The Settlement Rules reiterated the circumstances under which the LAT must be settled, the criteria that are to be met for relevant tax authorities to require the settlement of LAT and the circumstances under which the tax authorities shall levy and collect LAT as prescribed by the Notice. The Settlement Rules further stipulate detailed procedures for the examination and verification of settlement of LAT to be carried out by relevant tax authorities.

Deed Tax

Pursuant to the Interim Regulations of the People's Republic of China on Deed Tax (《中華人民共和國契稅暫行條例》) promulgated by the State Council on 7 July 1997 and implemented on 1 October 1997, the transferee, whether an individual or otherwise, of the title to a land site or building in the PRC shall be subject to the payment of deed tax. The rate of deed tax is 3 percent to 5 percent. The governments of provinces, autonomous regions and municipalities directly under the central government may, within the aforesaid range, determine and report their effective tax rates to the MOF and the SAT for the record.

The Circular on Taxation Policy Adjustment Concerning Real Estate Trading announced that the deed tax for individuals buying their first regular commodity house with a floor area of less than 90 sq.m. shall be temporarily reduced to a unified rate of 1 percent starting from 1 November 2008.

Urban Land Use Tax

Pursuant to the Provisional Regulations of the People's Republic of China Governing Land Use Tax in Urban Areas (《中華人民共和國城鎮土地使用稅暫行條例》) promulgated by the State Council on 27 September 1988, implemented on 1 November 1988 and amended on 31 December 2006, land use tax in respect of urban land is levied according to the area of relevant land. The annual tax on every square metre of urban land shall be between RMB0.2 and RMB10 as determined by the local tax authority. According to the Notice on Land Use Tax Exemption of Foreign-Invested Enterprises and Institutions of Foreign Enterprises in China (《關於中國外商投資企業和外國企業在華機構不徵收城鎮土地使用稅的通知》) promulgated by the MOF on 2 November 1988 and the Approval on Land Use Tax Exemption of Foreign-Invested Enterprises (《關於外商投資企業不徵收城鎮土地使用稅的批准書》) issued by the SAT on 27 March 1997, land use fees should be collected instead of land use tax in respect of foreign-invested enterprises. However, in accordance with the Provisional Regulations of the People's Republic of China Governing Land Use Tax in Urban Areas, land use tax shall be collected from foreign-invested enterprises and the annual tax on every square metre of urban land shall be between RMB0.6 and RMB30.0.

Building Tax

Under the Interim Regulations of the People's Republic of China on Building Tax (《中華人民共和國房產稅暫行條例》) promulgated by the State Council on 15 September 1986 and implemented on 1 October 1986, building tax shall be levied at 1.2 percent if it is calculated on the basis of the residual value of a building, and 12 percent if it is calculated on the basis of the rental.

Stamp Duty

Under the Interim Regulations of the People's Republic of China on Stamp Duty (《中華人民共和國印花稅暫行條例》) promulgated by the State Council on 6 August 1988 and implemented on 1 October 1988, for real property transfer instruments, including those in respect of property ownership transfer, the stamp duty rate shall be 0.05% of the amount stated therein; for permits and certificates relating to rights, including property ownership certificates and land use rights certificates, stamp duty shall be levied on an item basis of RMB5 per item.

On 22 October 2008, the MOF and the SAT issued the Circular on Taxation Policy Adjustment Concerning Real Estate Trading and temporarily exempted the stamp duty for individuals selling or buying houses starting from 1 November 2008.

REGULATIONS ON FOREIGN CURRENCY EXCHANGE

Under the PRC Foreign Currency Administration Rules (《中華人民共和國外匯管理條例》) promulgated in 1996 and revised in 1997 and as amended in 2008 and various regulations issued by SAFE and other relevant PRC government authorities, Renminbi is convertible into other currencies for the purpose of current account items, such as trade related receipts and payments and the payment interest and dividend. The conversion of Renminbi into other currencies and remittance of the converted foreign currency outside China for the purpose of capital account items, such as direct equity investments, loans and repatriation of investment, requires the prior approval from SAFE or its local office. Payments for transactions that take place within China must be made in Renminbi. Unless otherwise approved, PRC companies may repatriate foreign currency payments received from abroad or retain the same abroad. Foreign-invested enterprises may retain foreign exchange in accounts with designated foreign exchange banks subject to a cap set by SAFE or its local office. Foreign exchange proceeds under the current accounts may be either retained or sold to a financial institution engaging in settlement and sale of foreign exchange pursuant to relevant rules and regulations of the State. For foreign exchange proceeds under the capital accounts, approval from SAFE is required for its retention or sale to a financial institution engaging in settlement and sale of foreign exchange, except where such approval is not required under the rules and regulations of the State. On 29 August 2008, the SAFE issued the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Investment Enterprises (《國家外匯管理局綜合司關於完善外商投資企業外匯資本金支付結匯管理有關業務操作

問題的通知》) ("**Circular 142**"). Pursuant to Circular 142, Renminbi amounts converted by a foreign-invested enterprise from its foreign exchange capital contribution may only be used for the activities within the approved business scope of such foreign-invested enterprise and may not be used for domestic equity investment or acquisition unless otherwise allowed by PRC laws or regulations.

Circular of the State Administration of Foreign Exchange on Issues concerning the Pilot Reform of the Administrative Approach Regarding the Settlement of the Foreign Exchange Capitals of Foreign - invested Enterprises in Certain Areas (《國家外匯管理局關於在部分地區開展外商投資企業外匯資本金結匯管理方式改革試點有關問題的通知》) ("**Circular 36**") was promulgated on 4 July 2014, and took effective on 4 August 2014. With a view to further deepening the reform of the foreign exchange administration system, and better satisfying and facilitating the needs of foreign-invested enterprises for business and fund operations, SAFE has decided to launch the pilot reform of the administrative approach regarding the settlement of the foreign exchange capitals of foreign-invested enterprises in the following areas: Tianjin Binhai New Area, Economy Group of Shenyang, Suzhou Industrial Park, Donghu National Independent Innovation Demonstration Zone, Guangzhou Nansha New Area, Hengqin New Area, Chengdu High-tech Industrial Development Zone, Zhongguancun Science Park, Chongqing Liangjiang New Area, border development and opening-up regions in Heilongjiang Province in which pilot foreign exchange administration reform is carried out, Wenzhou Comprehensive Financial Reform Pilot Area, Pingtan Comprehensive Experimental Area, China-Malaysia Qinzhou Industrial Park, Guiyang Comprehensive Bonded Zone, Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone and Qingdao Comprehensive Wealth Management and Financial Reform Pilot Area.

Under Circular 36, the discretionary settlement by a foreign-invested enterprise of its foreign exchange capital shall refer to the case under which the foreign-invested enterprise may, according to its actual business needs, settle with a bank the portion of the foreign exchange capitals in its capital account for which the local foreign exchange bureau has confirmed capital contribution rights and interests. For the time being, foreign-invested enterprises registered and established within the pilot areas are allowed to settle 100% of their foreign exchange capitals on a discretionary basis.

REGULATIONS ON LABOUR AND SOCIAL SECURITY

On 29 June 2007, the PRC government promulgated the PRC Labour Contract Law (《中華人民共和國勞動合同法》), which became effective on 1 January 2008. Pursuant to the PRC Labour Contract Law and the PRC Labour Law, which became effective on 1 January 1995, (i) employers must execute written labour contracts with full-time employees, (ii) employers are prohibited from forcing employees to work overtime unless they pay overtime payment to the employees and the hours worked beyond the standard working hours are within the statutory limits, (iii) employers are required to pay salaries to employees on time and the salaries paid to employees shall not be lower than the local minimum salary standard, and (iv) employers shall establish its work safety and sanitation system, and provide employees with workplace safety training. In addition, in accordance with the relevant laws and regulations on social security, employers in the PRC are required to make contributions to various social insurances (including medical, pension, unemployment, work-related injury and maternity insurance) and the housing fund on behalf its employees.

Pursuant to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) (the "**New Social Insurance Law**") promulgated on 28 November 2010 by the and implemented on 1 July 2011, the Interim Regulations Concerning the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) promulgated and implemented on 22 January 1999 by the State Council, the Interim Measures Concerning the Maternity Insurance of Employees of an enterprise (《企業職工生育保險試行辦法》) promulgated on 14 December 1994 and implemented on 1 January 1995 by former Ministry of Labour, the Regulation on the Administration of Housing Provident Fund (《住房公積金管理條例》) promulgated and implemented on 3 April 1999 and amended on 24 March 2002 by the State Council, the Regulation on Occupational Injury Insurances (《工傷保險條例》) promulgated on 27 April 2003 by the State Council and implemented on 1 January 2004 and amended on 20 December 2010 by the State Council, and regulations on pension insurance, medical insurance and unemployment insurance in the provincial and municipal level, the employer shall pay pension insurance fund, basic medical insurance fund, unemployment insurance fund, occupational injury insurance fund, maternity insurance fund and housing fund for the employees. After the New Social Insurance Law became effective, where an employer fails to pay social insurance premiums on time or in full amount, it will be ordered by the collection agency of social insurance premiums to pay or make up the deficit of premiums within a prescribed time limit, and a daily late fee at the rate of 0.05% of the outstanding amount from the due date will be imposed; and if it still fails to pay the premiums within the prescribed time limit, a fine of one to three times the outstanding amount might be imposed by the relevant administrative department.

BUSINESS HISTORY

The following is a summary of our Group's key business development milestones:

2007	Taizhou Xinming was established and started to engage in the development of residential property projects in Taizhou, Zhejiang Province - Taizhou Xinming Peninsular (台州新明半島)
2008	Taizhou Investment was established and started to engage in the development of commercial property projects in Taizhou, Zhejiang Province — Xinming International Household Products Mall (新明國際家居廣場)
2011	Our Company acquired Wenshang Times to further expand its commercial property projects in Taizhou, Zhejiang Province
2011	Taizhou Xinming Peninsular (台州新明半島) was awarded the 2011 Zhejiang Province Construction Qianjiang Cup (Quality Construction Award) (2011年度浙江省建設工程錢江杯獎（優質工程）) by Zhejiang Province Commission of Housing and Urban-Rural Development (浙江省住房和城鄉建設廳), Zhejiang Province Construction Industry Association (浙江省建築業行業協會) and Zhejiang Province Construction Quality Management Association (浙江省工程建設質量管理協會)
2011	Our residential and commercial property projects in Taizhou, Xinming Lijiang Garden (新明麗江苑) and Wengshang Times, were awarded the 2011 China New Residence Era — 10 Best Residential Development Standard (2011中國新居住時代十大人居典範樓盤) and 2011 China New Residence Era — 10 Best International Commercial Landmark (2011中國新居住時代十大國際商業地標), respectively by China Real Estate Investment Association (中國房地產投資協會)
2011	Shanghai Xinming was established and started to engage in the development of commercial property projects - Shanghai Xinming • Children's World (上海新明 • 兒童世界)
2012	Chongqing Xinming was established and started to engage in the development of commercial property projects - China South-Western City (中國西南城)
2013	Our Company acquired Shandong Xingmeng and started to engage in the development of commercial property projects in Shandong Province - Xingmeng International Commercial City (興盟國際商城)
2013	Our commercial property project, Xingmeng International Commercial City (興盟國際商城) was awarded the "2013 Development Most Satisfied by Tengzhou Consumers - Development Having Greatest Appreciation Potential (滕州市2013年消費者滿意樓盤評選"最具升值潛力獎")" by Tengzhou Administrative Bureau for Industry and Commerce (滕州市工商行政管理局), Tengzhou Urban Administrative Enforcement Bureau (滕州市城市管理局), Tengzhou Consumers Council (滕州市消費者協會) and Tengzhou Daily (滕州日報社)

2014	Hangzhou Xinming was established and started to engage in the development of commercial property projects - Hangzhou Xinming • Children's World (杭州新明 • 兒童世界)

For further information in relation to our business, please refer to the section headed "Business" in this prospectus.

CORPORATE DEVELOPMENT

The history of our Group started in 2007 when XG Limited (which is controlled by our founder, namely Mr. Chen) established Taizhou Xinming in the PRC as a limited liability company with a registered capital of RMB71,800,000. Taizhou Xinming was owned as to 100% by XG Limited immediately before the Reorganisation. Mr. Chen financed the contribution to Taizhou Xinming by the resources of XG Limited which was set up in 1999 and initially financed by Mr. Chen's own resources.

Through XG Limited, Mr. Chen has invested in our Group's property development business during the Track Record Period until completion of the Reorganisation.

The following describes the corporate history of our Company and subsidiaries.

Our Company

Our Company was incorporated in the Cayman Islands on 16 January 2014 as a limited liability company with an authorised share capital of HK$100,000,000 divided into 10,000,000,000 Shares of HK$0.01 each and is the holding company of our subsidiaries. As at the Latest Practicable Date, all allotted and issued Shares were held as to 100% by Xinxing Company.

As a result of the Reorganisation, the Company, through Xinming Capital, Xinming Hong Kong and Hangzhou Times, indirectly holds all the equity interests in our subsidiaries, which are principally engaged in the property developments in the PRC. Please refer to the paragraph headed "Reorganisation" in this section for further details about the Reorganisation.

OUR SUBSIDIARIES IN THE BVI, HONG KONG AND THE PRC

BVI

Xinming Capital

Xinming Capital was incorporated in the BVI on 17 January 2014 as a limited liability company with an authorised share capital of US$50,000 divided into 50,000 shares of US$1.0 each. On 17 January 2014, 1 share of Xinming Capital was issued to our Company for a consideration of US$1.0. Since the time of its establishment, Xinming Capital has been owned as to 100% by the Company.

It serves as an intermediate holding company.

Hong Kong

Xinming Hong Kong

Xinming Hong Kong was incorporated in Hong Kong on 4 February 2014 as a limited liability company. On 4 February 2014, 1 share of Xinming Hong Kong was issued to Xinming Capital for a consideration of HK$1.0. Since the time of its establishment, Xinming Hong Kong has been owned as to 100% by Xinming Capital.

It serves as an intermediate holding company.

PRC

Hangzhou Times

Hangzhou Times was established on 9 April 2014 in the PRC, as a wholly-foreign owned enterprise with a registered capital of RMB30,000,000. Since the time of its establishment, Hangzhou Times has been owned as to 100% by Xinming Hong Kong.

It principally serves as an intermediate holding company.

Xinming Group

Xinming Group was established on 5 November 2012 in the PRC as a limited liability company with a registered capital of RMB50,000,000. It is principally engaged in the management of our Group's projects and involved in the auction of land in certain cities and serves as the holding company of all the project companies of our Group. Xinming Group commenced business in around November 2012.

At the time of its establishment, Xinming Group was owned as to 85% by XG Limited and 15% by Zhu Hongji (朱宏基), an Independent Third Party (save for being the then shareholder of Xinming Group). Pursuant to an equity transfer agreement dated 20 May 2013, Zhu Hongji (朱宏基) transferred 15% equity interest in Xinming Group to Mr. Chen for a consideration of RMB7,500,000 which was determined with reference to the registered capital of Xinming Group at the time of transfer. Pursuant to an equity transfer agreement dated 20 November 2013, Mr. Chen transferred 15% equity interest in Xinming Group to XG Limited for a consideration of RMB7,500,000 which was determined with reference to the registered capital of Xinming Group at the time of transfer. Immediately before the Reorganisation, Xinming Group was owned as to 100% by XG Limited.

Hangzhou Xinming

Hangzhou Xinming was established on 28 March 2014 in the PRC as a limited liability company with a registered capital of RMB50,000,000. It is principally engaged in property development and property management in Hangzhou and is the project company of Hangzhou Xinming • Children's World (杭州新明•兒童世界). Hangzhou Xinming commenced business in around March 2014.

Immediately before the Reorganisation, Hangzhou Xinming was owned as to 100% by Xinming Group.

Chongqing Xinming

Chongqing Xinming was established on 16 November 2012 in the PRC as a limited liability company with an initial registered capital of RMB50,000,000 which was subsequently increased to RMB250,000,000. It is principally engaged in property development in Chongqing and is the project company of Chongqing Xinming • China South-western City (重慶新明 • 中國西南城). Chongqing Xinming commenced business in around November 2012.

At the time of its establishment, Chongqing Xinming was owned as to 60% by Xinming Group. The remaining 40% equity interest in Chongqing Xinming was owned by four Independent Third Parties (save for being the then shareholders of Chongqing Xinming). Subsequently, there were certain transfers of the equity interests among the minority shareholders.

Immediately before the Reorganisation, Chongqing Xinming was owned as to 60% by Xinming Group. The remaining 40% equity interest in Chongqing Xinming was owned as to 20% by 東莞市歐海實業有限公司 (Dongguan City Ouhai Shiye Company Limited*), 10% by 沈明 (Shen Ming*), 5% by 東莞市森欣服飾有限公司 (Dongguan City Senxin Apparel Company Limited*) and 5% by 浙江星際電梯有限公司 (Zhejiang Xingji Elevators Limited*). All of the minority shareholders are Independent Third Parties (save for being shareholders and/or director of Chongqing Xinming).

Taizhou Xinming

Taizhou Xinming was established on 12 February 2007 in the PRC as a limited liability company with a registered capital of RMB71,800,000. It is principally engaged in property development in Taizhou and is the project company of Taizhou Xinming Peninsular (台州新明半島). Taizhou Xinming commenced business in around February 2007.

At the time of its establishment and immediately before the Reorganisation, Taizhou Xinming was owned as to 100% by XG Limited.

Taizhou Investment

Taizhou Investment was established on 12 September 2008 in the PRC as a limited liability company with an initial registered capital of RMB10,000,000 which was subsequently increased to RMB160,000,000. It is principally engaged in property development and property investment in Taizhou and is the project company of Xinming International Household Products Mall (新明國際家居廣場), Xinming Lijiang Garden (新明麗江苑), Commercial Building Project (商務樓項目) and Xinming International Logistic Centre (新明國際物流中心), respectively. Taizhou Investment commenced business in around September 2008.

As at 1 January 2011, Taizhou Investment was owned as to 74% by XG Limited. The remaining 26% equity interest of Taizhou Investment was owned by four Independent Third Parties (save for being the then shareholders of Taizhou Investment). Pursuant to four equity transfer agreements dated 5 September 2011 and an equity transfer supplemental agreement dated 23 December 2011, the four minority shareholders transferred all their equity interests in Taizhou Investment to XG Limited for an aggregate consideration of approximately RMB111,662,710, which was determined with reference to the investment cost contributed by the four minority shareholders to Taizhou Investment.

Pursuant to an absorption and merger agreement (吸收合併協議書) dated 25 December 2012, Taizhou Investment merged with 台州新明國際市場經營管理有限公司 (Taizhou Xinming International Market Management Company Limited*), a wholly-owned subsidiary of Taizhou Investment ("Taizhou Xinming Management"). Taizhou Xinming Management was established in September 2009 and was owned as to 74% by XG Limited. The remaining 26% interests in Taizhou Xinming Management were owned by four Independent Third Parties. In September 2011, Taizhou Investment acquired 100% interest in Taizhou Xinming Management for an aggregate consideration of RMB10,000,000 which was determined with reference to the registered capital of Taizhou Xinming Management at the time of transfer. It commenced its business of providing management services to the property projects of Taizhou Investment in around September 2009.

In order to simplify the group structure and reduce the administrative expenses of maintaining a separate legal entity, Taizhou Investment absorbed Taizhou Xinming Management in around December 2012, as described above.

Immediately before the Reorganisation, Taizhou Investment was owned as to 100% by XG Limited.

Wenshang Times

Wenshang Times was established on 13 January 2010 in the PRC as a limited liability company with a registered capital of RMB50,000,000. It is principally engaged in property development and property investment in Taizhou and is the project company of Wenshang Times • Red Star Macalline Household Products Market (温商時代•紅星美凱龍家居市場), Wenshang Times • Xinming Household Decorations and Fittings City (温商時代•新明飾品城), and Wenshang Times • Xinming Apartment (温商時代•新明公館). Wenshang Times commenced operation in around January 2010.

As at 1 January 2011, Wenshang Times was owned as to 63% by Zheng Xiangtian (鄭翔天), a brother of Mr. Chen, the executive Directors and Controlling Shareholder. The remaining 37% equity interest of Wenshang Times was owned by five Independent Third Parties (save for being the then shareholders of Wenshang Times).

Pursuant to three equity transfer agreements dated 5 September 2011, Zheng Xiangtian (鄭翔天) and two minority shareholders transferred their respective 40%, 5% and 15% equity interests in Wenshang Times to XG Limited for a consideration of RMB20,000,000, RMB2,500,000 and RMB7,500,000, respectively and the consideration was fully settled by 18 September 2012. On 20 March 2012, XG Limited further acquired 40% interest in Wenshang Times for an aggregate consideration of RMB20,000,000 and the consideration was fully settled on the same date. The consideration of the above equity interest transfers was determined with reference to the registered capital of Wenshang Times at the time of transfer. The above equity transfers in Wenshang Times were properly and legally completed and settled.

Immediately before the Reorganisation, Wenshang Times was owned as to 100% by XG Limited.

Shanghai Xinming

Shanghai Xinming was established on 29 April 2011 in the PRC as a limited liability company with a registered capital of RMB50,000,000. It is principally engaged in property development, infrastructure construction and provision of property management services in Shanghai and is the project company of Shanghai Xinming • Children's World (上海新明•兒童世界). Shanghai Xinming commenced business in around April 2011.

At the time of its establishment, Shanghai Xinming was owned as to 79% by XG Limited and 21% by 上海嘉碩裝潢廣告有限公司 (Shanghai Jiashuo Zhuanghuang Advertisement Company Limited*), an Independent Third Party (save for being the then shareholder of Shanghai Xinming). Pursuant to an equity transfer agreement dated 10 May 2012, XG Limited transferred 10% equity interest in Shanghai Xinming to another Independent Third Party (save for being a shareholder of Shanghai Xinming) for a consideration of RMB5,000,000 which was determined with reference to the registered capital of Shanghai Xinming at the time of transfer. Pursuant to another equity transfer agreement dated 1 July 2013, that Independent Third Party (save for being the then shareholder of Shanghai Xinming) transferred 10% equity interest in Shanghai Xinming back to XG Limited for a consideration of RMB5,000,000 which was determined with reference to the registered capital of Shanghai Xinming at the time of transfer. The reason for the back-and-forth transfer of equity interest in Shanghai Xinming was because such Independent Third Party (save for being the then shareholder of Shanghai Xinming) decided to withdraw the original contribution to Shanghai Xinming due to the adjustment of its investment plan.

Immediately before the Reorganisation, Shanghai Xinming was owned as to 79% by XG Limited and 21% by 上海嘉碩裝潢廣告有限公司 (Shanghai Jiashuo Zhuanghuang Advertisement Company Limited*).

Xinming Property

Xinming Property was established on 14 November 2005 in the PRC as a limited liability company with a registered capital of RMB5,000,000. It is principally engaged in provision of property management services. Xinming Property commenced business in around November 2005.

As at 1 January 2011, Xinming Property was owned as to 70% by XG Limited and 30% by Mr. Chen.

Pursuant to the equity transfer agreement dated 27 November 2013, Mr. Chen transferred 30% equity interest in Xinming Property to XG Limited for a consideration of RMB1,500,000 which was determined with reference to the registered capital of Xinming Property at the time of transfer. As a result, Xinming Property was owned as to 100% by XG Limited.

Immediately before the Reorganisation, Xinming Property was owned as to 100% by XG Limited.

Shandong Xingmeng

Shandong Xingmeng was established on 24 October 2011 in the PRC as a limited liability company with a registered capital of RMB50,000,000. It is principally engaged in property development and property management in Tengzhou and is the project company of Xingmeng International Commercial City (興盟國際商城). Shandong Xingmeng commenced operation in around October 2011.

At the time of its establishment, Shandong Xingmeng was owned as to 52% by Gao Liku (高立庫), the executive director of Shandong Xingmeng, and 48% by two Independent Third Parties (save for being shareholders of Shandong Xingmeng).

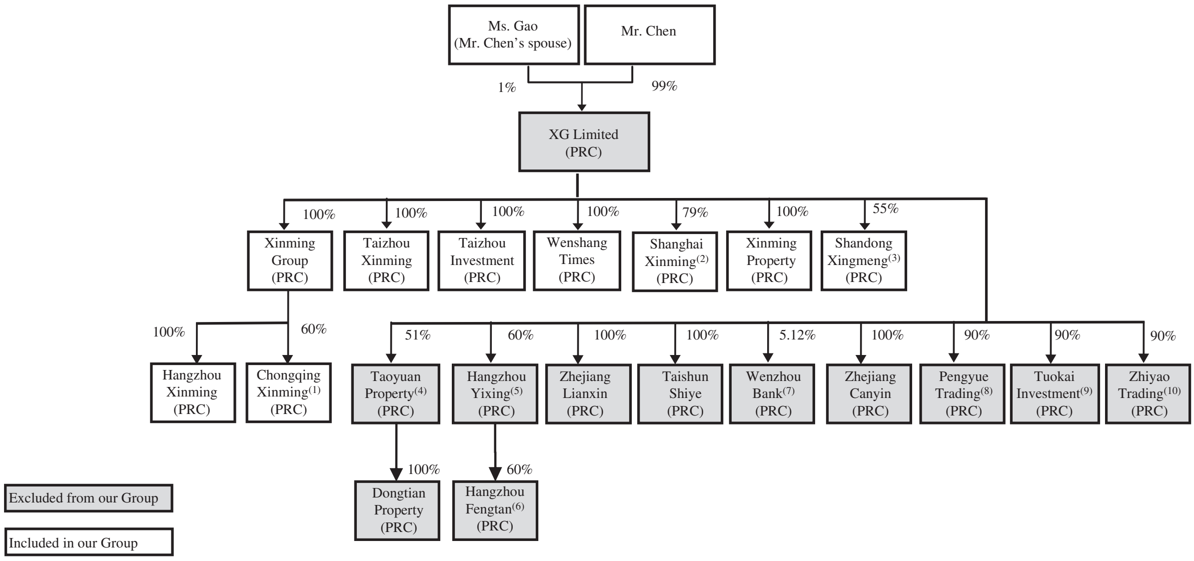
Pursuant to three equity transfer agreements dated 16 October 2013, XG Limited acquired 55% equity interests in Shandong Xingmeng from three original shareholders for an aggregate consideration of RMB27,500,000 and the consideration was fully settled on 28 October 2013. The consideration was determined with reference to the registered capital of Shandong Xingmeng at the time of transfer.

Immediately before the Reorganisation, Shandong Xingmeng was owned as to 55% by XG Limited and 45% by Gao Liku (高立庫).

Our PRC Legal Advisers have confirmed that the above equity transfers in the PRC have been conducted in line with the procedure under applicable laws and regulations of the PRC and all equity transfers have been duly registered with local registration authorities of PRC.

REORGANISATION

Set out below is the shareholding and corporate structure of our Group immediately prior to the implementation of our onshore Reorganisation:



Notes:

(1) Chongqing Xinming was owned as to 60% by Xinming Group. The remaining interests in Chongqing Xinming were owned as to 20% by 東莞市歐海實業有限公司 (Dongguan City Ouhai Shiye Company Limited*), 10% by 沈明(Shen Ming*), 5% by 東莞市森欣服飾有限公司 (Dongguan City Senxin Apparel Company Limited*) and 5% by 浙江星際電梯有限公司 (Zhejiang Xingji Elevators Limited*), all of which are Independent Third Parties (save for being shareholders and/or director of Chongqing Xinming).

(2) Shanghai Xinming was owned as to 79% by XG Limited and 21% by 上海嘉碩裝潢廣告有限公司 (Shanghai Jiashuo Zhuanghuang Advertisement Company Limited*), an Independent Third Party (save for being a shareholder of Shanghai Xinming).

(3) Shandong Xingmeng was owned as to 55% by XG Limited and 45% by Gao Liku (高立庫), the executive director of Shandong Xingmeng.

(4) Taoyuan Property was owned as to 51% by XG Limited and 49% by 浙江正遠房地產代理有限公司 (Zhejiang Zhengyuan Property Agent Company Limited*) ("Zhejiang Zhengyuan"). Zhejiang Zhengyuan was owned as to 20% by Ms. Gao and the remaining 80% interests in Zhejiang Zhengyuan were owned by two Independent Third Parties.

(5) Hangzhou Yixing was owned as to 60% by XG Limited and 40% by a joint venture partner of XG Limited, an Independent Third Party.

(6) Hangzhou Fengtan was owned as to 60% by Hangzhou Yixing and 40% by an Independent Third Party.

(7) Wenzhou Bank was owned as to 5.12% by XG Limited as at 31 December 2014.

(8) Pengyue Trading was owned as to 90% by XG Limited and 10% by Mr. Chen.

(9) Tuokai Investment was owned as to 90% by XG Limited and 10% by Mr. Chen.

(10) Zhiyao Trading was owned as to 90% by XG Limited and 10% by Mr. Chen.

In preparation for the Global Offering, we carried out a series of restructuring steps for the purpose of preparing our corporate structure for the Listing. The principal steps involved in the Reorganisation are summarized as below:

1. Establishment of Xinxing Company

On 15 January 2014, Xinxing Company was incorporated in the BVI as a limited liability company and the entire issued share capital of which is owned by Mr. Chen.

2. Establishment of our Company

On 16 January 2014, our Company was incorporated in the Cayman Islands to act as the holding company of all the businesses and operations of our Group. The initial authorized share capital of our Company was HK$100,000,000 divided into 10,000,000,000 Shares of HK$0.01 each. On 16 January 2014, 1 Share was allotted and issued to the initial subscriber, and then transferred to Xinxing Company. On the same day, our Company allotted and issued an addition 98 Shares, credited as fully paid, to Xinxing Company at par value.

3. Establishment of intermediate holding companies

Xinming Capital was incorporated in the BVI on 17 January 2014 as a limited liability company and has been owned as to 100% by the Company since its establishment.

Xinming Hong Kong was incorporated in Hong Kong on 4 February 2014 as a limited liability company and has been owned as to 100% by Xinming Capital since its establishment.

Hangzhou Times was established on 9 April 2014 in the PRC as a wholly-foreign owned enterprise and has been owned as to 100% by Xinming Hong Kong since its establishment.

4. Onshore Reorganisation

(a) *Xinming Group acquired 100% interest in Wenshang Times*

Pursuant to the equity transfer agreement dated 28 April 2014, XG Limited transferred 100% equity interest in Wenshang Times to Xinming Group for a consideration of RMB50,000,000 which was determined with reference to the registered capital of Wenshang Times at the time of transfer and the consideration was settled on 16 May 2014. This step was properly and legally completed on 5 May 2014. As a result, Wenshang Times is owned as to 100% by Xinming Group.

(b) *Xinming Group acquired 100% interest in Taizhou Investment*

Pursuant to the equity transfer agreement dated 4 May 2014, XG Limited transferred 100% equity interest in Taizhou Investment to Xinming Group for a consideration of RMB230,062,710.25 which was determined with reference to the investment cost for the equity interest of Taizhou Investment and the consideration was settled on 16 May 2014. This step was properly and legally completed on 8 May 2014. As a result, Taizhou Investment is owned as to 100% by Xinming Group.

(c) *Xinming Group acquired 100% interest in Taizhou Xinming*

Pursuant to the equity transfer agreement dated 5 May 2014, XG Limited transferred 100% equity interest in Taizhou Xinming to Xinming Group for a consideration of RMB71,800,000 which was determined with reference to the registered capital of Taizhou Xinming at the time of transfer and the consideration was settled on 16 May 2014. This step was properly and legally completed on 7 May 2014. As a result, Taizhou Xinming is owned as to 100% by Xinming Group.

(d) *Xinming Group acquired 79% interest in Shanghai Xinming*

Pursuant to the equity transfer agreement dated 5 May 2014, XG Limited transferred 79% equity interest in Shanghai Xinming to Xinming Group for a consideration of RMB39,500,000 which was determined with reference to the registered capital of Shanghai Xinming at the time of transfer and the consideration was settled on 16 May 2014. This step was properly and legally completed on 12 May 2014. As a result, Shanghai Xinming is owned as to 79% by Xinming Group.

(e) *Xinming Group acquired 100% interest in Xinming Property*

Pursuant to the equity transfer agreement dated 14 May 2014, XG Limited transferred 100% equity interest in Xinming Property to Xinming Group for a consideration of RMB5,000,000 which was determined with reference to the registered capital of Xinming Property at the time of transfer and the consideration was settled on 16 May 2014. This step was properly and legally completed on 14 May 2014. As a result, Xinming Property is owned as to 100% by Xinming Group.

(f) *Xinming Group acquired 55% interest in Shandong Xingmeng*

Pursuant to two equity transfer agreements dated 16 May 2014, XG Limited and Gao Liku (高立庫) transferred their respective 55% and 45% equity interests in Shandong Xingmeng to Xinming Group and 杭州高巛控股有限公司 (Hangzhou Gaochuan Holding Company Limited*) ("Hangzhou Gaochuan") for a consideration of RMB27,500,000 and RMB22,500,000, respectively, which were determined with reference to the registered capital of Shandong Xingmeng at the time of transfer and the considerations were settled on 16 May 2014. This step was properly and legally completed on 20 May 2014. Hangzhou Gaochuan is owned as to 90% by Gao Liku (高立庫), the executive director of Shandong Xingmeng, and 10% by Dong Shuliang (董書亮), an Independent Third Party. As a result, Shandong Xingmeng is owned as to 55% by Xinming Group and 45% by Hangzhou Gaochuan, respectively.

5. Hangzhou Times acquired 100% interest in Xinming Group

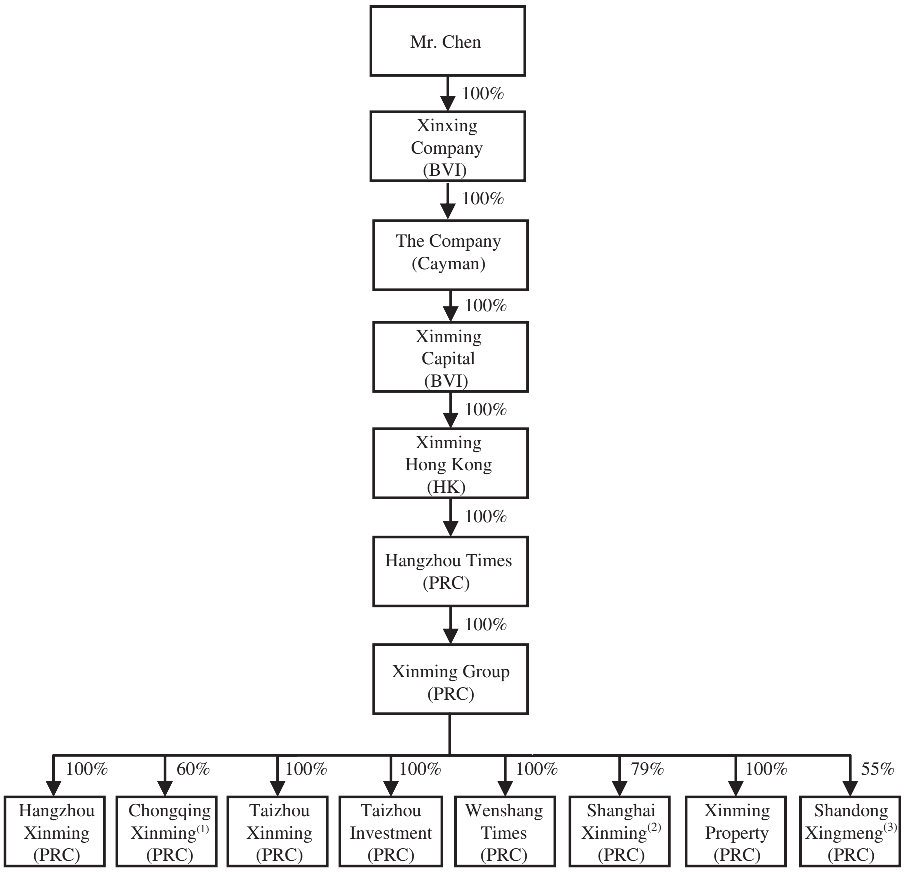
Pursuant to the equity transfer agreement dated 1 August 2014, XG Limited transferred 100% equity interest in Xinming Group to Hangzhou Times for a consideration of RMB180,000,000 which was determined with reference to the registered capital of Xinming Group and the equity premium of RMB130,000,000 and the consideration was settled on 1 August 2014. This step was properly and legally completed on 1 August 2014. As a result, Xinming Group was owned as to 100% by Hangzhou Times. Accordingly, the Company indirectly owns 100% interest in Xinming Group, 100% in Hangzhou Xinming, 60% interest in Chongqing Xinming, 100% interest in Taizhou Xinming, 100% interest in Taizhou Investment, 100% interest in Wenshang Times, 79% interest in Shanghai Xinming, 100% in Xinming Property and 55% interest in Shandong Xingmeng.

Reasons for excluded business

Pursuant to the Reorganisation, certain companies were excluded from our Group. Taoyuan Property and Dongtian Property were excluded from our Group because of the restriction for the change of ownership in the equity pledge contracts executed by XG Limited and Taoyuan Property, respectively, in favour of an Independent Third Party as a security for a loan with a term of three years commencing from 2013 and up to RMB600,000,000 granted to 遠揚控股集團股份有限公司 (Yuanyang Holdings Group Share Limited Company*) ("**Yuanyang**"), an Independent Third Party who is one of our top five suppliers during the Track Record Period and our Controlling Shareholder's joint venture partner holding 40% interest in Hangzhou Yixing which in turn owns 60% interest in Hangzhou Fengtan. The loan shall be used by Yuanyang to purchase construction raw materials of its projects. The pledge was given pursuant to the mutual guarantee and security arrangement agreed by Yuanyang with XG Limited and Taoyuan Property. In addition, Hangzhou Fengtan and Hangzhou Yixing (being the holding company of Hangzhou Fengtan) were also excluded from our Group because the land use rights of the property developments engaged by Hangzhou Fengtan are not permitted to develop real estate for business purpose (經營性房地產開發) and commodity housing (商品房開發). For further details, please refer to the section headed "Relationship with Controlling Shareholders — Retained Property Business of our Controlling Shareholders" in this prospectus.

Further, apart from the above companies which are related to property development, our Controlling Shareholders and their respective close associates are currently conducting other businesses or holding interest directly or indirectly in certain companies which are engaged in businesses not in competition with the businesses of our Group. For further details, please refer to the section headed "Relationship with Controlling Shareholders — Other Business of our Controlling Shareholders" in this prospectus.

The following chart sets forth the corporate structure and shareholding structure of our Group immediately after completion of the Reorganisation and before completion of the Capitalisation Issue and Global Offering (without taking into account any Shares which may be allotted and issued upon any exercise of the Over-allotment Option or options which have been or may be granted under the Share Option Scheme).



Notes:

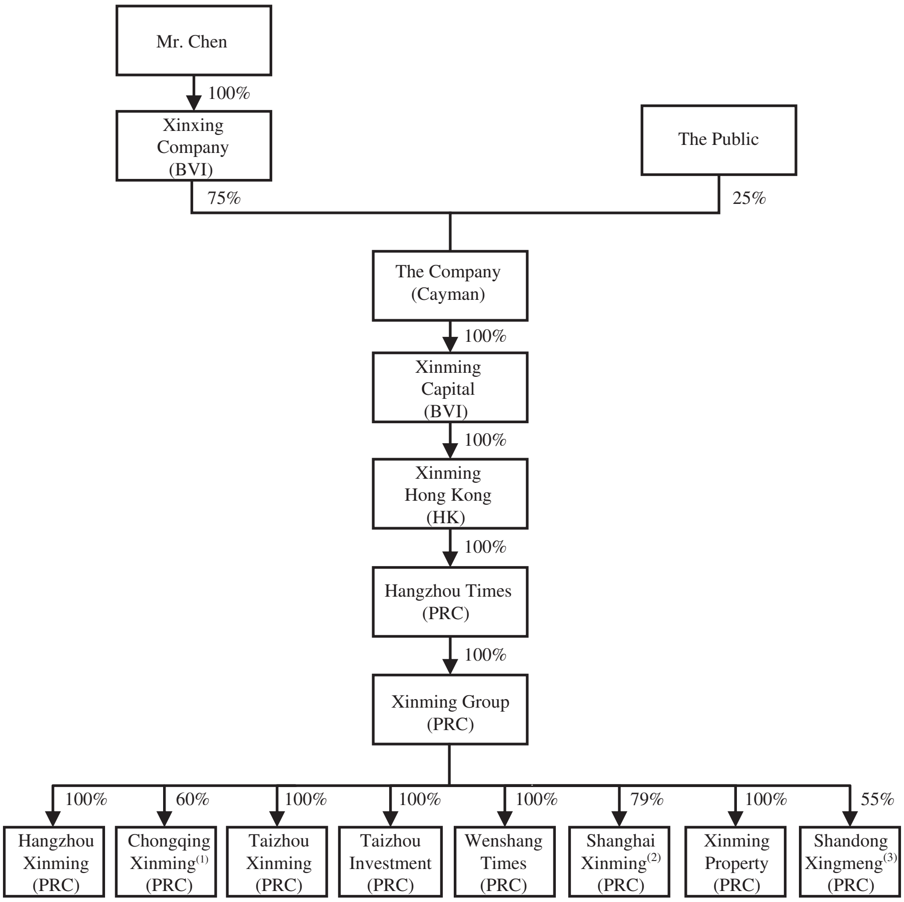
(1) Chongqing Xinming is owned as to 60% by our Group. The remaining 40% equity interest in Chongqing Xinming is owned as to 20% by 東莞市歐海實業有限公司 (Dongguan City Ouhai Shiye Company Limited*), 10% by 沈明 (Shen Ming*), 5% by 東莞市森欣服飾有限公司 (Dongguan City Senxin Apparel Company Limited*) and 5% by 浙江星際電梯有限公司 (Zhejiang Xingji Elevators Limited*), all of which are Independent Third Parties (save for being shareholders and/or director of Chongqing Xinming).

(2) Shanghai Xinming is owned as to 79% by our Group and 21% by 上海嘉碩裝潢廣告有限公司 (Shanghai Jiashuo Zhuanghuang Advertisement Company Limited*), an Independent Third Party (save for being a shareholder of Shanghai Xinming).

(3) Shandong Xingmeng is owned as to 55% by our Group and 45% by 杭州高巛控股有限公司 (Hangzhou Gaochuan Holding Company Limited*), which is owned as to 90% by Gao Liku (高立庫), the executive director of Shandong Xingmeng, and 10% by Dong Shuliang (董書亮), an Independent Third Party.

Each of the steps as mentioned above in the Reorganisation was properly and legally completed and settled.

The following chart sets forth the corporate structure and shareholding structure of our Group upon completion of the Capitalisation Issue and Global Offering (without taking into account any Shares which may be allotted and issued upon any exercise of the Over-allotment Option or options which have been or may be granted under the Share Option Scheme):



Notes:

(1) Chongqing Xinming is owned as to 60% by our Group. The remaining 40% equity interest in Chongqing Xinming is owned as to 20% by 東莞市歐海實業有限公司 (Dongguan City Ouhai Shiye Company Limited*), 10% by 沈明 (Shen Ming*), 5% by 東莞市森欣服飾有限公司 (Dongguan City Senxin Apparel Company Limited*) and 5% by 浙江星際電梯有限公司 (Zhejiang Xingji Elevators Limited*), all of which are Independent Third Parties (save for being shareholders and/or director of Chongqing Xinming).

(2) Shanghai Xinming is owned as to 79% by our Group and 21% by 上海嘉碩裝潢廣告有限公司 (Shanghai Jiashuo Zhuanghuang Advertisement Company Limited*), an Independent Third Party (save for being a shareholder of Shanghai Xinming).

(3) Shandong Xingmeng is owned as to 55% by our Group and 45% by 杭州高巛控股有限公司 (Hangzhou Gaochuan Holding Company Limited*), which is owned as to 90% by Gao Liku (高立庫), the executive director of Shandong Xingmeng, and 10% by Dong Shuliang (董書亮), an Independent Third Party.

PRC GOVERNMENTAL APPROVALS

Our PRC Legal Advisers have confirmed that all the onshore reorganisation has complied with all applicable laws and regulations in the PRC and we have obtained all necessary approvals from the relevant PRC governments authorities in relation to the onshore reorganisation.

M&A Rules

According to the "Provisions on the Takeover of Domestic Enterprises by Foreign Investors" (關於外國投資者併購境內企業的規定) ("**M&A Rules**") jointly issued by the Ministry of Commerce (商務部) ("**MOFCOM**"), the State-Owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會), the State Administration of Taxation (國家稅務總局), the CSRC, State Administration for Industry and Commence (國家工商行政管理總局) and the State Administration of Foreign Exchange (國家外匯管理局) on August 8, 2006 and effective as at September 8, 2006 and subsequently amended on June 22, 2009, where a domestic natural person intends to take over his/her related domestic company in the name of an offshore company which he/she lawfully established or controls, the takeover shall be subject to the examination and approval of the Ministry of Commerce; and where a domestic natural person holds an equity interest in a domestic company through an offshore special purpose company, any transaction involving the overseas listing of that special purpose company shall be subject to approval by the CSRC.

During the consultation with the relevant local governmental authority which confirmed that, as Mr. Chen has migrated to Hong Kong, he is not a domestic resident individual defined under the M&A Rules, the acquisition of the equity interest in Xinming Group from XG Limited by Hangzhou Times was not subject to the M&A Rules, however, the Interim Provisions on the Domestic Investment of Foreign-invested Enterprises (《關於外商投資企業境內投資的暫行規定》) applied. On the aforesaid basis, our PRC Legal Advisers advised that, unless new laws and regulations are enacted, or MOFCOM and CSRC have new provisions or interpretations on the M&A Rules in the future, the acquisition of the equity interest in Xinming Group from XG Limited by Hangzhou Times did not constitute an acquisition under Article 11 of the M&A Rules and the application by our Company for the issuance and listing of its shares on the Stock Exchange is not subject to the approval from the MOFCOM or the CSRC under the M&A Rules.

SAFE Regulations

Pursuant to Notice 75, a PRC domestic resident engaging in financing by way of equity issue or convertible bond outside the PRC with the assets or interests within the PRC through overseas special purpose vehicle shall apply to register with the local branch of foreign exchange administration for foreign exchange registration of overseas investments. PRC domestic resident refers to a resident with PRC passport or PRC identification card or an individual who does not have a legal status in the PRC but "habitually" resides in the PRC for economic reasons.

For the purpose of simplifying the approval process, and for the promotion of the cross-border investment, SAFE promulgated Notice 37, which is supersedes the Notice 75, and revises and regulates the relevant matters involving foreign exchange registration for round-trip investment. Pursuant to Notice 37, (a) a PRC resident ("**PRC Resident**") must register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle ("**Overseas SPV**"), that is directly established or controlled by the PRC Resident for the purpose of conducting investment or financing; and (b) following the initial registration, the PRC Resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change in the Overseas SPV's PRC Resident shareholder, name of the Overseas SPV, term of operation, or any increase or reduction of the Overseas SPV's registered capital, share transfer or swap, and merger or division. Pursuant to Notice 37, failure to comply with these registration procedures may result in penalties, including the imposition of restrictions on the ability of the Overseas SPV's PRC subsidiary to distribute dividends to its overseas parent.

Our PRC Legal Advisers advised that based on the consultation with SAFE Zhejiang Branch, since Mr. Chen has migrated to Hong Kong, he is not a domestic resident individual defined under the SAFE Notice and, Mr. Chen is not subject to the registration and amendment procedures of the foreign exchange for his overseas investment under the SAFE Notice.

OVERVIEW

We are an integrated residential and commercial property developer in the PRC. Since our inception of business in Taizhou, Zhejiang Province, we have expanded by developing sites in a number of cities, namely, Shanghai, Chongqing, Tengzhou and Hangzhou. Our business mainly comprises three areas: (i) property development, i.e. development of residential and commercial properties for sale; (ii) property leasing, i.e. the leasing of our commercial properties held for investment and leasing of properties owned by third party purchasers of our commercial properties; and (iii) property management, i.e. the provision of property management services to our residential customers.

We believe our success is attributable to our quality property developments. We have received various awards and recognitions from different organisations. For example, our residential development in Taizhou, Taizhou Xinming Peninsular (台州新明半島), has received the 2011 Zhejiang Province Construction Qianjiang Cup (Quality Construction Award) (2011年度浙江省建設工程錢江杯獎（優質工程）) from Zhejiang Province Commission of Housing and Urban-Rural Development (浙江省住房和城鄉建設廳), Zhejiang Province Construction Industry Association (浙江省建築業行業協會) and Zhejiang Province Construction Quality Management Association (浙江省工程建設品質管制協會); and Gold Award — Best Landscape Gardening Engineering Award (優秀園林綠化工程金獎) from the Chinese Society of Landscape Architecture (中國風景園林學會).

Leveraging our presence in Taizhou in Zhejiang Province, we expanded to fast developing cities with population growth potential (i.e. Shanghai, Chongqing, Tengzhou and Hangzhou). As at 31 March 2015, we had 16 property projects in five cities which were in various stages of development. These 16 projects had an aggregate site area of approximately 984,653 sq.m. and an aggregate GFA of approximately 2,169,824 sq.m. As at 31 March 2015, approximately 1,077,699 sq.m. of the GFA was completed, approximately 694,881 sq.m. of the GFA was under development and approximately 397,244 sq.m. of the GFA was held for future development.

Residential Projects

We seek to sell our residential development projects as soon as practicable during the Track Record Period. Most of our residential development projects are well-equipped with well-designed ancillary facilities with high proportion of greenery features, such as parks with water scenery, clubhouses and swimming pools, so as to create a comfortable lifestyle for our customers. We also aim to provide quality property management services through our property management company, Xinming Property, which is a property management enterprise in the PRC (second class) to our residential development. These features we believe enable us to build our brand image among our potential customers. We also have a diversified product portfolio of residential properties of different sizes and styles, comprising mid-rise apartment, high-rise apartment and townhouse, to suit different needs of our customers.

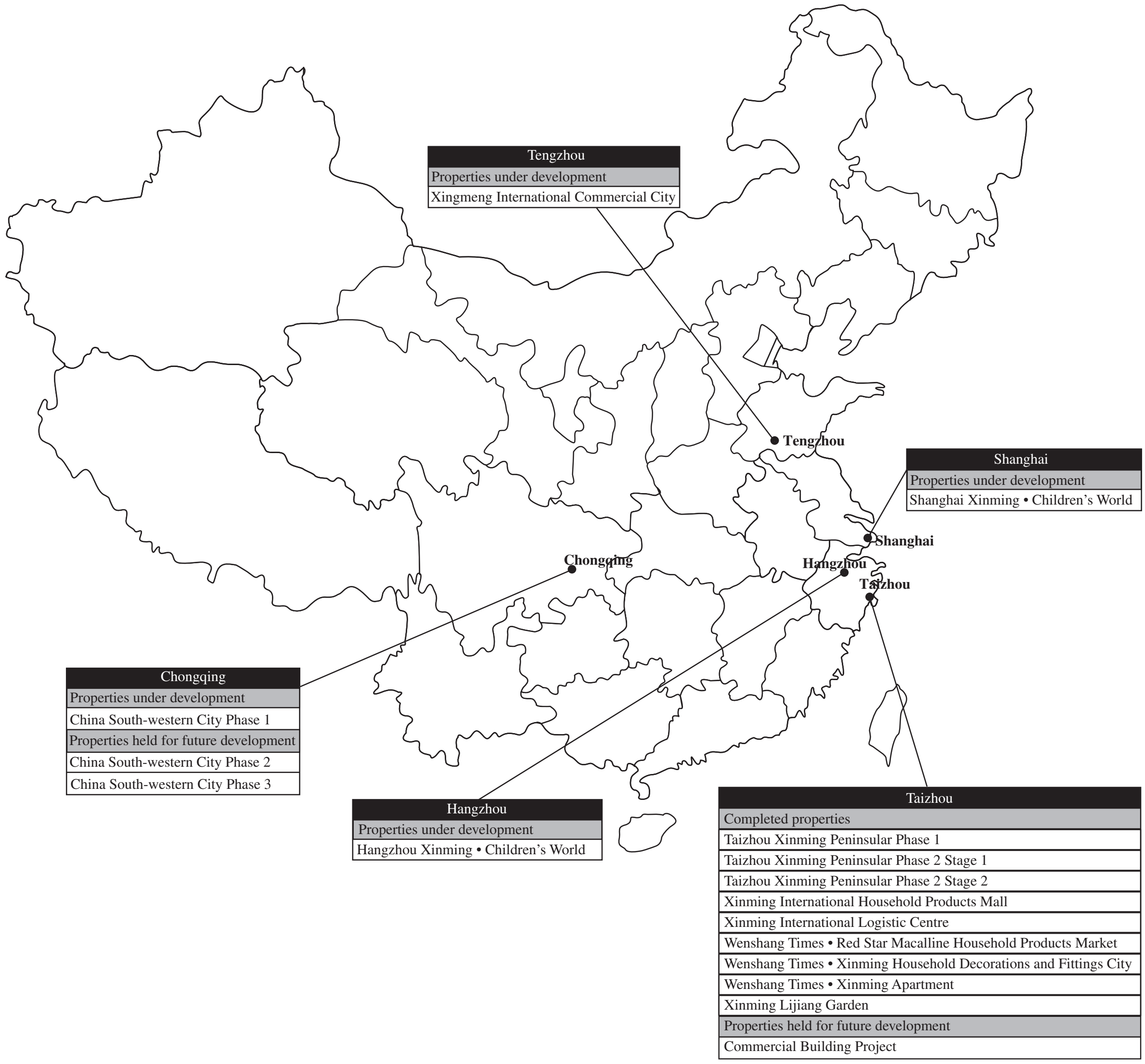
Commercial Projects

Each of our commercial development projects specializes in providing a one-stop shopping experience to consumers for a specific type of consumer products or services. During the Track Record Period, our completed commercial development projects specialize in providing a trading platform for construction materials, household products, furniture and small commodities. We strategically sell certain of our commercial properties for immediate access of capital to fund future expansion, while retaining certain of our commercial properties for long term return on rental income and capital appreciation.

During the Track Record Period, we cooperated with 紅星美凱龍家居集團股份有限公司 (Red Star Macalline Household Group Company Limited*) ("**Red Star Macalline**"), a household products department store chain operator, for advertising, marketing and managing our commercial developments we held for investment. We believe such cooperation can increase our rental income and the number of visitors to the area and thereby increase the selling price of our adjacent commercial properties we developed for sale.

As our business strategies, we intend to expand the mix of commercial development in our property development profile and to continue to develop commercial development with a specific theme. Based on the industry experience of our Directors, we strategically target children-related goods and services as the theme for our upcoming commercial developments, being our Shanghai Xinming • Children's World and Hangzhou Xinming • Children's World, both under development. This strategy couples with our city selection preference aiming for fast developing cities with population growth potential, which we believe can provide us with a niche for tapping into the under-served consumers with increasing purchasing power.

The following map shows the geographical locations of our property development projects as at 31 March 2015.



COMPETITIVE STRENGTHS

We believe that the following strengths enable us to compete effectively in the property markets in China:

We have demonstrated a proven track record in the provision of quality development projects

We continuously provide our customers with comfortable communities to establish our brand image in the PRC. Substantially all of our residential developments are well-equipped with well-designed ancillary facilities with high proportion of greenery features, such as parks with water scenery, clubhouses and swimming pools, so as to create a comfortable lifestyle for our customers. We also aim to provide property management services through our property management company, Xinming Property, which is a property management enterprise in the PRC (second class) to our residential development projects. We believe our success has been proven by a number of awards and honours received by us, with the more remarkable ones being the 2011 Zhejiang Province Construction Qianjiang Cup (Quality Construction Award) (2011年度浙江省建設工程錢江杯獎(優質工程)) and Gold Award — Best Landscape Gardening Engineering Award (優秀園林綠化工程金獎) in accreditation of our quality design and engineering for Taizhou Xinming Peninsular. We believe the success we have obtained in Taizhou will continue to strengthen our competitiveness and enable us to further expand to other cities.

For our commercial properties, we aim to provide a one-stop shopping experience to consumers visiting our integrated commercial complexes, focusing on the offering of a specific type of products and services. We seek to maintain the quality and attractiveness of our integrated commercial complexes by engaging third party operators to manage our commercial developments. We entered into exclusive management services agreement with 紅星美凱龍家居集團股份有限公司 (Red Star Macalline Household Group Company Limited*) ("**Red Star Macalline**"), a household products department store chain operator, to advertise, market and manage our commercial properties at Red Star Macalline Household Products Mall in Xinming International Household Products Mall and Wenshang Times • Red Star Macalline Household Products Market. We believe our long-term working relationship with Red Star Macalline can enhance our ability to secure recurring rental income, our profile and traffic of our integrated commercial complexes and our neighbouring development, which in turn, will increase the overall value of the projects and our profitability.

We enjoy the benefits of undertaking large-scale developments in phases

We believe the development of large-scale real estate developments projects in phases, as compared to small-scale single-phase developments, are generally able to provide better living conditions, such as larger greenery area in our residential real estate developments, to customers. Furthermore, phase-by-phase development also provides us with the opportunity to monitor the level of market acceptance at each phase and enables us to adjust our business strategy and implement our marketing plans to better satisfy or capture the market demand.

We have an established business model where we strategically retain long-term ownership of selected commercial properties for recurring rental income and sell a mix of commercial properties for capital growth

Our business model is designed to balance short-term capital needs and long-term financial strength. While we generally sell our residential properties, we primarily sell a portion of our commercial properties for immediate return of capital to fund our business, operations and expansion plans, while strategically retaining other commercial properties as investment properties for long-term recurring rental income and long-term capital appreciation. This allows us to generate rental income in addition to the revenue generated from the sale of properties. We are also able to enjoy potential capital appreciation on our commercial properties over the long term to take advantage of prime locations of our commercial properties. For the three years ended 31 December 2012, 2013 and 2014, revenue generated from property leasing accounted for 3.6%, 3.6% and 3.1% of our total revenue, and revenue generated from property sales accounted for 95.5%, 95.1% and 96.0% of our total revenue, respectively.

We have strategically located land reserves for our sustainable development

We acquire most of our land sites through public tenders, auctions and listings-for-sale directly. We insist on building a land bank structure sufficient for our sustainable project developments and well diversified in terms of different types of projects and geographical regions. Since our inception of business in Taizhou, we have established a strong market presence there. We believe we can replicate our success in Taizhou in other high-growth cities in the PRC. As at the Latest Practicable Date, our property development projects covered five cities, namely Taizhou, Hangzhou, Tengzhou, Chongqing and Shanghai.

We have a committed management team with strong credentials and extensive experience in the PRC real estate industry

The quality and experience of our management team have been, and will continue to be, important factors in our success. We have a highly committed management team with strong credentials, extensive experience in the PRC real estate industry with our executive Directors and other senior management team have an average of over 10 years of experience in the PRC real estate industry and management experience, which helps us to make timely and appropriate judgments relating to business development, market trends and product positioning. For example, our executive Director and chairman, Mr. Chen Chengshou (陳承守), had more than 29 years of experience in the property development industry. Mr. Chen is the chairman or member of the standing committee of a number of chambers of commerce, such as chairman of the 杭州市温州商會 (Hangzhou City Wenzhou Chamber of Commerce*), the chairman of the 全國泰順企業家聯誼會 (Nationwide Taishun Entrepreneurs Fellowship Association*), the vice-chairman of 杭州市總商會 (Hangzhou City Chamber of Commerce*) and a member of the standing committee of 浙江省工商聯 (Federation of Industry & Commerce of Zhejiang Province*). For further details of Mr. Chen's memberships and honours received, please refer to the section headed "Directors, Senior Management and Employees" in this prospectus. We believe Mr. Chen's extensive connection with the business community can enhance our ability to attract tenants and customers for our commercial development.

We believe our management team's experience in the PRC real estate industry, industry knowledge and understanding of the real estate market will help us to expand into our target markets successfully.

BUSINESS STRATEGIES

We intend to implement the following business strategies to grow our businesses and create value for our Shareholders:

Diversify our project portfolio by further expanding our commercial property development and focus on developing commercial complex with theme of household products or children's products

Building upon our strength in the residential property development market, we have developed commercial complex projects, primarily for sales or long term investment during the Track Record Period. We believe the demand for commercial properties will continue to increase as economic activity grows in China. We intend to further increase our exposure to the commercial property market. We believe that the retention of these commercial properties will generate sustainable rental income, thereby enhancing the stability of our revenue streams and diversifying the risk we face in the residential property market.

Further, we intend to focus our development of commercial complex with a specific theme, such as household products theme or children-related goods and services theme shopping malls, providing one-stop shopping experience to consumers of related needs, including shopping, dining and entertainment. We expect the development of commercial complex with a specific theme would help to enhance our profit, reputation and image, which will amplify the value of our properties and increase customer satisfaction and loyalty.

During the Track Record Period, some of our commercial development projects, including Xinming International Household Products Mall, Wenshang Times • Red Star Macalline Household Products Market and Wenshang Times • Xinming Household Decorations and Fittings City, specialize in providing a trading platform for construction materials, household products, furniture and small commodities and in providing a convenient one-stop shopping experience for consumers of related needs. We seek to maintain the quality and attractiveness of our integrated commercial complexes by engaging third party operators to manage our commercial developments. We entered into exclusive management services agreement with 紅星美凱龍家居集團股份有限公司 (Red Star Macalline Household Group Company Limited*) ("**Red Star Macalline**"), a household products department store chain operator, to advertise, market and manage our commercial properties at Red Star Macalline Household Products Mall in Xinming International Household Products Mall and Wenshang Times • Red Star Macalline Household Products Market. Further, we also entered into exclusive management and operation agreements with third party purchasers of our commercial properties at the Construction Materials Trading Centre (建材中心) in Xinming International Household Products Mall and Wenshang Times • Xinming Household Decorations and Fittings City to manage and control the leasing of such properties for a period of five or ten years.

Based on the industry experience of our Directors, we strategically target children-related goods and services as a theme for our developing or future developments. Our Shanghai Xinming • Children's World and Hangzhou Xinming • Children's World are intended to be developed into an integrated commercial development with children-related goods and services as the theme. This strategy couples with our city selection preference aiming for fast developing cities with population growth potential, can provide us with a niche for tapping into the under-served consumers with increasing purchasing power.

We believe the following factors are critical to the success of a commercial development with children-related theme:

- detailed and thorough planning at the city and site selection stage. Our Directors believe that commercial development with a specific theme can attract and serve consumers of a specific need from a wider region than commercial development without a specific theme, and thus detailed and thorough analysis of consumers profile and preferences at the city and site selection stage is important in ensuring the availability of a specific niche for the our commercial development;

- detailed and relevant design and planning based on the potential target consumers of such commercial development. In order to attract consumers of children-related needs to such commercial development, other than quality tenants, we believe the design catering the specific needs and enjoyment of our potential target consumers, being parents and young children, is important to provide a comfortable shopping experience;

- ability to attract major tenants of strategic significance. We believe by attracting major tenants of strategic significance could assist us to increase the pedestrians flow and to attract and retain other quality tenants;

- experienced and skilled management team in operating and managing the commercial development; and

- careful and planned selection of tenants in order to maintain the theme of the commercial development.

The development process of a commercial development with children-related theme would be similar to our property development process which include city and site selection, land acquisition, project planning and design, construction, quality control, sales and marketing, delivery and after-sales services. Please refer to the paragraph headed "Our Property Development Process" in this section for further details. Specifically, in light of the above mentioned factors which we identified as the factors critical to a successful commercial development with children-related theme, we have enhanced the process in the following ways:

- we would conduct detailed and thorough analysis of our target consumers' (i.e. parents with young children) profile, purchase power and preference before selecting the particular city and site for development;

- we would consider to engage reputable and experienced commercial management company to assist us in operating and managing the commercial development; and

- depending on prevailing market condition and financial condition of our Group, we intend to strategically retain not less than 30% of the expected GFA of commercial development currently under development or held for future development as investment properties in order to introduce major tenant of strategic significance and maintain a clear specific theme for our commercial development.

According to relevant PRC laws and regulations, third party tenants and purchasers of the commercial development with children-related theme are responsible to obtain the relevant approvals and permits required for the operation of their respective businesses, including operating relevant entertainment facilities, in the properties we sold or leased to them; and based on our current development plan for such children-related theme commercial development, we are not required to obtain any additional approvals or permits for its development as compared to non-themed commercial development.

Increase customer satisfaction by improving property management services and enhancing our brand recognition

We believe high quality property management services will help increase the property value, enhance brand recognition and promote customer satisfaction of our projects. Hence, we intend to continue to expand the scope of services of our property management business and to improve our service quality. In addition, we plan to further develop our property management business by increasing the number of our property management personnels and updating and improving our property management service policies and guidelines.

We intend to promote our "Xinming" brand name by continuing to focus on increasing the appeal of our integrated commercial complexes we develop and by seeking to distinguish ourselves from our competitors by offering projects in strategically selected locations. We believe that by continuing to offer properties which meet the needs of local residents and our customers, we will be able to promote our brand recognition and reputation, which in turn will help us replicate our success in other PRC cities.

Optimise our land bank structure to achieve higher profitability and sustainable quality growth

We aim to optimise our land bank structure by (i) having land reserves in more diversified geographical locations; and (ii) having large parcels of land suitable for multi-phase property development with attractive purchase and payment terms.

While we continue to maintain our presence in Taizhou, Zhejiang Province, we plan to strategically expand our presence to other cities in Zhejiang Province and other provinces so as to lower our risk to be affected by regional governmental policies and real estates-related austerity measures.

Further, we intend to strategically purchase large parcels of land suitable for multi-phase development in selected cities which can offer us attractive payment and purchase conditions, and favourable government support policies. We will seek to acquire parcels of land that are low-cost and large-scale in nature and, in our view, may give us the potential benefit from value appreciation over the long-term. We believe that there are good opportunities to acquire such land suitable for our future development plans in fast developing cities such as Shanghai and Chongqing. Through these efforts, we believe that we could capture growth opportunities in these cities and regions and broaden our revenue base and profitability.

Continue to attract, retain and motivate skilled and talented employees

We believe high quality employees who value our corporate culture are essential elements for our sustainable future growth. We intend to continue to attract, retain and motivate skilled and talented employees through various initiatives, including through valuable training programs, competitive compensation packages and effective performance-based evaluation and incentive system.

OUR BUSINESS MODEL

Property Development

As at 31 March 2015, we had a total of 16 property projects at various stages of development in five cities, 10 of which were located in Taizhou, one of which was located in each of Shanghai, Tengzhou and Hangzhou and three of which were located in Chongqing. These 16 projects had an aggregate site area of approximately 984,653 sq.m. and an aggregate GFA of approximately 2,169,824 sq.m. As at 31 March 2015, approximately 1,077,699 sq.m. of the GFA was completed, approximately 694,881 sq.m. of the GFA was under development and approximately 397,244 sq.m. of the GFA was held for future development.

For the three years ended 31 December 2012, 2013 and 2014, our revenue from the sale of properties amounted to approximately RMB998.7 million, RMB770.9 million and RMB2,050.5 million, respectively, accounting for approximately 95.5%, 95.1% and 96.0%, respectively, of our total revenue. For the three years ended 31 December 2012, 2013 and 2014, our aggregate contracted GFA was approximately 192,857 sq.m., 112,227 sq.m. and 65,890 sq.m., respectively. Such property sales generated contracted sales of approximately RMB1,829.6 million, RMB1,277.8 million and RMB553.6 million during the respective periods.

We develop both residential and commercial properties. We classify our property development project as follows:

- a residential project if the project comprises mainly of residential properties and does not include any office building, shopping mall or specialized market, but in some cases, includes small portion of commercial properties such as street-level retail outlets; or

- a commercial complex project if the project comprises mainly of shopping malls, warehouses and/or specialized markets and offices.

Residential Project

For our residential project, we focus on developing quality residential units with comfortable living environment and quality ancillary facilities which we believe meet the needs of our target customers who are first-time home buyers or customers with a need to upgrade their living environment. We primarily offer the following types of residential units:

- mid-rise apartments — typically buildings of 10 to 16 stories with the GFA per unit generally ranging from approximately 85 sq.m. to 275 sq.m.;

- high-rise apartments — typically buildings higher than 16 stories with the GFA per unit generally ranging from approximately 87 sq.m. to 240 sq.m.; and

- townhouses (聯型排屋) — typically connected townhouses of three to six units with the GFA per unit generally ranging from approximately 275 sq.m. to 350 sq.m.;

Some of our residential development projects comprise street-level retail outlets and ancillary facilities such as clubhouses and swimming pool to satisfy our customers' daily need, entertainment and leisure. We normally sell the street-level retail outlets within our residential projects and we engage our property management company, Xinming Property, to manage our residential projects.

Commercial Complex Project

We develop commercial complex projects comprising shopping malls, warehouses, specialized markets and offices. We strategically sell some of our commercial units while retaining certain parts as our investment properties.

Classifications of Our Property Projects

We generally classify our property projects into three categories:

- completed properties — comprising property projects we have completed, for which the completion certificates have been issued by the relevant government authorities;

- properties under development — comprising property projects with land use rights certificates issued by the relevant government authorities and the construction of which has commenced and/or been completed, but for which the relevant completion certificates have not been obtained;

- properties held for future development — comprising property projects with respect to which we have signed land grant contracts with the relevant PRC authorities and have obtained the land use rights certificates, but have not obtained the requisite construction permits or commenced construction.

As some of our projects comprise multi-phase developments, one project may include different phases that are at different stages of completion, are under development or are held for future development. Our classification of properties reflects the basis on which we operate our business and may differ from classifications employed by other developers. Each property project may be subject to multiple land use rights certificates, construction land planning permits, construction work planning permits, construction work commencement permits, pre-sale permits and other permits and certificates that are issued at different stages throughout their development. Our classification of properties is not directly comparable with the classification of properties in the Property Valuation Report contained in Appendix III to this prospectus and the Accountants' Report contained in Appendix I to this prospectus.

The table below sets forth our classification of properties and the corresponding classification of properties in the Property Valuation Report and the Accountants' Report:

Our Classification	Property Valuation Report	Accountants' Report
Completed properties		
• property projects we have completed; and • we have obtained the completion certificates issued by the relevant government authorities	• Group I — Property interests held for sale by our Group in the PRC (Property No. 1 to No. 5) • Group IV — Property interest held for investment by our Group in the PRC (Property No. 15 to No. 17)	• Completed properties held for sale • Investment properties
Properties under development		
• we have obtained the land use rights certificates issued by the relevant government authorities; and • construction of the properties/projects has commenced and/or been completed but relevant completion certificates have not been obtained	• Group II — Property interests held under development by our Group in the PRC (Property No. 6 to No. 9)	• Properties under development

Our Classification	Property Valuation Report	Accountants' Report
Properties held for future development		
• we have signed the relevant land grant contracts with the relevant PRC authorities and have obtained the land use rights certificates, but have not obtained the requisite construction permit; and • construction has not yet commenced	• Group III — Property interests held for future development by our Group in the PRC (Property No. 10 to No. 14)	• Prepayments, deposits and other receivables • Properties under development

Summary Information Regarding Our Property Projects

The following tables set out a summary of our property projects. Project names used in this prospectus are names that we have used, or intend to use, to market our properties. All of the project names require approval from the relevant authorities, and the relevant authorities may not accept the names we have used or those that we intend to use as the registered names of these projects. As a result, the actual names registered with the relevant authorities may differ from the names used in this prospectus and may be subject to change. Furthermore, for the avoidance of doubt, references to development costs of any property project in this prospectus, whether actual or expected, include the paid or payable (as applicable) portion of land premium for the relevant land use rights under such project.

The commencement date relating to each project or each phase of a project refers to the date on which construction commenced in respect of the first building of the project or phase. The completion date set out in the descriptions of our completed projects or phases refers to the date on which the last completion certificate was issued for each project or each phase of a multi-phase project. For projects or phases under development or for future development, the completion date of a project or phase reflects our best estimate based on our current development plans.

Completed projects. As at 31 March 2015, we had nine completed project phases with an aggregate completed GFA of approximately 1,077,699 sq.m.

Projects under development. As at 31 March 2015, we had four project phases under development with a total GFA of approximately 694,881 sq.m.

Project held for future development. As at 31 March 2015, we had three project phases held for future development with a total GFA of approximately 397,244 sq.m.

Portfolio of our property development projects

The table below is a summary of our portfolio of property development projects as at 31 March 2015.

		COMPLETED				UNDER DEVELOPMENT			FUTURE DEVELOPMENT									
Project	Site area[6]	GFA completed[7]	Saleable GFA[8]	Non-saleable GFA	Saleable GFA remaining unsold[15]	GFA under development[7]	Saleable GFA[8]	Saleable GFA pre-sold	Planned GFA[7]	Actual/ estimated construction commen -cement date[9]	Actual/ estimated pre-sale commen -cement date[10]	Actual/ estimated construction completion date[11]	Date of completion certificate	Develop -ment costs incurred[12]	Future development costs to be incurred[13]	Group's interest	Group's attributable market value	Reference to Property Valuation Report
	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)					(RMB million)	(RMB million)	(%)	(RMB million)	
COMPLETED																		
Taizhou Xinming Peninsular[1]	**205,807**	**463,509**	**394,552**	**68,957**	**8,254**	**—**	**—**	**—**	**—**					**1,933.1**			**77.6**	**2**
Phase 1	**86,667**	**189,387**	**157,005**	**32,382**	**5,130**	**—**	**—**	**—**	**—**	**2008.02**	**2008.10**	**2010.11**	**2010.12**	**768.3**	**—**	**100%**	**22.8**	**—**
Residential	—	126,037	126,037	—	—	—	—	—	—					—	—		—	
Commercial..	—	7,871	7,871	—	—	—	—	—	—					—	—		—	
Car parks	—	23,097	23,097	—	5,130	—	—	—	—					—	—		—	
Ancillary..	—	32,382	—	32,382	—	—	—	—	—					—	—		—	
Phase 2 — Stage 1	**66,600**	**121,498**	**111,723**	**9,775**	**706**	**—**	**—**	**—**	**—**	**2010.08**	**2010.10**	**2012.10**	**2012.10**	**532.2**	**—**	**100%**	**6.8**	**—**
Residential	—	90,869	90,869	—	275	—	—	—	—					—	—		—	
Commercial..	—	2,637	2,637	—	—	—	—	—	—					—	—		—	
Car parks	—	18,217	18,217	—	431	—	—	—	—					—	—		—	
Ancillary..	—	9,775	—	9,775	—	—	—	—	—					—	—		—	
Phase 2 — Stage 2	**52,540**	**152,624**	**125,824**	**26,800**	**2,418**	**—**	**—**	**—**	**—**	**2011.08**	**2012.04**	**2013.12**	**2013.12**	**632.6**	**—**	**100%**	**48.0**	**—**
Residential	—	105,518	105,518	—	—	—	—	—	—					—	—		—	
Commercial..	—	8,800	8,800	—	1,958	—	—	—	—					—	—		—	
Car parks	—	11,506	11,506	—	460	—	—	—	—					—	—		—	
Ancillary..	—	26,800	—	26,800	—	—	—	—	—					—	—		—	
Xinming International Household Products Mall[1]	**131,768**	**207,908**	**100,151**	**107,757**	**2,957**	**—**	**—**	**—**	**—**					**929.5**	**—**	**100%**	**962.9**	
Commercial (held for sale)..	—	106,745	100,151	6,594	2,957	—	—	—	—	2009.10	2009.10	2010.11	2010.11	576.2	—		28.7	1
Commercial (held for investment)	—	101,163	—	101,163	—	—	—	—	—	2009.12	—	2011.03	2011.08	353.3	—		934.2	15
Xinming International Logistic Centre[1] ..	**49,711**	**20,862**	**—**	**20,862**	**—**	**—**	**—**	**—**	**—**	**2010.08**	**—**	**2011.05**	**2011.12**	**83.9**	**—**	**100%**	**48.7**	**16**
Storage (held for investment).................	—	20,862	—	20,862	—	—	—	—	—					—	—		—	

		COMPLETED				UNDER DEVELOPMENT			FUTURE DEVELOPMENT									
Project	Site area(6)	GFA completed(7)	Saleable GFA(8)	Non-saleable GFA	Saleable GFA remaining unsold(15)	GFA under development(7)	Saleable GFA(8)	Saleable GFA pre-sold	Planned GFA(7)	Actual/ estimated construction commen -cement date(9)	Actual/ estimated pre-sale commen -cement date(10)	Actual/ estimated construction completion date(11)	Date of completion certificate	Develop -ment costs incurred(12)	Future development costs to be incurred(13)	Group's interest	Group's attributable market value	Reference to Property Valuation Report
	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)					(RMB million)	(RMB million)	(%)	(RMB million)	
Wenshang Times • Red Star																		
Macalline Household Products Market(1)	**11,000**	**67,239**	**—**	**67,239**	**—**	**—**	**—**	**—**	**—**	**2012.02**	**—**	**2013.11**	**2014.05**	**384.5**	**—**	**100%**	**853.3**	**17**
Commercial (held for investment)	—	67,239	—	67,239	—	—	—	—	—				—	—		—		
Xinming Lijiang Garden(1)	**63,431**	**210,988**	**177,466**	**33,522**	**16,004**	**—**	**—**	**—**	**—**	**2011.11**	**2012.09**	**2014.10**	**2014.11**	**1,007.4**	**—**	**100%**	**139.9**	**5**
Residential	—	150,816	150,816	—	3,642	—	—	—	—					—	—		—	
Commercial	—	11,336	11,336	—	8,045	—	—	—	—					—	—		—	
Car parks	—	23,663	15,314	8,349	4,317	—	—	—	—					—	—		—	
Ancillary	—	25,133	—	25,173	—	—	—	—	—					—	—		—	
Wenshang Times • Xinming Household Decorations and Fittings City(1)	**44,871**	**67,251**	**44,415**	**22,836**	**25,375**	**—**	**—**	**—**	**—**	**2012.02**	**2012.10**	**2014.01**	**2014.11**	**663.5**	**—**	**100%**	**490.5**	**3**
Commercial	—	44,415	44,415	—	25,375	—	—	—	—					—	—		—	
Ancillary	—	22,836	—	22,836	—	—	—	—	—					—	—		—	
Wenshang Times • Xinming Apartment(1)	**10,263**	**39,942**	**35,605**	**4,337**	**1,457**	**—**	**—**	**—**	**—**	**2012.02**	**2012.10**	**2014.09**	**2014.11**	**237.3**	**—**	**100%**	**3.3**	**4**
Residential	—	31,003	31,003	—	—	—	—	—	—					—	—		—	
Car parks	—	4,679	4,602	77	1,457	—	—	—	—					—	—		—	
Ancillary	—	4,260	—	4,260	—	—	—	—	—					—	—		—	

Project	Site area[6]	COMPLETED: GFA completed[7]	COMPLETED: Saleable GFA[8]	COMPLETED: Non-saleable GFA	COMPLETED: Saleable GFA remaining unsold[15]	UNDER DEVELOPMENT: GFA under development[7]	UNDER DEVELOPMENT: Saleable GFA[8]	UNDER DEVELOPMENT: Saleable GFA pre-sold	FUTURE DEVELOPMENT: Planned GFA[7]	Actual/ estimated construction commen-cement date[9]	Actual/ estimated pre-sale commen-cement date[10]	Actual/ estimated construction completion date[11]	Date of completion certificate	Develop-ment costs incurred[12]	Future development costs to be incurred[13]	Group's interest	Group's attributable market value	Reference to Property Valuation Report
	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)					(RMB million)	(RMB million)	(%)	(RMB million)	
UNDER DEVELOPMENT																		
Shanghai Xinming • Children's World[2]	**39,720**	**—**	**—**	**—**	**—**	**186,261**	**141,941**	**3,921**	**—**	**2013.09**	**2015.01**	**2015.12**	**—**	**805.3**	**383.6**	**79%**	**1,056.2**	**6**
Commercial	—	—	—	—	—	103,124	107,823	2,969	—					—	—		—	
Office	—	—	—	—	—	35,625	34,118	952	—					—	—		—	
Car parks	—	—	—	—	—	33,432	—	—	—					—	—		—	
Ancillary	—	—	—	—	—	14,080	—	—	—					—	—		—	
Chongqing Xinming • China South-western City Phase 1[3]	**175,531**	**—**	**—**	**—**	**—**	**280,186**	**170,709**	**53,841**	**—**	**2013.10**	**2013.12**	**2016.04**	**—**	**571.1**	**488.5**	**60%**	**553.4**	**8**
Commercial	—	—	—	—	—	271,877	170,709	53,841	—					—	—		—	
Car parks	—	—	—	—	—	5,895	—	—	—					—	—		—	
Ancillary	—	—	—	—	—	2,414	—	—	—					—	—		—	
Xingmeng International Commercial City[4]	**87,963**	**—**	**—**	**—**	**—**	**65,507[16]**	**61,743**	**1,826**	**107,864**					**346.6**	**346.0**	**55%**	**243.7**	
Commercial (under development)	37,814	—	—	—	—	64,617	61,743	1,826	—	2013.03	2014.10	2015.04	—	245.7	59.3		177.1	7
Ancillary	—	—	—	—	—	890	—	—	—					—	—		—	
Residential & Commercial (future development)	50,149	—	—	—	—	—	—	—	107,864	2015.06	2015.10	2018.04	—	100.9	286.7		66.6	11&12
Hangzhou Xinming • Children's World[5]	**30,449**	**—**	**—**	**—**	**—**	**162,927**	**—**	**—**	**—**	**2014.12**	**2015.11**	**2016.12**	**—**	**815.3[14]**	**685.5**	**100%**	**892.4**	**9**
FUTURE DEVELOPMENT																		
Commercial Building Project[1]	**16,236**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**68,204**	**2015.06**	**2015.12**	**2016.12**	**—**	**37.1**	**218.2**	**100%**	**132.0**	**10**
Chongqing Xinming • China South-western City Phase 2[3]	**73,582**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**110,373**	**2015.07**	**2015.11**	**2017.05**	**—**	**61.0**	**572.0**	**60%**	**66.0**	**13**
Chongqing Xinming • China South-western City Phase 3[3]	**44,321**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**110,803**	**2015.09**	**2016.05**	**2017.11**	**—**	**36.7**	**401.3**	**60%**	**48.6**	**14**
Total	**984,653**	**1,077,699**	**752,189**	**325,510**	**54,047**	**694,881**	**374,393**	**59,588**	**397,244**					**7,912.3**	**3,095.1**		**5,568.5**	

Notes:

(1) The project is located in Taizhou, Zhejiang Province, PRC.

(2) The project is located in Shanghai, PRC.

(3) The project is located in Dazu District, Chongqing, PRC.

(4) The project is located in Tengzhou, Shandong Province, PRC.

(5) The project is located in Hangzhou, Zhejiang Province, PRC.

(6) Information for "Site area" is based on relevant land use rights certificates, land grant contracts, tender documents, or other relevant agreements (as the case may be).

(7) "GFA completed" of completed projects is based on completion certificates. "GFA under development" of projects under development is based on construction works commencement permits and/or construction works planning permits. "Planned GFA" of projects for future development is based on the relevant land grant contract and/or public tender, listing-for-sale, auction confirmation letter or construction work planning permit.

(8) "Saleable GFA" of completed projects is based on surveying reports. "Saleable GFA" of projects under development is based on pre-sale permits.

(9) "Actual/estimated construction commencement date" refers to the date on which construction of the first building of the project or the relevant phase of a multi-phase project commenced or is estimated to commence.

(10) "Actual/estimated pre-sale commencement date" refers to the date our Group obtained or estimate to obtain a pre-sale permit for that project or the relevant phase of a multi-phase project.

(11) "Actual/estimated construction completion date" of (a) completed projects refers to the date of the proof of examination and acceptance of completion for each project or each phase of a multi-phase project and that of (b) projects under development is based on the current estimation of our Group of the expected date of obtaining the last completion certificate with reference to construction working plans.

(12) "Development costs incurred" refer to direct costs for the relevant project including land costs, construction costs and capitalised interest costs incurred by our Group as at 31 March 2015.

(13) "Future development costs to be incurred" refer to the budgeted costs estimated to be incurred by our Group based on the development costs incurred as at 31 March 2015, our Group's internal record, estimates and current plans.

(14) Such development costs include land acquisition costs for land in the amount of RMB745.0 million and preliminary development costs of RMB70.3 million. We have obtained the relevant land use rights on 30 March 2015.

(15) "Saleable GFA remaining unsold" refers to GFA unsold; and GFA sold or pre-sold but not yet delivered to the purchasers.

(16) The construction of such area was completed in April 2015.

Land Reserves

The table below sets forth a summary of our land reserves as at 31 March 2015 by geographic location:

	Saleable GFA Remaining Unsold/GFA held for investment	GFA Under Development	Planned GFA of Future Development	Total Land Reserves	% of Total Land Reserves
	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(%)
Taizhou	243,311	—	68,204	311,515	23.3
Shanghai	—	186,261	—	186,261	14.0
Chongqing	—	280,186	221,176	501,362	37.5
Tengzhou	—	65,507	107,864	173,371	13.0
Hangzhou	—	162,927	—	162,927	12.2
TOTAL	243,311	694,881	397,244	1,335,436	100.0

Contracted sales for our properties held for sale

The following table sets forth a summary of our total contracted sales for the periods indicated:

	Year ended 31 December									Three months ended 31 March		
	2012			2013			2014			2015		
Project	**Contracted sales**	**Contracted GFA**	**Contracted ASP**	**Contracted sales**	**Contracted GFA**	**Contracted ASP**	**Contracted sales**	**Contracted GFA**	**Contracted ASP**	**Contracted sales**	**Contracted GFA**	**Contracted ASP**
	RMB'000	**(sq.m.)**	**(RMB per sq.m.)**	**RMB'000**	**(sq.m.)**	**(RMB per sq.m.)**	**RMB'000**	**(sq.m.)**	**(RMB per sq.m.)**	**RMB'000**	**(sq.m.)**	**(RMB per sq.m.)**
Taizhou Xinming Peninsular Phase 1.	—	—	—	—	—	—	—	—	—	—	—	—
Taizhou Xinming Peninsular Phase 2 — Stage 1	3,513.4	235	14,933.0	112,353.3	5,503	20,416.0	1,629.5	128	12,702.0	—	—	—
Taizhou Xinming Peninsular Phase 2 — Stage 2	784,573.3	64,740	12,118.8	409,976.4	33,053	12,403.4	147,163.8	14,488	10,157.9	5,204.9	547	9,510.4
Xinming International Household Products Mall	—	—	—	—	—	—	—	—	—	—	—	—
Xinming Lijiang Garden	843,569.3	104,978	8,035.7	382,388.3	42,941	8,905.0	13,325.7	1,237	10,770.4	7,658.6	966	7,931.4
Wenshang Times • Xinming Household Decorations and Fittings City	27,689.9	1,243	22,273.3	241,050.8	13,728	17,559.1	49,412.4	4,475	11,041.5	—	—	—
Wenshang Times • Xinming Apartment	170,243.0	21,661	7,859.6	76,776.4	9,327	8,231.7	—	—	—	—	—	—
Chongqing Xinming • China South-western City Phase 1	—	—	—	55,247.7	7,675	7,198.8	333,734.6	44,582	7,485.8	15,293.7	1,585	9,651.6
Xingmeng International Commercial City	—	—	—	—	—	—	8,362.1	980	8,528.5	7,517.9	845	8,892.8
Shanghai Xinming • Children's World	—	—	—	—	—	—	—	—	—	66,284.0	3,920	16,908.1
Total	**1,829,588.9**	**192,857**		**1,277,792.9**	**112,227**		**553,628.1**	**65,890**		**101,959.1**	**7,863**	

Contracted sales for car parking spaces

The following table sets forth a summary of our total contracted sales for car parking spaces for the periods indicated:

	Year ended 31 December									Three months ended 31 March		
	2012			2013			2014			2015		
Project	Contracted sales	Contracted no. of car parking spaces	Contracted ASP	Contracted sales	Contracted no. of car parking spaces	Contracted ASP	Contracted sales	Contracted no. of car parking spaces	Contracted ASP	Contracted sales	Contracted no. of car parking spaces	Contracted ASP
	RMB'000		(RMB per car parking space)	RMB'000		(RMB per car parking space)	RMB'000		(RMB per car parking space)	RMB'000		(RMB per car parking space)
Taizhou Xinming Peninsular Phase 1.	8,220	133	61,805	1,770	16	110,625	780	7	111,429	1,680	27	62,222
Taizhou Xinming Peninsular Phase 2 — Stage 1	1,140	14	81,429	1,440	16	90,000	360	4	90,000	540	9	60,000
Taizhou Xinming Peninsular Phase 2 — Stage 2	17,690	229	77,249	5,820	79	73,671	1,440	19	75,789	2,090	34	61,471
Xinming Lijiang Garden	22,655	250	90,620	6,025	67	89,925	535	6	89,167	2,980	54	55,185
Wenshang Times • Xinming Apartment	4,340	46	94,348	2,730	28	97,500	570	6	95,000	100	2	50,000
Total	**54,045**	**672**		**17,785**	**206**		**3,685**	**42**		**7,390**	**126**	

DESCRIPTION OF OUR PROPERTY DEVELOPMENT PROJECTS

The following table sets forth the respective subsidiary holding our property projects as at 31 March 2015:

Name of Subsidiary	Property Projects	Location
Taizhou Xinming	Taizhou Xinming Peninsular Phase 1 (台州新明半島一期)	Taizhou
Taizhou Xinming	Taizhou Xinming Peninsular Phase 2 Stage 1 (台州新明半島二期第一階段)	Taizhou
Taizhou Xinming	Taizhou Xinming Peninsular Phase 2 Stage 2 (台州新明半島二期第二階段)	Taizhou
Taizhou Investment	Xinming International Household Products Mall (新明國際家居廣場)	Taizhou
Taizhou Investment	Xinming Lijiang Garden (新明麗江苑)	Taizhou
Taizhou Investment	Commercial Building Project (商務樓項目)	Taizhou
Taizhou Investment	Xinming International Logistic Centre (新明國際物流中心)	Taizhou
Wenshang Times	Wenshang Times • Red Star Macalline Household Products Market (温商時代 • 紅星美凱龍家居市場)	Taizhou
Wenshang Times	Wenshang Times • Xinming Household Decorations and Fittings City (温商時代 • 新明飾品城)	Taizhou
Wenshang Times	Wenshang Times • Xinming Apartment (温商時代 • 新明公館)	Taizhou
Shanghai Xinming	Shanghai Xinming • Children's World (上海新明 • 兒童世界)	Shanghai
Chongqing Xinming	Chongqing Xinming • China South-western City Phase 1 (重慶新明•中國西南城一期)	Dazu District, Chongqing
Chongqing Xinming	Chongqing Xinming • China South-western City Phase 2 (重慶新明•中國西南城二期)	Dazu District, Chongqing
Chongqing Xinming	Chongqing Xinming • China South-western City Phase 3 (重慶新明•中國西南城三期)	Dazu District, Chongqing
Shandong Xingmeng	Xingmeng International Commercial City (興盟國際商城)	Tengzhou
Hangzhou Xinming	Hangzhou Xinming • Children's World (杭州新明 • 兒童世界)	Hangzhou

TAIZHOU, ZHEJIANG PROVINCE

Taizhou Xinming Peninsular (台州新明半島)

Project Overview

Taizhou Xinming Peninsular was developed by Taizhou Xinming and is a residential development project located on the two sides of Road No. 6 in Taizhou City (台州市6號路兩側). It is located in the central part of Taizhou developing area and is within close proximity to various governmental administrative, cultural and leisure landmarks, including Taizhou Government Office, Taizhou People's Square, Taizhou Theatre, Taizhou Painting Academy and Taizhou Cultural and Arts Centre. The project was designed as a residential complex with retail facilities featuring a modern and comfortable living environment with large portion of greenery with ancillary facilities such as parks and clubhouse. All residential and commercial units in this project are for sale.

The project occupies a total site area of approximately 205,807 sq.m. and have a total GFA of approximately 463,509 sq.m., comprising 322,424 sq.m. for residential use, 19,308 sq.m. for commercial use, 52,820 sq.m. for car parks and 68,957 sq.m. ancillary area. It was developed in two phases and the second phase was developed in two stages. Both phases were completed as at 31 March 2015.

We entered into the relevant land grant contract in June 2007. As at 31 December 2014, the land premium of approximately RMB377.1 million had been paid in full. Based on our internal records, up to 31 December 2014, our total revenue recognised for sale of Phase 1, Stage 1 of Phase 2 and Stage 2 of Phase 2 of Taizhou Xinming Peninsula were RMB985.8 million, RMB1,403.6 million and RMB1,281.0 million, respectively.

Phase 1

Phase 1 comprises 18 mid-rise apartments ranging from 10-storey to 16-storey, retail shops on the street-level and ancillary facilities such as parks, clubhouse and car parks.

Based on our internal records as at 31 March 2015, details of phase 1 were as follows:

Project type	Residential
Site area	86,667 sq.m.
Total GFA	189,387 sq.m.
GFA available for sale	157,005 sq.m.
Total GFA sold or pre-sold	151,875 sq.m.
% of saleable GFA sold	96.7%
Construction period	
— commencement	February 2008
— completion	December 2010
Pre-sale commencement date(s)	October 2008
Attributable interest to our Group	100%

Based on our internal records up to 31 March 2015, our total development costs incurred for Phase 1 were as follows:

Total development costs incurred	RMB768.3 million

Phase 2 — Stage 1

Stage 1 of Phase 2 comprises seven 10-storey to 16-storey mid-rise residential apartments and 18 residential townhouses with the GFA per unit ranging from 275 sq.m. to 350 sq.m., retail shops on the street-level and ancillary facilities such as parks and car parks.

Based on our internal records up to 31 March 2015, details of Stage 1 of Phase 2 were as follows:

Project type	Residential
Site area	66,600 sq.m.
Total GFA	121,498 sq.m.
GFA available for sale	111,723 sq.m.
Total GFA sold or pre-sold	111,017 sq.m.
% of saleable GFA sold	99.4%
Construction period	
— commencement	August 2010
— completion	October 2012
Pre-sale commencement date(s)	October 2010
Attributable interest to our Group	100%

Based on our internal records as at 31 March 2015, our total development costs incurred for Stage 1 of Phase 2 were as follows:

Total development costs incurred .... RMB532.2 million

Phase 2 — Stage 2

Stage 2 of Phase 2 comprises ten mid-rise residential apartments ranging from 11-storey to 16 storey, a three-storey commercial services building and ancillary facilities such as parks and car parks.

Based on our internal records as at 31 March 2015, details of Stage 2 of Phase 2 were as follows:

Project type	Residential
Site area	52,540 sq.m.
Total GFA	152,624 sq.m.
GFA available for sale	125,824 sq.m.
Total GFA sold or pre-sold	123,406 sq.m.
% of saleable GFA sold	98.1%
Construction period	
— commencement	August 2011
— completion	December 2013
Pre-sale commencement date(s)	April 2012
Attributable interest to our Group	100%

Based on our internal records up to 31 March 2015, our total development costs incurred for Stage 2 of Phase 2 were as follows:

Total development costs incurred .... RMB632.6 million

Taizhou Investments' Projects in Taizhou

The following projects, namely, Xinming International Household Products Mall, Xinming Lijiang Garden and Commercial Building Project, were developed by Taizhou Investments on a parcel of land located on the east side of the Jiaojiang Bridge in Jiaojiang District in Taizhou with total site area of 211,435 sq.m. The parcel of land has convenient access to transportation network and is in close proximity to a number of residential communities. We entered into the relevant land grant contracts in May 2009. As at 31 December 2014, the land premium of approximately RMB476.4 million had been paid in full.

Xinming International Household Products Mall (新明國際家居廣場)

Project Overview

Xinming International Household Products Mall is a commercial development project comprises a six-storey high shopping mall named as Red Star Macalline Household Products Mall (紅星美凱龍家居市場) and a complex of 26 low-rising buildings of two- to five-storey high consist mainly of retail shops focusing on the sales of household products and household furnishing and construction materials named Construction Materials Trading Centre (建材中心). The commercial units in the Red Star Macalline Household Products Mall (紅星美凱龍家居市場) are held for investment while the commercial units in the Construction Materials Trading Centre are for sale. Based on our internal records, up to 31 December 2014, our total revenue recognised for sale of Xinming International Household Products Mall was RMB1,259.8 million.

Based on our internal records as at 31 March 2015, details of Xinming International Household Products Mall were as follows:

Project type	Commercial
Site area	131,768 sq.m.
Total GFA	207,908 sq.m.
Red Star Macalline Household Products Mall	
GFA of Red Star Macalline Household Products Mall	101,163 sq.m.
Leasable GFA	51,180 sq.m.
Leased GFA	47,199 sq.m.
% of leasable GFA leased	92.2%
Construction Materials Trading Centre	
GFA of Construction Materials Trading Centre	106,745 sq.m.
GFA available for sale	100,151 sq.m.
GFA sold or pre-sold	97,194 sq.m.
% of saleable GFA sold	97.0%
Construction period	
— commencement	October 2009
— completion	August 2011
Pre-sale commencement date(s)	October 2009
Attributable interest to our Group	100%

Based on our internal records as at 31 March 2015, our total development costs incurred for Xinming International Household Products Mall were as follows:

Total development costs incurred	RMB929.5 million

Xinming Lijiang Garden (新明麗江苑)

Project Overview

Xinming Lijiang Garden is a residential and commercial development expected to comprise 13 high-rise apartments of 17- to 23-storey with the GFA per unit generally ranging from 87 sq.m. to 240 sq.m. with retail shops and ancillary facilities such as swimming pool and car parks. The project was designed with reference to European towns and with aim to create a healthy and up-scale living environment. All residential and commercial units of this project are for sale. Based on our internal records, up to 31 December 2014, our total revenue recognised for sale of Xinming Lijiang Garden was RMB905.9 million.

Based on our internal records as at 31 March 2015, details of Xinming Lijiang Garden were as follows:

Project type	Residential
Site area	63,431 sq.m.
Total GFA	210,988 sq.m.
GFA available for sale	177,466 sq.m.
Total GFA sold or pre-sold	161,462 sq.m.
% of saleable GFA sold	91.0%
Construction period	
— commencement	November 2011
— completion	November 2014
Pre-sale commencement date(s)	September 2012
Attributable interest to our Group	100%

Based on our internal records as at 31 March 2015, our total development costs incurred for Xinming Lijiang Garden were as follows:

Total development costs incurred	RMB1,007.4 million

Commercial Building Project (商務樓項目)

Project Overview

Commercial Building Project is a commercial development expected to comprise an integrated commercial and office complex of two 12-storey mid-rise buildings. All commercial units are intended for sale after completion of the project.

Based on our internal records as at 31 March 2015, details of the Commercial Building Project were as follows:

Project type	Commercial
Site area	16,236 sq.m.
Expected total GFA	68,204 sq.m.
Construction period	
— expected commencement	June 2015
— expected completion	December 2016
Attributable interest to our Group	100%

Based on our internal records up to 31 March 2015, our total development costs incurred and total future development costs expect to be incurred for the Commercial Building Project were as follows:

Total development costs incurred	RMB37.1 million
Total future development costs expect to be incurred	RMB218.2 million

Xinming International Logistic Centre (新明國際物流中心)

Project Overview

Xinming International Logistic Centre was developed by Taizhou Investment located on the east side of the in Jiaojiang Bridge (椒江大橋) in Jiaojiang District (椒江區) in Taizhou. This is a commercial development and comprised warehouse facilities designed as a logistic centre. This logistic centre is in close proximity to our commercial developments, namely Xinming International Household Products Mall. We believe such storage facilities can provide convenient access of storage space to the tenants or retail business owners in Xinming International Household Products Mall. All the commercial units of this project are held for investment.

We entered into the relevant land grant contracts on 4 February 2010. As at 31 December 2014, the land premium of approximately RMB46.6 million had been paid in full.

Based on our internal records as at 31 March 2015, details of Xinming International Logistic Centre were as follows:

Project type	Storage
Site area	49,711 sq.m.
Total GFA held for investment	20,862 sq.m.
Leasable GFA	20,589 sq.m.
Leased GFA	20,589 sq.m.
% of leasable GFA leased	100.0%
Construction period	
— commencement	August 2010
— completion	December 2011
Attributable interest to our Group	100%

Based on our internal records up to 31 March 2015, our total development costs incurred for Xinming International Logistic Centre were as follows:

Total development costs incurred	RMB83.9 million

Wenshang Times' Projects in Taizhou

The following projects, namely Wenshang Times • Red Star Macalline Household Products Market, Wenshang Times • Xinming Household Decorations and Fittings City and Wenshang Times • Xinming Apartment, are developed by Wenshang Times on a parcel of land located on Hongjia Road, Jiaojiang District in Taizhou with total site area of 74,390 sq.m., include 8,256 sq.m. common area, (the "**Hongjiayuan Xingxing No. 3 Land**"). We entered into the relevant land grant contract on 21 April 2010. As at 31 December 2014, the land premium of approximately RMB520 million had been paid in full. This parcel of land is connected to Taizhou economic zone in the north and in close proximity with the East Transportation Hub, Hongjia Ceramic City and its storage facilities, Metals Market and industrial park.

Wenshang Times • Red Star Macalline Household Products Market (温商時代•紅星美凱龍家居市場)

Project Overview

It is a commercial development project comprising one 6-storey high thematic shopping malls managed by and named as Wenshang Times • Red Star Macalline Household Products Market (紅星美凱龍家居市場) for one-stop home furnishing with retails shops of high-end household products and other entertainment facilities and restaurants. All commercial units are held for investment.

Based on our internal records as at 31 March 2015, details of Wenshang Times • Red Star Macalline Household Products Market were as follows:

Project type	Commercial
Site area	11,000 sq.m.
Total GFA held for investment	67,239 sq.m.
Leasable GFA	54,391 sq.m.
Leased GFA	45,869 sq.m.
% of leasable GFA leased	84.3%
Construction period	
— commencement	February 2012
— completion	May 2014
Attributable interest to our Group	100%

Based on our internal records up to 31 March 2015 our total development costs incurred for Wenshang Times • Red Star Macalline Household Products Market were as follows:

Total development costs incurred	RMB384.5 million

Wenshang Times • Xinming Household Decorations and Fittings City (温商時代•新明飾品城)

Project Overview

It is a commercial development project comprising 11 three- or four-storey high retail outlet for home furnishing construction materials and large home electrical appliances. All commercial units are for sale. Based on our internal records, up to 31 December 2014, our total revenue recognised for sale of Wenshang Times • Xinming Household Decorations and Fittings City was RMB111.5 million.

Based on our internal records as at 31 March 2015, details of Wenshang Times • Xinming Household Decorations and Fittings City were as follows:

Project type	Commercial
Site area	44,871 sq.m.
Total GFA	67,251 sq.m.
GFA available for sale	44,415 sq.m.
Total GFA sold or pre-sold	19,040 sq.m.
% of saleable GFA sold	42.9%
Construction period	
— commencement	February 2012
— completion	November 2014
Pre-sale commencement date	October 2012
Attributable interest to our Group	100%

Based on our internal records up to 31 March 2015, our total development costs incurred for Wenshang Times • Xinming Household Decorations and Fittings City were as follows:

Total development costs incurred	RMB663.5 million

Wenshang Times • Xinming Apartment (温商時代•新明公館)

Project Overview

It is expected to be a residential development comprising three 18-storey high-rise apartments with the GFA per unit generally ranging from 89 sq.m. to 130 sq.m. All residential units are for sale. Based on our internal records, up to 31 December 2014, our total revenue recognised for sale of Wenshang Times • Xinming Apartment was RMB96.0 million.

Based on our internal records as at 31 March 2015, details of Wenshang Times • Xinming Apartment were as follows:

Project type	Residential
Site area	10,263 sq.m.
Total GFA	39,942 sq.m.
GFA available for sale	35,605 sq.m.
Total GFA sold or pre-sold	34,148 sq.m.
% of saleable GFA sold	95.9%
Construction period	
— commencement	February 2012
— completion	November 2014
Pre-sale commencement date	October 2012
Attributable interest to our Group	100%

Based on our internal records up to 31 March 2015, our total development costs incurred for Wenshang Times • Xinming Apartment were as follows:

Total development costs incurred	RMB237.3 million

SHANGHAI

Shanghai Xinming • Children's World (上海新明 • 兒童世界)

Project Overview

Shanghai Xinming • Children's World is designed to be a large scale integrated commercial and office complex with a site area of approximately 39,720 sq.m. and expected to have a total GFA of approximately 186,261 sq.m., comprising 103,124 sq.m. of commercial space, 35,625 sq.m. office space, 14,080 sq.m. of ancillary area, and 1,003 car parking spaces with GFA of 33,432 sq.m., upon completion. The project is expected to comprise two high-rise buildings of 19- and 21-storey high; and 3 low-rise buildings, ranging from 5 to 6-storey high. The three low-rise buildings and the underground levels and 6 levels above ground of those two high-rise buildings are expected to consist of a thematic one-stop shopping mall for children goods and related entertainment facilities and car parking spaces while the upper levels of those high-rise buildings are expected to consist of prime office space. All commercial units are intended either for sale or held for investment after completion.

We entered into the relevant land grant contracts in September 2012. As at 31 December 2014, the land premium of approximately RMB321.7 million had been paid in full.

Based on our internal records as at 31 March 2015, details of Shanghai Xinming • Children's World were as follows:

Project type	Commercial and office
Site area	39,720 sq.m.
Expected total GFA	186,261 sq.m.
Total GFA pre-sold	3,921 sq.m.
Construction period	
— commencement	September 2013
— estimated completion	December 2015
Pre-sale commencement date	January 2015
Attributable interest to our Group	79%

Based on our internal records and current project plans up to 31 March 2015, our total development costs incurred and total future development costs expect to be incurred for Shanghai Xinming • Children's World were as follows:

Total development costs incurred	RMB805.3 million
Total future development costs expect to be incurred	RMB383.6 million

CHONGQING

Chongqing Xinming • China South-western City (重慶新明•中國西南城)

Project Overview

This project is developed by Chongqing Xinming located in Dazu District in Chongqing. The project is expected to comprise a commercial complex with retail shops focusing on the sales of household construction materials, electrical appliances and digital products, and intended to create a "one-stop" household materials shopping experience and commercial loft development. This project is also expected to be well equipped with ancillary facilities such as entertainment facilities and restaurants.

We entered into the relevant land grant contracts in January 2013, October 2013 and January 2014. As at 31 December 2014, the aggregate land premium of approximately RMB235.1 million had been paid in full. The project occupies a total site area of approximately 293,434 sq.m. and is divided into three phases:

Phase 1

Phase 1 of the project is expected to consist of commercial complexes and commercial loft development. All the commercial units are intended either for sale or held for investment, while all the commercial loft units are intended for sale after completion.

Based on our internal records as at 31 March 2015, details of Phase 1 of Chongqing Xinming • China South-western City were as follows:

Project type	Commercial
Site area	175,531 sq.m.
Expected total GFA	280,186 sq.m.
Total GFA sold or pre-sold	53,841 sq.m.
Construction period	
— commencement	October 2013
— expected completion	April 2016
Pre-sale commencement date(s)	December 2013
Attributable interest to our Group	60%

Based on our internal records and current project plans up to 31 March 2015, our total development costs incurred and total future development cost expect to be incurred for Phase 1 were as follows:

Total development costs incurred	RMB571.1 million
Total future development costs expect to be incurred	RMB488.5 million

Phase 2

Phase 2 of the project is expected to consist of commercial complexes and all are intended for sale after completion.

Based on our internal records as at 31 March 2015, details of Phase 2 of Chongqing Xinming • China South-western City were as follows:

Project type	Commercial
Site area	73,582 sq.m.
Expected total GFA	110,373 sq.m.
Construction period	
— expected commencement	July 2015
— expected completion	May 2017
Attributable interest to our Group	60%

Based on our internal records and current project plans up to 31 March 2015, our total development costs incurred and total future development costs expect to be incurred for Phase 2 were as follows:

Total development costs incurred	RMB61.0 million
Total future development costs expect to be incurred	RMB572.0 million

Phase 3

Phase 3 of the project is expected to consist of residential development and are intended for sale after completion.

Based on our internal records as at 31 March 2015, details of Phase 3 of Chongqing Xinming • China South-western City were as follows:

Project type	Residential
Site area	44,321 sq.m.
Expected total GFA	110,803 sq.m.
Construction period	
— expected commencement	September 2015
— expected completion	November 2017
Attributable interest to our Group	60%

Based on our internal records and current project plans up to 31 March 2015, our total development costs incurred and total future development costs expect to be incurred for Phase 3 were as follows:

Total development costs incurred	RMB36.7 million
Total future development costs expect to be incurred	RMB401.3 million

TENGZHOU, SHANDONG PROVINCE

Xingmeng International Commercial City (興盟國際商城)

Project Overview

Xingmeng International Commercial City is developed by Shandong Xingmeng located at the western side of Luban Avenue, the northern side of Jinghe West Road, the eastern side of Yandong Road in Tengzhou of Shandong Province. Xingmeng International Commercial City is expected to comprise multifunction buildings of themed shopping malls focusing on the sales of construction materials, furniture, household decorations and electrical appliances, serviced apartments and residential development. All the commercial units and residential units are intended for sale.

We entered into the relevant land grant contracts in respect of approximately 87,963 sq.m. on 31 March 2013. As at 31 December 2014, the aggregate land premium of approximately RMB183.5 million in respect of the land acquired under the relevant land grant contracts had been paid in full.

Based on our internal records as at 31 March 2015, details of Xingmeng International Commercial City were as follows:

Project type	Commercial and Residential
Site area	87,963 sq.m.
Expected total GFA (under development)	65,507 sq.m.
Total GFA pre-sold	1,826 sq.m.
Construction period	
— commencement	March 2013
— estimated completion	April 2015
Pre-sale commencement date	October 2014
Expected total GFA (future development)	107,864 sq.m.
Construction period	
— expected commencement	June 2015
— estimated completion	April 2018
Attributable interest to our Group	55%

Based on our internal records and current project plans up to 31 March 2015, our total development costs incurred and total future development costs expect to be incurred for the acquired land under the relevant land grant contracts of Xingmeng International Commercial City were as follows:

Total development costs incurred	RMB346.6 million
Total future development costs expect to be incurred	RMB346.0 million

In April 2015, the construction of part of Xingmeng International Commercial City with a total GFA of 65,507 sq.m. was completed. We intend to acquire the neighboring land for further development of the project. Please refer to the paragraph headed "Potential Development Projects — Parcels of land neighbouring Xingmeng International Commercial City in Tengzhou" in this section for further details.

HANGZHOU, ZHEJIANG PROVINCE

Hangzhou Xinming • Children's World (杭州新明 • 兒童世界)

Project Overview

Hangzhou Xinming • Children's World will be developed by Hangzhou Xinming and is expected to be a commercial development located in Gongshu District in Hangzhou.

We entered into the relevant land grant contract on 20 December 2013. As at 31 December 2014, we had paid approximately RMB521.5 million of the total land premium of approximately RMB745 million. According to the land grant contract, the remaining land premium in the amount of RMB223.5 million should originally be paid before 20 December 2014. On 11 December 2014, we obtained the construction work commencement permit and construction was subsequently commenced on 15

December 2014. On 27 March 2015, we paid such remaining land premium. The Hangzhou Municipal Land Reserve Authority issued a written confirmation (the "**Confirmation**") to us on 31 March 2015, which confirmed that as at the date of confirmation, we had paid all the land premium and have no outstanding payable pursuant to the relevant land grant contract and obtained the land use right certificate. On 30 March 2015, we have obtained the land use right of such parcel of land. Our PRC Legal Advisers advised that (i) the Hangzhou Municipal Land Reserve Authority is a competent authority to provide the Confirmation; and (ii) our Group's construction on such parcel of land, with the relevant construction working permit, had complied with all applicable PRC laws and regulations.

The project will occupy a site area of 30,449 sq.m. and is expected to consist of a themed shopping mall aiming to provide one-stop shopping and entertainment experience for families with children. All the commercial units are intended either for sale or held for investment after completion.

Based on our internal records as at 31 March 2015, details of the Hangzhou Xinming • Children's World were as follows:

Project type	Commercial
Site area	30,449 sq.m.
Expected total GFA	162,927 sq.m.
Construction period	
— commencement	December 2014
— expected completion	December 2016
Attributable interest to our Group	100%

Based on our internal records and current project plans up to 31 March 2015, our total development costs incurred and total future development costs expect to be incurred for Hangzhou Xinming • Children's World were as follows:

Total development costs incurred	RMB815.3 million
Total future development costs expect to be incurred	RMB685.5 million

POTENTIAL DEVELOPMENT PROJECTS

In addition to our existing development projects, we actively explore opportunities for potential development projects. As at the Latest Practicable Date, in order to better position ourselves in acquiring land for future property development, we entered into framework agreements or similar arrangements with the local governments for land parcels that are attractive to us. The table below summarises such framework agreements or similar arrangements for future development:

	Location	Counterparty	Planned use	Site area	Permitted GFA	Estimated date of listing-for-sale[1]	Estimated total development budget[2]	Expected attributable interest to our Group
1.	Parcels of land neighboring Xingmeng International Commercial City in Tengzhou[3]	The People's Government of Tengzhou City (滕州市人民政府)	Commercial and residential	1,837 mu (approximately 1,224,667 sq.m.[4]	1,569,472.6 sq.m.[5]	July to September 2015[6]	RMB5.67 billion (RMB963.5 million for total land costs and RMB4.71 billion for construction costs[7])	55%
2.	Parcels of land in Yijiang District, Wuhu City	The People's Government of Yijiang District, Wuhu City (蕪湖市弋江區人民政府)	Commercial and residential	668 mu (approximately 445,333 sq.m.)	820,000 sq.m.	October to December 2015[8]	RMB4.0 billion (RMB1.14 billion for the total land costs and RMB2.86 billion for construction costs)	100%

Notes:

(1) The relevant parcels of land will be available for public tender, auction and listing-for-sale in various stages and such date represents the estimated date of listing-for-sale for the first stage of the relevant land parcel to be available for public tender, auction and listing-for-sale. This estimation is based on our understanding of the existing and prevailing market condition and industry practice.

(2) Such total development budget were estimated based on our internal records and estimates as at the Latest Practicable Date. The land costs shall be payable in cash.

(3) On 31 March 2013, we entered into the land grant contract in respect of a parcel of land with a site area of 87,963 sq.m. and permitted GFA of 170,528 sq.m. at the consideration of approximately RMB183.5 million, which forms our Xingmeng International Commercial City.

(4) Excluding the site area of Xingmeng International Commercial City.

(5) Excluding the permitted GFA of Xingmeng International Commercial City.

(6) Based on our understanding of the existing and prevailing market condition and industry practice, we estimated that the first stage of the parcel of land of site area of approximately 124 mu (approximately 82,667 sq.m.) will be available for public tender, auction and listing-for-sale in the period from July to September 2015 with estimated land costs of approximately RMB186 million. There is no guarantee that we would obtain the land use right of such parcel of land through public tender, auction and listing-for-sale.

(7) Excluding the development costs budgeted for Xingmeng International Commercial City.

(8) Based on our understanding of the existing and prevailing market condition and industry practice, we estimated that the first part of the parcel of land of site area of approximately 241 mu (approximately 160,667 sq.m.) will be available for public tender, auction and listing-for-sale in the period from October to December 2015 with estimated land costs of approximately RMB241 million. There is no guarantee that we would obtain the land use right of such parcel of land through public tender, auction and listing-for-sale.

Parcels of land neighboring Xingmeng International Commercial City in Tengzhou

Shandong Xingmeng and the People's Government of Tengzhou ("**Tengzhou Government**") entered into an investment agreement on 21 January 2012, which was supplemented by a cooperation agreement on 18 November 2013 (together the "**Tengzhou Framework Agreements**") regarding the development of the land parcels with an aggregate site area of approximately 1,968 mu (approximately 1,312,000 sq.m.) (the "**Tengzhou Land**") in Tengzhou, Shandong. The Tengzhou Land is expected to be developed in stages and with portion of Tengzhou Land to be offered to the market for public tender, auction and listing-for-sale in stages.

Under the Tengzhou Framework Agreements, Tengzhou Government is responsible for conducting certain site clearing work to prepare the Tengzhou Land for public tender, auction and listing-for-sale which include land expropriation, compensation and/or resettlement of the affected residents; while Shandong Xingmeng is responsible for providing a recoverable fund for such site clearing work to Tengzhou Government. We had not been required to conduct any site clearing or land resettlement operations directly, and do not expect to do so in the future.

Pursuant to the arrangement of the Tengzhou Framework Agreements, as at the Latest Practicable Date, Shandong Xingmeng had provided to Tengzhou Government and relevant governmental authorities an aggregate amount of approximately RMB166.0 million and approximately RMB97.0 million had been repaid by Tengzhou Government and relevant governmental authorities to Shandong Xingmeng. As further agreed between Shandong Xingmeng and Tengzhou Government, the remaining balance of approximately RMB69.0 million will be treated as the land deposit for the next parcel of Tengzhou Land to be acquired by Shandong Xingmeng through public tender, auction and listing-for-sale; and Shandong Xingmeng would further provide recoverable fund for site clearing work of the Tengzhou Land in the amount of RMB150.0 million to Tengzhou Government with RMB21.0 million already paid by us being part of the RMB150.0 million recoverable fund. According to the Tengzhou Framework Agreements, the remaining RMB129.0 million recoverable fund will be paid by us in several phrases, according to the progress of the site clearing work of the Tengzhou Land, out of which, (i) RMB19.0 million will be provided for the site clearing work for the north parcel of Jizao Road, (ii) RMB50.0 million will be provided for the site clearing work of south parcel of Jizao Road; (iii) RMB30.0 million will be provided for the site clearing work of the land parcel of Jiangtun Town on Jizao Road; and (iv) RMB30.0 million will be provided for the site clearing work for south parcel Chengzhuang Street. We cannot estimate the schedule of payment of such recoverable funds as it depends on the actual progress of the site clearing work of Tengzhou Land and further communications with Tengzhou Government. As at the Latest Practicable Date, the site clearing work for the north parcel of Jizao Road was in progress and we had not been requested by the Tengzhou Government to pay additional fund. After public tender, auction and listing-for-sale of the relevant parcels of Tengzhou Land, the recoverable fund of RMB150.0 million will be returned to us regardless whether we successfully obtain the land use rights of the parcel through public tender, auction and listing-for-sale.

Further, Shandong Xingmeng agreed to assist Tengzhou Government by paying the costs for the construction of resettlement housing for the affected residents of the Tengzhou Land out of the amount of RMB90.0 million transferred to Shandong Xingmeng by Tengzhou Government in May and June 2013, the remaining amount from such construction works will be returned to Tengzhou Government. As at the Latest Practicable Date, the overall design of the resettlement housing is under discussion among relevant governmental authorities, thus, the fund of RMB90.0 million had not yet been provided to the relevant parties by us. We are not required to enter into any resettlement agreements with the affected residents or incur any costs in connection with the such resettlement operations as under the relevant PRC laws and regulations, no entity shall operate land resettlement and compensation work for profits and such work should be carried out by relevant PRC government or its designated entity.

As at the Latest Practicable Date, we have acquired through public tender, auction and listing-for-sale and entered into land grant contracts in respect of 87,963 sq.m. of Tengzhou Land for the development of our Xingmeng International Commercial City. For details of the development plans of such acquired land, please refer to the paragraph headed "Description of Our Property Development Projects — Tengzhou, Shandong Province — Xingmeng International Commercial City (興盟國際商城)" in this section. The remaining portion of the Tengzhou Land is currently undergoing site clearing work and we plan to participate in the public tender, auctions and the listings-for-sale for the land parcel once they are available in stages. If we are successful in the auction, we plan to use the parcels for the expansion of our Xingmeng International Commercial City.

As at the Latest Practicable Date, save as to 87,963 sq.m., we had not entered into any land grant contract in relation to the Tengzhou Land and could not ensure whether and when we will obtain the land use right certificates in relation to the remaining Tengzhou Land through public tender, auction or listing-for-sale procedures under the relevant PRC laws and regulations. Please refer to the section headed "Risk Factors — Risks relating to our business — We may not be able to obtain land use rights of parcels of land with respect to which framework agreements or similar arrangements have been entered into, and as a result, there may be a material adverse effect on our business, results of operation and financial condition" in this prospectus for further details.

Parcels of land in Wuhu

We have entered into investment agreements (the "**Wuhu Investment Agreements**") with the local government in Yijiang District (弋江區) of Wuhu City (the "**Wuhu Government**") on 2 February 2013, 2 July 2013 and 23 January 2014 to demonstrate our early commitment to develop land parcels with an aggregate site area of approximately 668 mu (approximately 445,333 sq.m.) in Yijiang District of Wuhu, Anhui Province (the "**Wuhu Land**").

Pursuant to the Wuhu Investment Agreements, it was agreed that, the Wuhu Government will complete the site clearing and resettlement operations involving the resettlement of local residents, demolition of existing structures and clearing of land and the Wuhu Land will be available for public tender, auction listing-for-sale within one month after the relevant approvals have been obtained. Accordingly, we are not required to conduct any site clearing or resettlement operations, or enter into any resettlement agreements with the affected residents.

The Wuhu Investment Agreements provided that the land premium of the land for commercial use shall not be more than RMB1,000,000 per mu (equivalent to approximately RMB1,500 per sq.m.) and the land for residential use shall not be more than RMB3,080,000 per mu (equivalent to approximately RMB4,620 per sq.m.) and the Wuhu Government shall refund the land premium to be paid by us in excess of the amount calculated from the above basis after we have obtained the land through public tender, auction and listing-for-sale.

In accordance with the Wuhu Investment Agreements, we paid an aggregate amount of RMB5.0 million to the Wuhu Government as land deposits in July 2013. If we are able to obtain land use rights of the Wuhu Land through public tender, auction and listing-for-sale, the deposits paid to the Wuhu Government will be refunded to us. As at the Latest Practicable Date, the site clearing and resettlement operations on the Wuhu Land was in progress and had not been completed, accordingly we had not entered into any land grant contracts in respect of the Wuhu Land. Subject to the progress of site clearing and resettlement operations of Wuhu Government, it is expected that the first parcel of the Wuhu Land will be available for public tender, auction and listing-for-sale in the period from October to December 2015.

As advised by our PRC Legal Advisers, save as to the provisions purporting to (i) promise a cap for the land grant price and (ii) promise a partial refund of land grant premium in respect of the Wuhu Land are invalid and not legally binding on the parties under the applicable PRC laws and regulations, the other provisions of the Wuhu Investment Agreements, including the payment of RMB5 million to Wuhu Government by us as land deposit, are valid, legal and binding on both parties under the applicable PRC laws and regulations.

We plan to fund these potential development projects with our operating cash flow, proceeds from the Global Offering and, if necessary, bank loans and proceeds from trust financing arrangements.

To the best knowledge of the Directors, save as disclosed above, no promoter, Directors, or the relevant local governments had any direct or indirect interest in any transaction relating to the above two targeting parcels of land completed within the two preceding years.

CIVIL AIR DEFENSE PROJECTS

As at 31 March 2015, our property development projects included car parks planned for civil air defense purposes with an aggregate GFA of 53,728 sq.m. (representing 2.5% of our aggregate GFA) and a carrying amount of approximately RMB96.5 million.

The table below sets out the details and distribution of our civil air defense projects as follows:

Location of our civil air defense projects	GFA of civil air defense projects (sq.m.)	Usage	Category of properties accounted for
Taizhou Xinming Peninsular Phase 1 ...	9,743	Car park	Properties held for sale
Taizhou Xinming Peninsular Phase 2 Stage 2	20,546	Car park	Properties held for sale
Xinming Lijiang Garden	21,553	Car park	Properties held for sale
Wenshang Times • Xinming Apartment	1,886	Car park	Properties held for sale
Total	**53,728**		

During the Track Record Period, we had entered into contracts to transfer the right to use civil air defense projects in our property development projects to customers for use as car parks (the "**Designated Car Parks**") and we intend to continue such transfer in the future. As at the Latest Practicable Date, we had not received any prohibition or rectification order or been subject to any penalty in respect of our transfer of the right to use the Designated Car Parks to our customers, and we had not been involved in any disputes with our customers regarding the transfer of the right to use such car parks. Our PRC Legal Advisers advised that save as Taizhou Investment and Wenshang Times have not obtained the Utilisation Permit During Peacetime (平時使用許可證) for the Designated Car Parks in Xinming Lijiang Garden and Wenshang Times • Xinming Apartment, respectively, our business operations with regards to our car parking spaces forming part of our civil air defense areas as described above are allowed under applicable PRC laws and regulations. As advised by our PRC Legal Advisers, according to Implementing Rules of the Civil Air Defense Law of Zhejiang Province (浙江省實施《中華人民共和國人民防空法》辦法), the users of civil air defense projects shall apply for Utilisation Permit During Peacetime after the construction work of the air defense project are completed for the use of such area. We received confirmations in writing from the relevant PRC governmental regulatory authorities that we are permitted to use the civil air defense area in Xinming Lijiang Garden and Wenshang Times • Xinming Apartment and as stated in their respective completion certificates which have been approved by the Civil Air Defense Office of Taizhou City, the relevant areas had designated function of car parks during peacetime. As at the Latest Practicable Date, we had applied for the relevant Utilisation Permit During Peacetime for the Designated Car Parks in Xinming Lijiang Garden and Wenshang Times • Xinming Apartment. Our PRC Legal Advisers are of the view that there are no material legal impediments for Taizhou Investment and Wenshang Times to obtain the relevant Utilisation Permit During Peacetime.

In addition, the use of civil air defense projects is subject to management and maintenance conditions under the relevant PRC laws and regulations. Under the relevant PRC laws and regulations, while an investor in civil air defense projects can use (including lease) and manage civil air defense property in such times of peace and make profit therefrom, such use shall not impair their functions as civil air defense projects. The design, construction and quality of the civil air defense projects must also conform to the protection and quality standards established by the PRC government. If our customers fail to maintain the Designated Car Parks in accordance with the applicable laws and regulations, since there is uncertainty regarding the transfer of the right to use the Designated Car Parks, should it be adjudicated that ownership of the Designated Car Parks remains with us notwithstanding such contracts of transfer, we may be subject to adverse legal consequences.

In the event that the PRC government declares a state of war, the PRC government may take over civil air defense projects as civil air defense shelters. If our customers fail to deliver the Designated Car Parks when required by the PRC government in such times of war, since there is uncertainty regarding the transfer of the right to use the Designated Car Parks, should it be adjudicated that the right to use of the Designated Car Parks remains with us notwithstanding such contracts of transfer, we may be subject to sanctions imposed by the PRC government.

Our in-house legal adviser will monitor our business practice and if we engage in new projects involving civil air defense areas, we will consult external legal advisers and our in-house legal adviser to ensure our compliance with the relevant PRC laws and regulations.

Please refer the section headed "Risk Factors — Risks relating to our business — The validity regarding the transfer of the right to use civil air defense projects is uncertain and we may be required to refund the consideration of such transfer to our customers and subject to adverse legal consequences" in this prospectus for further details.

FUTURE/ESTIMATED DEVELOPMENT COSTS TO BE INCURRED FOR OUR PROJECTS AND POTENTIAL DEVELOPMENT PROJECTS

As at 31 March 2015, based on our internal records and current development plan of our projects and our financial and operational condition, the future/estimated development costs to be incurred for our projects and our potential development projects and their respective expected source of funding were as follows:

Project	For the nine months ending 31 December 2015		For the year ending 31 December 2016		After 31 December 2016		Total future/ estimated development costs to be incurred
	Future/ estimated development costs to be incurred	Expected source of funding	Future/ estimated development costs to be incurred	Expected source of funding	Future/ estimated development costs to be incurred	Expected source of funding	
	RMB'000		RMB'000		RMB'000		RMB'000
Under development							
Shanghai Xinming • Children's World [3]	**197,077**	(1)	**150,223**	(1)	**26,275**		**383,575**
	10,000	(2)					
Chongqing Xinming • China South-western City Phase 1 [4]	**217,579**	—	**259,860**	(1)	**11,099**	(1)	**488,538**
	182,459	(1)					
	35,120	(2)					
Xingmeng International Commercial City [5]	**168,476**		**109,134**		**68,381**	(1)	**345,991**
	118,476	(1)	79,134	(1)			
	50,000	(2)	30,000	(2)			
Hangzhou Xinming • Children's World	**138,211**	(1)	**312,856**	(1)	**234,412**	(1)	**685,479**
Sub-total	*731,343*		*832,073*		*340,167*		*1,903,583*
Future Development							
Commercial Building Project	**52,684**	(1)	**56,598**		**108,965**	(1)	**218,247**
			46,598	(1)			
			10,000	(2)			
Chongqing Xinming • China South-western City Phase 2	**154,260**		**166,714**	(1)	**251,026**	(1)	**572,000**
	99,260	(1)					
	55,000	(2)					
Chongqing Xinming • China South-western City Phase 3	**61,379**		**155,463**		**184,438**	(1)	**401,280**
	39,952	(1)	115,463	(1)			
	21,427	(2)	40,000	(2)			
Sub-total	*268,323*		*378,775*		*544,429*		*1,191,527*
Potential development							
Parcels of land neighboring Xingmeng International Commercial City in Tengzhou	**93,000**		**158,072**	(1)	**5,422,428**	(1)	**5,673,500**
	48,272	(1)					
	44,728	(2)					
Parcels of land in Yijiang District, Wuhu City	**48,200**		**237,022**	(1)	**3,714,778**	(1)	**4,000,000**
	18,200	(1)					
	30,000	(2)					
Sub-total:	*141,200*		*395,094*		*9,137,206*		*9,673,500*
Total:	**1,140,866**		**1,605,942**		**10,021,802**		**12,768,610**

Notes:

(1) Expected source of funding being external financing and/or internal resources.

(2) Expected source of funding being net proceeds from Global Offering.

(3) Pre-sale had commenced and up to 31 March 2015, the total proceeds of pre-sales for properties of this project were RMB66.3 million.

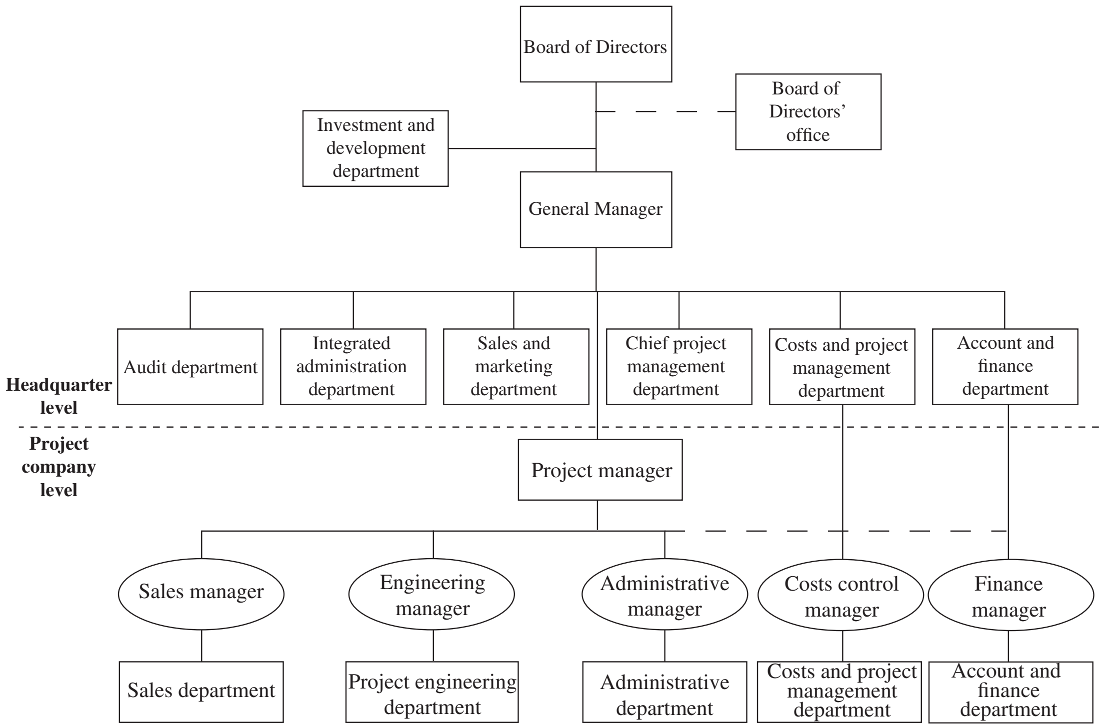
(4) Pre-sale had commenced and up to 31 March 2015, the total proceeds of pre-sales for properties of this project were RMB404.3 million.

(5) Pre-sale had commenced and up to 31 March 2015, the total proceeds of pre-sales for properties of this project were RMB15.9 million.

We expect to finance our future/estimated developments costs to be incurred with (i) the net proceeds from Global Offering which may vary (for further details please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus); (ii) external financing available to our Group which we had obtained on or before 31 March 2015; and (iii) internal resources generated from the proceeds of pre-sales of such properties.

PROPERTY DEVELOPMENT MANAGEMENT

We have established the investment and development department and six other departments at our headquarter to oversee and manage the development of our property projects. We also formed project companies in cities where our project developments are located. The project companies have their own team responsible for integrated administration, projects engineering management and sales. The following chart sets forth our organisational and management structure of our headquarter and project companies:



The investment and development department and the six other departments have different responsibilities. Their respective responsibilities are set in the table below:

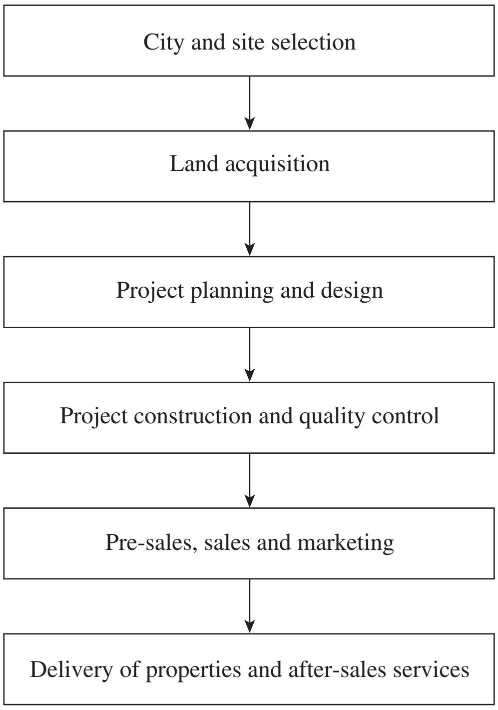
Departments	Responsibility
Investment and development department (投資發展部)	Overall strategic planning, risk assessment management and development of our Group
Audit department (審計部)	Overall internal audit, maintaining contract compliance and internal control
Integrated administration department (綜合管理部)	Human resource, data management and general administration management
Account and finance department (財務資金部)	Account, financing and funding management

Departments	Responsibility
Chief project management office (總師辦)	Project planning and design, quality control and construction monitoring
Costs and project management department (成本管理部)	Project construction and management, selection of contractors, costs control and budgeting
Sales and marketing department (營銷策劃部)	Project sales, marketing and promotion management

The project manager of each of our project companies are directly responsible to our general manager. Our finance manager and costs control manager of each of our project companies are directly responsible to the account and finance department and costs and project management department at our headquarter and are required to report to the project manager, while our sales manager, engineering manager and administrative manager in each of our project are directly responsible to relevant project companies and filing and reporting to the sales and marketing department, the costs and project management department and the integrated administration department, respectively. This dual reporting system ensures that while certain daily operational responsibilities (i.e. the sales function, project engineering and administrative function) are being delegated to our project companies level, our headquarter could still effectively oversee and coordinate the operational functions and directly control important finance and funds control of our project companies. We have established detailed procedures and policies setting out clear reporting lines and responsibilities with a view to facilitate efficient communications, prompt decision-making and responsiveness to changing market conditions.

OUR PROPERTY DEVELOPMENT PROCESS

We endeavor to deliver high-quality products and provide satisfactory services to our customers. Our process for project development includes, among other things, city and site selection, land acquisition, project planning and design, construction, quality control, sales and marketing, delivery and after-sales services.



City and Site Selection

We believe that city and site selection is one of the most critical stages in property development. Our investment and development department is responsible for identifying and evaluating a range of regions or cities in the PRC for potential development, and suggest potential sites for development to the Board of Directors for consideration. Our investment and development department comprises our executive Directors and general manager. To support the strategic planning and city and site selection of our investment and development department, we would conduct due diligence on the local market environment regarding land acquisition costs, pricing trends and market supply and demand and on-site observation. We would sometimes engage third-party research companies to analyse the merits of the cities and/or sites in which we plan to develop.

We consider the following factors in our city selection process, including:

- geographical size, trend of population flow, age group distribution, overall economic development and average per capita income;
- zoning regulations and policies on real estate development, future land availability and transportation network development;

- governmental policies of preferential tax treatment;
- the supply and demand for commercial and residential properties in the local market;
- the level of recognition of our brand; and
- the competition landscape, including the identity, size and development plans of existing and potential competitors, pricing and other indicators of competing projects, and the marketing strategies of competitors and competing projects.

We consider the following factors in relation to site selection process, including:

- the natural and economic environment surrounding the site area;
- the average income and age group of the target customers in the vicinity and their purchase intention;
- site area, characteristics of the site and suitability for residential community development;
- growth potential of the area near the site;
- level of competition from other property developers in the vicinity;
- local government's planning and policies for the site and the vicinity;
- local transportation network, existing and potential infrastructure support, such as education and commercial facilities, and proximity to public facilities; and
- estimated overall cost structure, cash flow contribution and investment return of the potential development.

Land Acquisition

During the Track Record Period and as at the Latest Practicable Date, save and except for the land parcel held by Wenshang Times and Shandong Xingmeng which we acquired the land use rights through the acquisition of 55% equity interest in Shandong Xingmeng and 100% equity interest in Wenshang Times, respectively, from third parties, we obtained all our land parcels for our property developments through acquiring land use rights held by local PRC government directly by participating in the government-organised tenders, auctions and listing-for-sale bidding process in accordance with the Rules Regarding the Grant of State-Owned Construction Land Use Rights by Way of Tender, Auction and Listing-for-sale (《招標拍賣掛牌出讓國有建設用地使用權規定》) issued by the PRC Ministry of Land and Resources. Please refer to the section headed "Regulatory Overview" in this prospectus for further details of the applicable PRC laws and regulations.

A majority of our land parcels we developed are directly obtained by us by way of tender, auction and listing-for-sale, instead of acquiring project companies as our Directors consider that direct acquisition of land could avoid potential legal liabilities in project companies which have not been uncovered before acquisition.

We believe acquiring land at a competitive price is critical to our overall success. During the Track Record Period, we have strategically purchased large parcels of land suitable for multi-phase development in selected fast-developing cities with population growth potential. We aim to acquire large parcel of land that are low-cost and, in our view, may give us the potential benefit from value appreciation over the long term.

Project Planning and Design

Our chief project management department at our headquarter is responsible for the overall project planning and formulation of design concept of each of our property project in accordance with our development strategies formulated by our investment and development department. We would engage external design consulting firms to perform detailed design and construction planning. As we believe good project design significantly enhances the value and marketability of our properties, we carefully select the architecture and design firms with which we collaborate. Selection of the architecture and design firms is carried out by our chief project management department. For each of the property projects, our staff of the costs and project management department would normally invite three to four design consulting firms to provide detailed design planning proposal with quoted price, out of which we would select the one that align best with our development model after internal discussion. When selecting external design consulting firms, we take into consideration factors such as reputation, technical abilities, prices quoted, product innovation capabilities, track record in developing similar projects, service standards and past relationship with us. These architecture and design firms are typically entitled to a fixed fee for their services, which is payable in progressive installments upon the completion of each stage of the planning and design process.

Project Construction and Quality Control

Before beginning construction, we must obtain the right to develop the land, which includes obtaining the construction land planning permit, the construction work planning permit and the construction work commencement permit from the relevant PRC government authorities. After we have acquired a land parcel, it generally takes us about three to 15 months to conduct preparation work before the commencement of construction. Our property development cycle, which represents the period of time between obtaining construction work commencement permit and obtaining completion certificate with respect to each property development in our multi-phase development projects, ranged generally about 13 to 36 months during the Track Record Period, depending on the type of the property and particular circumstances relating to the property. Please refer to the section headed "Regulatory Overview — Regulations on Land and the Development of Real Estate Projects" in this prospectus for further details of these permits.

Project Construction

Construction contractors selection and engagement

We outsource all of our project construction work to qualified third-party construction contractors. These construction contractors carry out various types of work, including foundation digging, main structure construction, equipment installation and engineering work. We believe contracting our construction work allows us to leverage the expertise of the construction contractors and minimize certain risks, such as risks from fluctuations in the cost of certain raw materials, and allow us to focus on our principal business of property development. We engage our contractors for construction projects through tender process in accordance with relevant PRC laws and regulations.

Our tender and bidding team of our costs and management department at our headquarter will set up tender terms and is responsible for evaluating and selecting our contractors. Such selected contractor will have to be approved by the project construction manager, the costs and project management department at the headquarter and the general manager. Typically, we invite at least three construction contractors from our list of approved contractors to participate in the project tender process. In selecting our construction contractors, we conduct detailed evaluations of the construction contractors and their tender documents. We consider various factors, including the size and qualifications of the contractors, the contractors' reputation, track records in similar projects and quoted price.

Selected contractors will enter into construction agreement based on the standard template provided by the relevant government authority. Pursuant to such contracts, the contractors are obliged to undertake the entire construction work in strict compliance with laws and regulations as well as our design specifications and time schedules. Payments to construction contractors are made in stages upon the completion of each construction milestones in accordance with the terms specified in the construction contracts and the percentage to be paid at each stage varies from case to case. We usually settle approximately 95% to 97% of the total contract price upon the completion of the entire project, while holding back the remaining approximately 3% to 5% as retention money for warranties purpose. The construction contractors are generally required to provide us with warranties, with a warranty period generally ranging from one to five years, for any losses we may incur as a result of not meeting contractually specified quality standards. The unused portion of the retention money will be returned to the contractors after the warranty period has expired. We may also agree to settle the retention money by installments over the warranty period. In addition, under circumstances where the construction schedules are delayed for more than the period of time as stipulated in the contracts, we will also be entitled to a pre-determined amount as penalty payment and, in some cases, we will have the right to terminate the contracts. Our Directors believe that the amount of retention money we withhold under our construction contracts is in line with the industry practice in the PRC and is sufficient to cover the construction warranties we provided to our customers under the sale and purchase agreements.

Our construction contractors have a working relationship ranging from one to seven years with us. Save as to Tengzhou Gaopin Construction Company Limited (滕州高品建築有限公司), a connected person which we engaged in foundation digging work; and the connected persons as disclosed in the section headed "Connected Transaction", all of our construction contractors we engaged during the Track Record Period are Independent Third Parties.

During the Track Record Period, no material personal injury or death had occurred to the construction contractors we engaged, and we did not experience any disputes with our construction contractors that had a material adverse effect on our businesses or financial position.

Our construction contractors are responsible for the procurement of substantially all of our construction materials. Please refer to the paragraph headed "Our Property Development Process — Project construction and quality control — Procurement of Construction Materials" in this section for further details.

Quality control and construction supervision

We emphasize on and enforce our quality control at each stage of our project development process from its initial planning and design to its final completion.

Our chief project management department is responsible for monitoring the construction quality and construction progress and controlling project budgeting. At the initial planning stage, our costs and project management department will set up a series of progress control indicators for costs, quality and construction progress in accordance with our budgeted total construction costs. During the construction, our staff of the chief project management department will conduct monthly on-site inspection to monitor the construction progress in accordance with the progress indicators previously set. Our chief project management department will also have an annual review of all our projects under construction to ensure the costs incurred, quality and construction progress are to our satisfaction. As at the Latest Practicable Date, our chief project management team comprised qualified engineers and construction technicians with industry experience ranging from three to 13 years.

In compliance with PRC laws and regulations, we also engage construction supervision companies to monitor certain aspects of our project construction as specified by the relevant laws and regulations. During the Track Record Period, we engaged nine construction supervision companies to monitor our projects under development. All these construction supervision companies are Independent Third Parties and most of them have class A qualifications for real property construction supervision with over 15 years of operating history.

According to our construction supervision contracts, these construction supervision companies are responsible for supervising the construction quality of our projects, and are required to report the progress and the quality conditions of the projects on a regular basis. If there is any quality problem with construction materials or workmanship, these supervision companies have the right to suspend the construction work with our consent. Payments to construction supervision companies are made in stages upon the completion of each construction progress milestones in accordance with the construction supervision contracts.

Procurement of Construction Materials

Our contractors are responsible for procuring substantially all of the construction materials such as steel and cement for our property development projects. We typically provide our specifications regarding construction materials to contractors and require the contractors to procure from a range of selected brands or manufacturers. Our costs and project management department closely monitor the construction materials used by and the costs incurred by the contractors. If the contractors are required by relevant PRC laws and regulations to procure a specific type of construction materials through tender, we generally require such contractors to include our selected brands or manufacturers in the tender documents and we would also observe the tender process to ensure the selected construction materials supplier is of quality acceptable to us. Generally, for construction materials procured by our contractors, the risk of price fluctuations is absorbed by them, save and except adjustment would be made to certain construction materials against the standard price published by the local authorities.

We are responsible for purchasing certain specialised building materials such as doors, windows, air conditioning system and elevators directly. We typically procure materials from suppliers we chose from a pool of approved suppliers to ensure their quality. To ensure consistency of quality, we have database to collect information of our suppliers, such as quality of service and pricing, and we regularly review and update such database. We believe the database will help us to better assess the quality of our suppliers, and that it provides a useful reference for future projects. We seek tenders from the pool of approved suppliers and conduct price and quality assessment. Selected raw materials supplier will enter into supply contracts with us which generally do not allow for price adjustments. Payment methods vary in the procurement of different construction materials, and payment is typically settled in stages after the completion of a certain stage of installation works.

We are not subject to any minimum purchase commitment. We did not enter into any long-term agreements with our suppliers during the Track Record Period. During the Track Record Period, we are generally required to settle final stage payment within 10 to 14 days after the products have passed relevant quality control inspection process. We hold back 3% to 5% retention monies for warranties purpose in certain cases. Generally, we may terminate a contract if the supplier fails to supply the relevant materials in accordance with the terms of the contract or relevant regulatory requirements. We can pass the increases in raw material costs to our customers by increasing the prices of our products. Since, as at 31 December 2014, the raw materials which we are responsible for purchasing account for approximately 1.2% of the total cost of properties sold, any change in the cost of our materials will not materially affect our total cost of properties sold.

Our construction materials are primarily purchased from suppliers in the PRC. Our staff of chief project management office oversee the quality of each project development, conduct monthly on-site inspection and pre-examine the construction materials before they are used in the projects. We do not generally maintain construction material inventory and order these materials only on an as needed basis. During the Track Record Period, we did not experience any shortage or delay in the supply of construction materials that had a material adverse effect on our business operation.

Pre-sales, Sales and Marketing

Pre-sales

Like other property developers, we pre-sell properties prior to the completion of their construction. Under the Pre-sale Measures, we must comply with certain conditions prior to commencing pre-sales of any particular property development, including the following:

- the land premium must have been fully paid, the relevant land use rights certificates must have been obtained;
- the construction work planning permit and the construction work commencement permit must have been obtained;
- the funds contributed to the property developments where property units are pre-sold must be at least 25% of the total amount invested in a project, and the construction progress and the expected completion and delivery date of the construction work must have been confirmed; and
- pre-sale permits must have been obtained from the construction bureau at the local level.

We had obtained relevant pre-sale permits under the applicable PRC laws and regulations for commencing pre-sale of those properties we were pre-selling.

Sales and marketing

The sales and marketing department is responsible for the overall management of our marketing activities and works closely with other departments during all major stages of project development, from site selection to pre-sales. It provides valuable input throughout the development process to help ensure that our property developments are well positioned, meet customers' expectations and are appropriately and profitably priced. As at Latest Practicable Date, there were 83 employees in our sales and marketing department and responsible for sales and marketing in our respective regional project companies, respectively. Set forth below are their primary roles and responsibilities:

- participate in conducting feasibility studies based on market analysis;
- participate in developing the optimal positioning for and the conceptual design of our projects;
- formulate and execute overall marketing strategies, which may include advertising campaigns via newspapers, television, billboards, direct mail, text messages, project brochures and project models;
- conduct marketing campaigns and arrange promotional activities;
- participate in sales and pricing strategies;

- determine appropriate advertising and sales plans for a particular property development and for a particular phase of the sales cycle; and

- arrange promotional activities.

Our marketing efforts include advertising through distributing brochures, outdoor advertisement, internet advertisement and other printing media. In order to provide our customers more details of our projects, we also set up on-site reception centres to display model unit of our projects and other detailed information about the property development. For the three years ended 31 December 2012, 2013 and 2014, our selling and marketing costs were approximately RMB54.4 million, RMB49.7 million and RMB55.3 million, respectively.

Pricing policies

We generally price our properties, both residential and commercial units, on a "cost-plus" basis. Such cost includes all costs incurred in relation to the construction of the property development, such as land costs, construction costs, marketing costs and capitalised finance costs. A premium will be added based on our target rate of return and the overall real estate competitive landscape.

As part of our marketing efforts, during the Track Record Period, we had offered the following discounts to our customers:

- we offered RMB20,000 to RMB50,000 discount in the property price to potential customers who pay a deposit in the range RMB20,000 to RMB100,000 to us before the date of commencement of sale or pre-sale of the properties we marketed;

- we offered 2% to 4% discount in the property price to customers who pay the property price in full upon signing the formal sale and purchase agreement either without mortgage financing or agreed to have the mortgaged loan be returned to them after we had obtained the same from the mortgagee banks;

- we offered 1% to 3% or RMB10,000 to RMB30,000 discount in the property price to customers who sign the formal sale and purchase agreement within certain prescribed period of time (for example, three to seven days) after paying the deposits; and

- we offered customers who were introduced by our old customers certain discounts ranging from RMB50,000 to RMB150,000 depending on the size of the properties.

We believe the above discounts were effective in attracting potential customers and we consider that the discounts granted were in line with the then prevailing market practice.

Third-party real estate agents

We occasionally engage third-party real estate agents depending on market conditions and our overall sales condition of the particular project to facilitate the sales and marketing of our projects. These real estate agents promote our projects through various media advertisements and marketing materials, bring potential customers to visit our project site and assist with the sales logistics. In consideration of their services, we typically pay a commission of at most 9% depending on the total sales amount they make. For the three years ended 31 December 2012, 2013 and 2014, we incurred RMB1.6 million, RMB16.3 million and RMB8.7 million, respectively.

Delivery of Properties and After-sales services

We strive to deliver completed properties to our customers within the time frame prescribed in the respective pre-sale or sale and purchase contracts. It typically takes approximately 13 to 26 months from the commencement of pre-sales to the date of the completion certificate, depending on the scale of the properties. Before delivery of properties to our customers, we must obtain the relevant completion certificate (房屋建築工程竣工驗收備案表). Please see the section headed "Regulatory Overview — Sale of Commodity Properties" in this prospectus for further details. Save as disclosed in the paragraph headed "Regulatory Compliance — Non-Compliance Record", our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, we did not experience any significant delays in the completion of our projects or delivery of relevant title documents after sales.

To help ensure timely delivery of our properties, we closely monitor the progress of construction of our projects and conduct pre-delivery property inspections. Our project engineering department and staff from our property management company will inspect the properties prior to delivery to ensure that our quality standard has been met. Our staff will notify our customers in writing before the delivery date stipulated in the sale and purchase agreements, to arrange the delivery procedures.

We will assist our customers in obtaining their individual property ownership certificates by providing all requisite information to the local authorities for registration. The local authorities will then grant individual property ownership certificate for each property unit afterwards.

During the Track Record Period and up to the Latest Practicable Date, we did not encounter any incidents of default by purchasers under the formal sale and purchase agreement entered into at pre-sale. Upon executing the formal sale and purchase agreements, customers are required to pay in full the total purchase price. As advised by the PRC Legal Advisers, pursuant to the formal sale and purchase agreement, the purchasers have no contractual right to terminate the formal sale and purchase agreement or request for refund of the purchase price entered into at pre-sale due to the subsequent changes in the market price of the properties. Our Directors are therefore of the view that the likelihood that the customers would default under the formal sale and purchase agreement entered into at pre-sales is remote.

According to our accounting policies, our revenue is recognised when the properties are delivered to our customers. The recognition of our revenue from sale of properties is not subject to the grant of the property ownership certificates to our customer.

Our sales and marketing department and property management company are responsible for after-sales services. We aim to resolve our customers' queries in relation to property construction in a timely manner.

We provide our customers with a warranty for the quality of construction and for certain fittings and facilities in our property developments in accordance with relevant rules and regulations of PRC.

In particular, we provide the following warranties, among others, for our residential properties:

- warranties as to the foundation and main structure of the properties for the period designed for reasonable use of the relevant properties;
- five-year warranties for defects relating to the waterproofing of property surfaces;
- two-year warranties for defects relating to the waterproofing of bathrooms, rooms and walls;
- two-year warranties with respect to any peeling of wall surfaces and ceiling plasters;
- one-year warranties with respect to the main door;
- two-year warranties with respect to the electricity cable and sewage pipes;
- two-year warranties with respect to the cracking of doors and windows, and damage to metal hardwares;
- six-month warranties with respect to defects relating to switches and sockets; and
- two-month warranties with respect to clogging of pipes.

All warranty periods commence on the day of delivery of the relevant properties. We do not provide warranties with respect to defects that are caused by third parties or improper use and defects resulting from natural disasters. We usually provide quality warranties for periods no shorter than that for quality warranties we receive from our construction contractors under the relevant construction contracts. Our construction contractors are responsible for warranties in respect of the relevant quality standards and for the costs incurred for the relevant maintenance work. We do not maintain provisions with respect to warranties.

In general, we allow for returns of our properties in circumstances where there are material delays in the delivery of our properties which exceed the periods stipulated in the relevant sales and purchase agreements; material quality defects with respect to our properties; and material changes made by us to the design of the properties which result in changes in areas such as property layout, spatial dimension and orientation; and material discrepancies in the GFA of our properties delivered as compared to the GFA stipulated in the sales and purchase agreements.

During the Track Record Period, four units of Taizhou Xinming Peninsular Phase 2 Stage 1 were returned to us, with the aggregate GFA amounting to approximately 1,145.1 sq.m., involving an aggregate contract price and compensation of approximately RMB20.3 million and RMB3.7 million, respectively. All of such returned properties were returned due either to the actual floor height or property orientation did not meet the height or the orientation, as the case may be, as specified in the marketing materials. Our Directors confirm that none of the returns, individually and in aggregate, had a material adverse impact on our business, financial conditions or results of operations. As at the Latest Practicable Date, all four returned units were subsequently sold. The sales of such returned units were based on consensual consultation between the parties and did not involve propaganda or improper distribution of marketing information. Based on the above, our PRC Legal Advisers advised that the subsequent sales of such returned units did not violate any applicable PRC laws and regulations.

Save and except for the four returned units disclosed above, during the Track Record Period, our customers of properties of Taizhou Xinming Peninsular Phase 2 Stage 1 had signed written confirmations upon the delivery of the property and agreed to accept the units. Based on such confirmations, our PRC Legal Advisers are of the view that unless material quality defects have been proved, it is unlikely that our Group will be subject to further risk of the units in Taizhou Xinming Peninsular Phase 2 Stage 1 sold being returned to us or any liability to compensate relevant customers.

Our PRC Legal Advisers advised that the content of such marketing materials may be governed by the Interim Provisions on Advertisement of Real Estate (房地產廣告發布暫行規定). However, there are no specific provisions in the Interim Provisions on Advertisement of Real Estate as to whether such discrepancy between the actual floor heights or properties orientation and those as specified in the marketing materials will be considered as a violation of such provisions. If our marketing materials is considered as a violation of the Interim Provisions on Advertisement of Real Estate, the supervising authorities may order us to cease the advertisement and impose a fine up to RMB30,000 on us. Pursuant to the stipulations in the sales and purchase contract, the marketing materials shall not form any part of the sales and purchase contract, thus, the abovementioned discrepancy did not constitute any breach of contract by us. Further, during the Track Record Period, save as the initial customers of the four returned units, all the other customers had signed the written confirmations upon the delivery of the property to accept the units. As such, our PRC Legal Advisers are of the view that it is unlikely that our Group would be subject to any liability to compensate the customers or any penalties imposed by supervising authorities regarding the abovementioned discrepancy in the future.

To the best knowledge of our Directors, save and except for Taizhou Xinming Peninsular Phase 2 Stage 1 as disclosed above, during the Track Record Period and up to the Latest Practicable Date, we had not been involved in any claims, disputes or requests for properties sold to return to us arising from material discrepancy between the spatial dimension and orientation of the actual completed construction and those as specified in the marketing materials for our property developments.

Save and except the properties returned to us as disclosed above, during the Track Record Period, we have not been involved in any material claims or received any complaints with respect to the quality of our building structures or other fittings which cannot be rectified by the relevant contractors in accordance with their warranty provisions of the relevant contracts.

Payment Arrangements

Our customers, including those purchasing pre-sale properties, can choose between payment by mortgage financing or by cash in lump sum. We typically require our customers to pay a non-refundable deposit before entering into formal sale and purchase agreements. Generally, this deposit will be forfeited if the customers subsequently decide not to enter into formal sale and purchase agreements with us. Upon executing formal sale and purchase agreements, customers who choose to make cash payment are typically required to make payment in full of the total purchase price of the property (less any non-refundable deposit paid by them).

If a purchaser chooses to make a lump-sum payment, the balance of the purchase price is to be paid no later than the date specified in the sale and purchase agreement.

For customers who choose to fund their purchase using mortgage loans provided by mortgagee banks, such customer must pay a down payment of at least 30% of the purchase price for residential property and 50% of the purchase price for commercial property, and the rest in the form of mortgage loan drawdown are typically paid to us from the date of the formal sale and purchase agreement.

In line with market practice in the PRC, we have arrangements with various banks for the provision of mortgage financing and when required, provide our customers with guarantees as security for mortgage loans. The terms of such guarantees typically last until the mortgage documents have been filed with the relevant authorities and the Certificate of Third Party Rights (他項權證) and the property ownership certificate is issued to the banks and the purchasers, respectively, or upon the satisfaction of mortgage loans and related payment obligations in full by the relevant purchaser. As a guarantor, if the purchaser defaults in payment, we are obligated to repay all outstanding amounts owed by the purchaser to the mortgagee bank under the loan. We do not conduct credit checks on our customers but rely on the credit checks conducted by relevant banks.

As at 31 December 2014, approximately 76.9% and 45.2% of our residential properties and commercial properties pre-sold but not yet delivered, respectively, were financed by bank mortgage, while the rest were paid by cash in lump sum. In case our customers default under the formal sale and purchase agreement entered into at pre-sale for properties pre-sold which were financed by bank mortgage, we, as the guarantor for the purchasers' mortgaged loan, are required to repay all amounts due under the mortgage owed by the purchaser to the mortgage bank. Generally, upon the defaults of the purchaser, the mortgagee bank would initiate legal proceedings against the purchaser for the mortgage loan and apply the proceeds from sale of the mortgaged property by auction in the payment of amounts due under the mortgage. Accordingly, if the proceeds of sale of the mortgaged property by auction are not enough to cover the amounts due under the mortgage, we, as the guarantor for the purchasers, would need to pay any short-fall to the mortgage bank. In order to minimise the abovementioned possible negative impact for any potential defaulted property buyers, we require our customers who choose to fund their purchases using mortgage loans provided by mortgagee banks to pay a down payment of at least 30% of the purchase price for residential property and at least 50% of the purchase price for commercial property, which we could forfeit such down payment in case the property buyers default under the formal sale and purchase agreement entered into at pre-sale.

As at 31 December 2012, 2013 and 2014, our outstanding guarantees in respect of the mortgages for certain purchasers of our properties amounted to approximately RMB594.6 million, RMB955.7 million and RMB191.0 million, respectively. During the Track Record Period and up to the Latest Practicable Date, we did not encounter any incidents of default by purchasers which resulted in our Group having to repay all outstanding amounts owed by the purchaser to the mortgagee bank under the loan. Please refer to the sections headed "Risk Factors — Risks relating to our business — We provide guarantees over mortgage loans given by banks to purchasers of our properties, which may negatively impact our financial position if we are required to honour the guarantees" in this prospectus for further details.

SUPPLIERS AND CUSTOMERS

Suppliers/Contractors

During the Track Record Period, our major suppliers were our construction contractors and construction material suppliers. Our single largest supplier accounted for approximately 48.6%, 30.7% and 20.6% of our total purchases for the three years ended 31 December 2012, 2013 and 2014, respectively. Our five largest suppliers together accounted for approximately 87.6%, 66.9% and 71.7% of our total purchases for the three years ended 31 December 2012, 2013 and 2014, respectively.

The table below sets out the details of our five largest suppliers for the year ended 31 December 2012:

Background and business profile of suppliers	**Length of business relationship**	**Percentage of total purchase for the year ended 31 December 2012**
Supplier A, a construction and property development company in Taizhou	since 2008	48.6%
Supplier B, a construction and property development company in Taizhou	since 2009	27.9%
遠揚控股集團股份有限公司 (Yuanyang Holdings Group Share Limited Company*) ("**Yuanyang**"), a construction and property development company in Hangzhou	since 2011	6.0%
Supplier C, a garden construction and design company in Hangzhou	since 2011	2.7%
Supplier D, a low voltage switchgear manufacturing company in Taizhou	since 2009	2.4%

The table below sets out the details of our five largest suppliers for the year ended 31 December 2013:

Background and business profile of suppliers	Length of business relationship	Percentage of total purchase for the year ended 31 December 2013
Supplier A, a construction and property development company in Taizhou	since 2008	30.7%
Yuanyang, a construction and property development company in Hangzhou	since 2011	15.9%
Supplier B, a construction and property development company in Taizhou	since 2009	8.9%
杭州開捷門窗有限公司 (Hangzhou Kaijie Decoration Co., Ltd*) ("**Hangzhou Kaijie**"), a connected person and a doors and windows supplier established in Hangzhou	since 2009	7.3%
Supplier C, a garden construction and design company in Hangzhou	since 2011	4.1%

The table below sets out the details of our five largest suppliers for the year ended 31 December 2014:

Background and business profile of suppliers	Length of business relationship	Percentage of total purchase for the year ended 31 December 2014
Supplier A, a construction and property development company in Taizhou	since 2008	20.6%
Yuanyang, a construction and property development company in Hangzhou	since 2011	18.8%
Supplier E, a construction and property development company in Jiangsu	since 2012	14.9%
Supplier B, a construction and property development company in Taizhou	since 2009	9.4%
Supplier F, a construction and property development company in Chongqing	since 2013	8.0%

Save as to Hangzhou Kaijie who is our connected person, to the best knowledge of our Directors, none of our Directors, their respective associates or any of our Shareholders who held more than 5% of our issued share capital, had any interests in our five largest suppliers during the Track Record Period and each of them is an Independent Third Party. For further details of the relationship between our Group and Hangzhou Kaijie, please refer to section headed "Connected Transactions" in this prospectus. Further, Yuanyang, being an Independent Third Party, is our Controlling Shareholders' joint venture partner in Hangzhou Yixing and has obtained security from XG Limited and Taoyuan

Property for its own borrowings pursuant to the mutual guarantee and security arrangement. For further details of the background of the relationship between Yuanyang and our Controlling Shareholders, please refer to the section headed "History, reorganisation and corporate structure — reorganisation — reasons for excluded business" in this prospectus.

In order to obtain better pricing terms and to avoid reliance on any single source of supply, we maintain good relationship with our major suppliers, and we typically choose from a pool of approved suppliers during the Track Record Period. In selecting our suppliers, we consider various factors, including the size and qualifications of the suppliers, suppliers' reputation, quality of suppliers' products and price.

We regularly review our pool of approved suppliers in order to understand the latest status of their service capabilities, credit profiles and financial conditions and conduct research on any potential suppliers whom we believe can meet our requirements for our property development and develop strategic cooperation with them. By doing this, we believe, in the case there is any disruption in supply by one or more of our major suppliers, we will be able to find replacement suppliers. During the Track Record Period, we did not experience any difficulty in sourcing our materials or any major defaults or delay by our suppliers that had a material adverse impact on our operations. We do not anticipate any sourcing difficulties in the foreseeable future.

Customers

We sell our properties to a large customer base, and our target customers are first-time home buyers or customers with a need to upgrade their living environment. Save and except for the exclusive management and operation agreements we entered into with certain customers of our commercial properties, we have not entered into any long-term agreements with our customers. For details of such exclusive management and operation agreements, please refer to the paragraph headed "Property Leasing — Leasing of properties owned by third party purchasers of our commercial properties" in this section. For the three years ended 31 December 2012, 2013 and 2014, revenue derived from our five largest customers was approximately RMB35.9 million, RMB37.2 million and RMB18.8 million, respectively, representing approximately 3.4%, 4.6% and 1.4% of our total revenue, respectively. Our five largest customers during the Track Record Period were individuals whom we sold properties to and three of them were our repeated customers. To the best knowledge of our Directors, none of our Directors, their respective associates or any of our Shareholders who held more than 5% of our issued share capital, had any interests in our five largest customers during the Track Record Period and each of them is an Independent Third Party. None of our five largest customers during the Track Record Period were our suppliers. Our five largest customers paid the relevant purchase price either by mortgage financing or by cash in lump sum.

For the three years ended 31 December 2012, 2013 and 2014, revenue derived from our single largest customer was approximately RMB8.2 million, RMB8.4 million and RMB11.3 million, respectively, representing approximately 0.8%, 1.0% and 0.6% of our total revenue, respectively. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material defaults by our customers.

PROPERTY LEASING

We engage in the property leasing business by (i) leasing our commercial properties held for investment; and (ii) leasing properties owned by third party purchasers of our Group's commercial properties with details as follows:

Leasing of our investment properties

As at 31 March 2015, all of our investment properties were located in the Red Star Macalline Products Mall in Xinming International Household Products Mall, Xinming International Logistic Centre and Wenshang Times • Red Star Macalline Household Products Market. Please refer to the section headed "Property Valuation Report" as set out in Appendix III to this prospectus for details of properties we held for investment.

For the three years ended 31 December 2012, 2013 and 2014, our rental income from the leasing of our investment properties amounted to approximately RMB18.4 million, RMB20.7 million and RMB52.8 million respectively, accounting 1.8%, 2.6% and 2.5% respectively of our total revenue.

The table below shows the leasable GFA, the GFA leased weighted by each tenants' respective leasing duration and the respective occupancy rate of our Group's investment properties as at the indicated dates:

	For the year ended 31 December								
	2012			2013			2014		
	Leasable GFA (sq.m.)	GFA leased (sq.m.)	% of total	Leasable GFA (sq.m.)	GFA leased (sq.m.)	% of total	Leasable GFA (sq.m.)	GFA leased (sq.m.)	% of total
Red Star Macalline Products Mall in Xinming International Household Products Mall	51,180	44,674	87.3	51,180	51,180	100.0	51,180	45,724	89.3
Xinming International Logistic Centre	20,589	5,046	24.5	20,589	19,194	93.2	20,589	20,589	100.0
Wenshang Times • Red Star Macalline Household Products Market	—	—	—	—	—	—	54,391	46,330	85.2
Total	71,769	49,720	69.3	71,769	70,374	98.1	126,160	112,643	89.3

During the Track Record Period, we entered into exclusive management services agreements with 紅星美凱龍家居集團股份有限公司 (Red Star Macalline Household Group Company Limited*) ("**Red Star Macalline**") to manage our investment properties in Red Star Macalline Household Products Mall in Xinming International Household Products Mall and Wenshang Times • Red Star Macalline Household Products Market.

The following table sets forth a summary of such exclusive management services agreements entered into with Red Star Macalline.

Project	Stage of Development	Management Term	Management Fees	Services Provided
Red Star Macalline Household Products Mall in Xinming International Household Products Mall	Completed	10 years, from 28 November 2010 to 27 November 2020	• One-off promotion commission fee of RMB2,000,000 • Annual management fee in the sum of RMB4,000,000 • Performance bonus (if applicable) calculated based on occupancy rate • Monthly performance bonus (if applicable) calculated based on the revenue derived per sq.m. • All salaries, costs and disbursements in relation to the management of the premises incurred by the project company	• To establish a project company to advertise, market and manage the Red Star Macalline Household Products Mall in Xinming International Household Products Mall using the "Red Star Macalline" brand name • To search for tenants
Wenshang Times • Red Star Macalline Household Products Market	Completed	10 years, from 29 December 2013 to 28 December 2023	• One-off promotion commission of RMB2,000,000 • Annual management fee in the sum of RMB2,000,000 • Monthly performance bonus (if applicable) based on the revenue derived per sq.m. • All salaries, costs and disbursements in relation to the management of the premises incurred by the project company	• To establish a project company to advertise, market and manage Wenshang Times • Red Star Macalline Household Products Market using the "Red Star Macalline" brand name • To search for tenants

Leasing of properties owned by third party purchasers of our commercial properties

We also lease properties owned by third party purchasers (the "**Property Buyers**") of our commercial properties. We have entered into exclusive management and operation agreements (the "**Management Agreements**") with the Property Buyers of our commercial properties (excluding commercial/residential properties)(Note) at the Construction Materials Trading Centre (建材中心) in Xinming International Household Products Mall and Wenshang Times • Xinming Household Decorations and Fittings City to manage and control the leasing of such properties for a period of five or ten years.

Our Directors believe that it is crucial for our Group to maintain the specific theme of the Construction Materials Trading Centre and Wenshang Times • Xinming Household Decorations and Fittings City since our Group's own investment property, namely the Red Star Macalline Household Products Mall and Wenshang Times • Red Star Macalline Household Products Market, respectively, are located right next to each of them, all focusing on the sale of household goods and products. By maintaining the theme and proper management of the Construction Materials Trading Centre, our Directors are of the view that it would benefit the overall development of our Group's projects in the area. It is our Directors' intention to develop commercial complexes with a specific theme by controlling the leasing and management of the commercial properties of such developments for a certain period of time until such development has established its reputation and reached a scale in conducting business of a specific theme. To achieve this, our Group had entered into Management Agreements with the Property Buyers to pay them agreed fees in return for the exclusive management and leasing rights of such properties for a period of five or ten years. Our Directors are of the view that it would be appropriate to use the selling price of the property as a reference point to which the agreed fees under such Management Agreements were determined because the selling prices of the properties were able to reflect the value of the respective quality and location of the shops and to save negotiation costs to agree individually on the amount of agreed fees with the Property Buyers. We would subsequently lease out such properties to third party tenants to derive rental income therefrom.

The Property Buyers became first aware of such arrangements prior to the entering into the respective sales and purchase agreements of the retail shops. We generally would negotiate with the Property Buyers to enter into the Management Agreements for the commercial properties in the abovementioned development projects. Property Buyers who agree to such exclusive management and operation arrangements would in general sign the Management Agreements a few days to a few months after they signed the sale and purchase agreements of the relevant properties. The Property Buyers, by entering into such Management Agreements, may (i) enjoy the capital appreciation of properties;

Note:

Due to the land use of certain commercial properties sold or to be sold to third party purchasers located at the upper levels of four of the 26 low-rising buildings constituting the Construction Materials Trading Centre in the Xinming International Household Products Mall are designated as "commercial/residential", we did not engage in leasing such properties. Such commercial properties with land use designated as "commercial/residential" were not sold as retail shops as the other commercial properties in the Construction Materials Trading Centre but sold as multi-purpose commercial/residential units supporting the nearby retail shops. For further details of the sales of such properties, please refer to the section headed "Financial Information - Revenue — Commercial Properties" in this prospectus.

(ii) enjoy the guaranteed returns from the leasing of properties; (iii) enjoy the potential rental income from the sixth to tenth year under the arrangement of the 10-year Management Agreement; and (iv) save monetary and time cost for identifying appropriate tenants and managing tenancies which is especially important for commercial development with a specific theme.

Save and except for the Construction Materials Trading Centre in Xinming International Household Products Mall and Wenshang Times • Xinming Household Decorations and Fittings City mentioned above, we did not enter into similar management agreements with purchasers of the properties of our other property developments.

As at the Latest Practicable Date, we had subsequently entered into Management Agreements with all of our Property Buyers of the commercial properties at the Construction Materials Trading Centre. Since all the commercial properties of the Construction Materials Trading Centre were sold and delivered prior to the Track Record Period, during the Track Record Period, we did not recognise any revenue from the sales thereof.

As at the Latest Practicable Date, we had subsequently entered into Management Agreements with all of our Property Buyers of the commercial properties at Wenshang Times • Xinming Household Decorations and Fittings City. The revenue recognised for the sale of properties of Wenshang Times • Xinming Household Decorations and Fittings City completed and delivered which we had subsequently entered into Management Agreements with the Property Buyers were approximately nil, nil and RMB111.5 million, respectively, for the three years ended 31 December 2012, 2013 and 2014, representing approximately nil, nil and 5.2% of our Group's total revenue for the same period. Gross profit recorded for the sale of properties of Wenshang Times • Xinming Household Decorations and Fittings City which we had subsequently entered into Management Agreements with the Property Buyers were approximately nil, nil and RMB13.8 million, respectively, for the three years ended 31 December 2012, 2013 and 2014, representing gross profit margin of approximately nil, nil and 1.8%, for the same period.

We generally enter into 5-year or 10-year Management Agreements with the Property Buyers of the Construction Materials Trading Centre in Xinming International Household Products Mall and 10-year Management Agreements with the Property Buyers of Wenshang Times • Xinming Household Decorations and Fittings City.

Construction Materials Trading Centre in Xinming International Household Products Mall

During the Track Record Period, we have entered into two types of 5-year Management Agreements with the Property Buyers of the Construction Materials Trading Centre in Xinming International Household Products Mall with different schedules of agreed fees payable to them: (i) under the earlier type of the 5-year Management Agreements, we are not required to pay them any agreed fees for the first three years and are required to pay 9.5% and 10% of the selling price of the property, respectively, for fourth and fifth year; (ii) under the current type of the 5-year Management Agreements, we are required to pay them 1%, 1%, 1.5%, 7.5% and 8.5% of the selling price of the property for the first five years respectively. Under both types of 5-year Management Agreements, the aggregate agreed fees payable to the Property Buyers are 19.5% of the selling price of the property. Under both types of 5-year Management Agreements, we have the right to receive the entire rental income deriving from the property throughout the five years.

During the Track Record Period, we have also entered into with the Property Buyers two types of 10-year Management Agreements with different schedules of agreed fees payable to them, each with the same payment schedule and rental receipt for the first five years as described above. From the sixth year to the tenth year, we are required to transfer the Property Buyers the entire rental income we received for the leasing of such properties and we will charge them a marketing fee equivalent to one month's rent in each of those years. We do not have any financial commitments to the Property Buyers if we fail to lease the properties from the sixth to tenth years of the 10-year Management Agreements.

As at the Latest Practicable Date, we have entered into 835 and 636 5-year Management Agreements and 10-year Management Agreements, respectively; and out of each of them, only 19 and 3, respectively, were of the earlier type. We entered into the current version of the Management Agreements to replace the earlier version in order to spread out our payments to the Property Buyers from two to five years.

For the three years ended 31 December 2012, 2013 and 2014, the agreed fees incurred under the Management Agreements, net of realisation of provision of onerous contracts, amounted to approximately RMB46.6 million, RMB16.0 million and RMB12.1 million respectively, accounting for 9.9%, 4.4% and 1.0%, respectively of our total costs of sales. The internal rates of return to the Property Buyers who entered into both the current version and earlier version 10-year Management Agreements with our Group are 2.0%, while that for the current version and earlier version 5-year Management Agreements are both 3.7%.[Note] For the three years ended 31 December 2012, 2013 and 2014, our rental income derived from the leasing of properties under the Management Agreements amounted to approximately RMB19.1 million, RMB8.1 million and RMB13.5 million respectively, accounting for 1.8%, 1.0% and 0.5%, respectively of our total revenue.

Note:

In calculating the internal rates of return to the Property Buyers who entered into Management Agreements with our Group, the following assumptions are made for the sake of prudence:

- there is no early termination of the Management Agreements;
- the Property Buyers will sell the properties upon the expiry of the Management Agreements in the open market freely;
- there are no capital appreciations for the properties during the period of the Management Agreements;
- there is no mortgage financing to purchase the properties by the Property Buyers;
- there will not be any tax effects derived from the rental income;
- there will be no rental income received from the sixth to tenth year of the 10-year Management Agreements; and
- all other transaction costs are assumed to be negligible.

The principal terms and conditions of such 5-year and 10-year Management Agreements entered into with the Property Buyers of commercial properties at the Construction Materials Trading Centre in Xinming International Household Products Mall are summarised below:

Rights and obligations of the Property Buyers	• The Property Buyer shall comply with the business use set by us and the Property Buyer is not allowed to change the business use of the property. • The Property Buyer shall not change our rights to manage and operate the property without our written consent.
Rights and obligations of our Group	• We shall be responsible for the uniform management and control the leasing of properties at the Construction Materials Trading Centre. • We shall be responsible for the preservation of supporting facilities of the property. If there is any damage to such facilities, we shall recover such damages from the responsible party on behalf of the Property Buyer. • From the first to fifth year of the Management Agreement, we will have the full right to use, lease and receive rent from the property. • For the 10-year Management Agreements, from the sixth to tenth years, we shall receive all rent of the property on behalf of the Property Buyer and we shall have right to set off such rent against the taxes borne by the Property Buyer and the marketing fees charged by us.
Restriction on sale of property	• If the Property Buyer desires to transfer the property, the Property Buyer shall notify us in writing within 30 days prior to such transfer, and we shall have the option to purchase the property on the same terms as the proposed transferee. • If we agree to the transfer of the property by the Property Buyer to the proposed transferee, the proposed transferee shall provide us with a written confirmation that he will fulfill the terms of this agreement. The registration of the transfer of property shall not proceed unless the proposed transferee has signed such confirmation. We and the proposed transferee shall enter into a Management Agreement and proceed with the registration of the transfer of the property with the relevant authorities within seven days of such transfer.

Right to renew Management Agreement	Upon the expiry of the term of the Management Agreements: • If the Property Buyer desires to appoint us to market the property after the end of the Management Agreement, the parties shall enter into a new agreement within one month prior to the expiry of the term. • If the Property Buyer desires to lease out the property directly, the Property Buyer shall notify us in writing two months prior to the expiry of such Management Agreement, and we shall have the option to lease the property from the Property Buyer on the same terms as the proposed tenants. If we do not lease the property from the Property Buyers, the original tenant of the property shall have the option to lease the property on the same terms as any proposed tenant. The property shall be leased to the proposed tenant, provided that (i) the Property Buyer shall not change the business use of the property; and (ii) the Property Buyer and the proposed tenant shall satisfy the requirements under the deed of management of commercial properties (商業經營管理公約) ("the Management Deed") established by us and agree to the uniform management by us. • If the Property Buyer intends that the property will be for self-use, the Property Buyer shall satisfy the requirements under the Management Deed and execute a self-use agreement with us one month before commencement of operation.
Termination	This Management Agreement shall be terminated by occurrence of the following: • The parties agree to terminate the Management Agreement. • The property is classified as a property to be demolished or required modification in accordance with applicable laws due to urban construction purposes. • The occurrence of any force majeure event such as typhoon, earthquake or other factors which led to damage, fire damage or other losses to the property which are not caused by us.

If the Property Buyer desires to terminate the Management Agreement within the first to fifth years of the Management Agreement:

- the Property Buyer shall notify us in writing 60 days in advance and obtain our consent. If we consent to the termination, the purchaser shall pay 30% of the selling price of the property as stated in the sale and purchase agreement entered into between us and the Property Buyer as economic losses to us. The Property Buyer shall also be responsible for any damages caused to current tenant of the property as a result of the termination.

For the 10-year Management Agreements, if either party desires to terminate the agreement within the sixth to tenth years of the agreement:

- the party that wishes to terminate the agreement ("terminating party") shall notify the other party in writing 60 days in advance and obtain the other party's consent. If the other party consents to the termination, the terminating party shall pay 20% of the expected rent to be received for the remainder of the original term of the agreement, for which the rent is calculated based on the average rent for the previous 12 months, as economic losses to the other party. If the Property Buyers terminate the agreement, they shall also be responsible for any damages caused to current tenant of the property as a result of the termination.

All the commercial properties of the Construction Materials Trading Centre were sold and delivered prior to the Track Record Period with aggregate GFA of approximately 97,194 sq.m. and we had subsequently entered into Management Agreements with all the relevant Property Buyers for the relevant leasable GFA of approximately 78,037 sq.m.. For the years ended 31 December 2012, 2013 and 2014, GFA of approximately 68,416 sq.m., 54,919 sq.m. and 60,725 sq.m. weighted by each tenants' respective leasing duration, respectively, was leased to third party tenants, representing an occupancy rate of approximately 87.7%, 70.4% and 77.8%, respectively.

Despite the physical proximity of the Construction Materials Trading Centre and the Red Star Macalline Products Mall, both in Xinming International Household Products Mall, the occupancy rate of the Red Star Macalline Products Mall had been higher than that of the Construction Materials Trading Centre during the Track Record Period, which was primary due to the following reasons:

- each of the Construction Materials Trading Centre and the Red Star Macalline Products Mall in Xinming International Household Products Mall had a different market niche.

While the principal target customers of the businesses operating in the Red Star Macalline Products Mall were the end users of household products, the principal target customers of the businesses operating in the Construction Materials Trading Centre were constructors. As the growth rate of GFA of commodity properties sold and average price had slowed down since 2011 due to various austerity measures adopted by the PRC government, the Directors considered such slow down in growth in the property market had a more direct impact on the businesses of the constructors, and thus the businesses of the tenants and potential tenants of the Construction Materials Trading Centre; and

- the Red Star Macalline Products Mall had a better access to transportation network than that of the Construction Materials Trading Centre which contributed to the better performance of the businesses of the tenants in the Red Star Macalline Products Mall.

Wenshang Times • Xinming Household Decorations and Fittings City

Under the terms of the 10-year Management Agreements entered into with the Property Buyers of Wenshang Times • Xinming Household Decorations and Fittings City, no agreed fees will be paid to the Property Buyers for the first three years starting from 1 July 2014, while 7% and 8% of the selling price of the property will be paid to the Property Buyers in the fourth and fifth year, respectively and 90% of the annual rent received by us for the leasing of such properties will be paid to the Property Buyers for each of the sixth to tenth year while the remaining 10% of the annual rent received by us will be retained as our marketing fees. We do not have any financial commitments to the Property Buyers if we fail to lease the properties from the sixth to tenth years of the 10-year Management Agreements.

For the three years ended 31 December 2012, 2013 and 2014, the agreed fees incurred under the Management Agreements, net of realisation of provision of onerous contract, amounted to approximately nil, nil and RMB0.1 million respectively, accounting for nil, nil and 0.01%, respectively of our total costs of sales. The internal rate of return to the Property Buyers who entered into Management Agreements with our Group is 1.5%.[Note] For the three years ended 31 December 2012, 2013 and 2014, our rental income derived from the leasing of properties under the Management Agreements amounted to approximately nil, nil and RMB0.3 million respectively, accounting for nil, nil and 0.1%, respectively of our total revenue.

Note:

In calculating the internal rate of return to the Property Buyers who entered into Management Agreements with our Group, the following assumptions are made for the sake of prudence:

- there is no early termination of the Management Agreements;
- the Property Buyers will sell the properties upon the expiry of the Management Agreements;
- there are no capital appreciations for the properties during the period of the Management Agreements in the open market freely;
- there is no mortgage financing to purchase the properties by the Property Buyers;
- there will not be any tax effects derived from the rental income;
- there will be no rental income received from the sixth to tenth year of the 10-year Management Agreements; and
- all other transaction costs are assumed to be negligible.

The principal terms and conditions of such 10-year Management Agreements entered into with the Property Buyers at Wenshang Times • Xinming Household Decorations and Fittings City are summarised below:

Rights and obligations of the Property Buyers	• The Property Buyers shall comply with the business use set out by us and the Property Buyers is not allowed to change the business use of the property. • The Property Buyers shall not change our rights to manage and operate the property without our written consent. • The Property Buyers shall not lease out the property directly and accept any fees in relation to the leasing of the property. • The Property Buyers shall not use the property without our prior consent.
Rights and obligations of our Group	• We shall be responsible for the uniform management and control the leasing of properties at Wenshang Times • Xinming Household Decorations Fittings City. • We shall be responsible for the preservation of supporting facilities of the property. If there is any damage to such facilities, we shall recover such damages from the responsible party on behalf of the Property Buyers. • From the first to third years of the Management Agreement, we shall have the full right to use, lease and receive rent from the property. • From the fourth to tenth years of the Management Agreement, we shall receive all rent of the property on behalf of the Property Buyers and we shall have the right to set off such rent against the taxes to be borne by the Property Buyers and the marketing fees charged by us.
Restriction on sale of property	• If the Property Buyers desires to transfer the property, the purchaser shall notify us in writing within 30 days prior to such transfer, and we shall have the first option to purchase the property on the same terms as the proposed transferee.

- If we agree to the transfer of the property by the Property Buyers to the proposed transferee, the proposed transferee shall provide a written confirmation to us that it will fulfill the terms of this agreement. The registration of the transfer of property shall not proceed unless the proposed transferee has signed the confirmation. We and the proposed transferee shall enter into a Management Agreement and proceed with the registration of the transfer of the property with the relevant authorities within seven days of the transfer.

Right to renew Management Agreement

Upon the expiry of the term of the Management Agreement:

- If the Property Buyers desires to appoint us to market the property after the end of the Management Agreement, the parties shall enter into a new agreement within one month prior to the expiry of the term.

- If the Property Buyers desires to lease out the property directly, the purchaser shall notify us in writing two months prior to the expiry of such Management Agreement, and we shall have the first option to lease the property from the Property Buyers on the same terms as the proposed tenant. If we do not lease the property from the Property Buyers, the original tenant of the property shall have the first option to lease the property on the same terms as any proposed tenant. The property shall be leased by the Property Buyers to the proposed tenant directly, provided that (i) the Property Buyers shall not change the business use of the property; and (ii) the Property Buyers and the proposed tenant shall satisfy the requirements under the Management Deed established by us and agree to uniform management in accordance with such Management Deed.

- If the Property Buyers intends that the property will be for self-use, the Property Buyers shall satisfy the requirements under the Management Deed and execute a self-use agreement with us one month before commencement of self-operation.

Termination

This agreement shall be terminated by occurrence of the following:

- The parties agree to terminate the Management Agreement.

- The property was classified as a property to be demolished or require modification in accordance with applicable laws due to urban construction purposes.

- The occurrence of any force majeure event such as typhoon, earthquake or other factors which led to damage, fire damage or other losses to the property which are not caused by us.

The Property Buyer is not allowed to terminate the Management Agreement within the first three years of the Management Agreement, otherwise the Property Buyer has to pay damages to us equivalent to 50% of the selling price of the property as stated in the pre-sale agreement entered into between us and the Property Buyer.

If the Property Buyer desires to terminate the Management Agreement from the fourth year onwards until the tenth year, the Property Buyer shall notify us in writing 90 days in advance and obtain our consent. If we consent to the termination, the Property Buyer shall pay 50% of the expected rent of the property to be received for the remainder of the original term of the agreement, for which the rent is calculated based on the level of rent received during the year of termination, as economic losses to us and all relevant losses as a result of the termination.

If we desire to terminate the Management Agreement, we shall notify the Property Buyer in writing 90 days in advance and obtain the Property Buyer's consent. If the purchaser consents to the termination, we shall pay 50% of the expected rent of the property to be received for the remainder of the original term of the agreement, for which the rent is calculated based on the level of rent received during the year of termination, as economic losses to Property Buyer and all relevant losses as a result of the termination.

As at 31 March 2015, 19,040 sq.m. out of 44,415 sq.m. of GFA available for sale of Wenshang Times • Xinming Household Decorations and Fittings City Wenshang were sold and delivered to the Property Buyers and we had subsequently entered into Management Agreements with all of the relevant Property Buyers for the relevant leasable GFA of approximately 14,485 sq.m. For the year ended 31 December 2014, GFA of approximately 501 sq.m. weighted by each tenants' respective leasing duration was leased to third party tenants, representing an occupancy rate of approximately 3.5%. The relatively low occupancy for the year ended 31 December 2014 calculated using GFA leased weighted by each tenants' respective leasing duration was due to the fact that the relevant properties were completed in November 2014 and the leasing duration in 2014 was only one month.

To the best knowledge of our Directors, the terms of the Management Agreement we entered into with the Property Buyers were in line with the industry practice and similar arrangement, including the structure of rent payable, had been adopted by other property developers in the PRC.

As confirmed by the Property Valuer, based on their understanding, it is a common practice in the commercial property markets in the PRC to enter into the Management Agreements. Having considered our Directors' confirmation and the opinion of the Property Valuer, the Sole Sponsor is of the view that the rent structure under the Management Agreements is in line with the industry practice and similar arrangements have been adopted by other property developers with operations in the PRC.

According to the Regulatory Measures on the Sale of Commodity Properties (the "Regulatory Measures"), the real estate development enterprise may not (i) sell commodity properties by means of cost-returned sale or any such means in disguised forms; or (ii) sell uncompleted commodity properties by the after-sale lease guarantee or by any such means in disguised forms.

Regarding the restriction on "costs-returned sale or any such means in disguised forms" under the Regulatory Measures, on 19 September 2014, Jiaojiang branch office of Taizhou Urban and Rural Residential Construction Planning Bureau (台州市住房和城鄉建設規劃局椒江分局) issued written confirmations each to Taizhou Investment and Wenshang Times confirming that the sales model under which the agreed fees payable to the Property Buyers be determined with reference to the original selling price of the property under the Management Agreements between the Property Buyers on one hand, and Taizhou Investment or Wenshang Times on the other hand, as the case may be, did not constitute any cost-returned sale or any such means in disguised forms under relevant PRC laws and regulations and both the sales and purchase agreements as well as the Management Agreements were legal and valid. Our PRC Legal Advisers advised that the Jiaojiang branch office of Taizhou Urban and Rural Residential Construction Planning Bureau is a competent authority for issuing the abovementioned confirmations. Based on the above, our PRC Legal Advisers are of the view the provisions under the Management Agreements did not constitute "cost-returned sale" (or any form thereof) under the Regulatory Measures and were legal and valid.

Regarding the restriction on "selling uncompleted commodity properties by the after-sale lease guarantee or by any such means in disguised forms" under the Regulatory Measures, during the Track Record Period, Wenshang Times had sold uncompleted commercial units in Wenshang Times • Xinming Household Decorations and Fittings City and entered into Management Agreements with the property buyers before passing the construction completion examination against such restriction. Please refer to the paragraph headed "Selling uncompleted commercial units and leasing such units before passing the construction completion examination" in the section headed "Business" in this prospectus for further details of this non-compliant incident. Our PRC Legal Advisers are of the view that save and except for the non-compliant incident as set out in the paragraph headed "Selling uncompleted commercial units and leasing such units before passing the construction completion examination" in the section headed "Business" in this prospectus, our Group had been in compliance with the Regulatory Measures in all material respects during the Track Record Period.

Exclusive management services agreements with Red Star Macalline and Shanghai Nanshuo Asset Operation and Management Co., Ltd.

To assist us in searching for tenants with the business profile consistent with the Construction Materials Trading Centre in Xinming International Household Products Mall and Wenshang Times • Xinming Household Decorations and Fittings City, we engaged Red Star Macalline and a connected person, 上海南碩資產經營管理有限公司 (Shanghai Nanshuo Asset Operation and Management Co., Ltd.*) ("**Shanghai Nanshuo**") respectively for the advertising, marketing and managing of such properties during the Track Record Period.

The following table sets forth a summary of the exclusive management services agreements entered into with Red Star Macalline and Shanghai Nanshuo.

Project	Management Company	Stage of Development	Management Term	Management Fees	Services Provided
Construction Materials Trading Centre in Xinming International Household Products Mall	Red Star Macalline	Completed	28 November 2010 to 27 November 2020	• One-off promotion fee of RMB3,000,000 • Annual management fee in the sum of RMB2,000,000 • All salaries, costs and disbursements in relation to the marketing of the premises incurred by Red Star Macalline.	• To determine the layout, to advertise, market and manage the Construction Materials Trading Centre in Xinming International Household Products Mall • To search for tenants
Wenshang Times • Xinming Household Decorations and Fittings City	Shanghai Nanshuo	Completed	From 29 December 2013 to 31 December 2016	• One-off promotion fee calculated based on the leased GFA multiplied by 15 and the rent received per day per sq.m. • Annual management fee in the sum of RMB2,600,000	• To advertise, market and manage Wenshang Times • Xinming Household Decorations and Fittings City • To search for tenants

Note:

(1) Upon Listing of the Company, the exclusive management services agreement entered into with Shanghai Nanshuo will be terminated and the Company will enter into a master service agreement with Shanghai Nanshuo which will constitute a non-exempt continuing connected transaction of the Company. Please refer to the section headed "Connected Transactions — Non-exempt continuing connected transactions — Nanshuo Master Service Agreement" in this prospectus for further details.

Selection of tenants for our investment properties and properties owned by third party property purchasers

In selecting our tenants for our investment properties and properties owned by third party property purchasers, we generally consider factors such as their business, the attractiveness of such businesses to the residents or tenants of such properties and competing businesses in the surrounding areas.

We may require our tenants to prepay one year rent or, to pay rent quarterly or to pay rent by installments for the rental period for the properties. Rents are typically determined based on the prevailing market rates.

PROPERTY MANAGEMENT

We provide property management services to owners of our residential properties developed by us through Xinming Property, until the owners of the relevant developments become statutorily entitled to elect their own property management company. We place great emphasis on property management because we believe it enhances property value to our customers as well as our brand image and thus increases our sales. Our property management teams normally get involved in the early stage of property development and participate throughout the overall design planning stage to minimize future maintenance costs.

Our project companies entered into preliminary management service agreements with our property management company, Xinming Property for the period from the completion of the development project to the date on which the owners become statutorily entitled to elect property management company. Xinming Property which is headquartered in Hangzhou and has branch office in Taizhou, holds valid level two property management permits. Our property management services usually include security, fire safety, maintenance and management of common areas and facilities, management of household decorations and fittings installation, cleaning, gardening, traffic control, management of community cultural activities and other ancillary services.

According to the Regulations on Property Management (《物業管理條例》) promulgated on 26 August 2007 and effective 1 October 2007, owners associations of residential property developments must enter into property management agreements with property management companies. Property developers and property management companies are directed to assist with the formation of such owners associations, including the provision of certain information relating to the property development and its owners. As at 31 December 2014, owners of all of our property developments have not formed any owners association which could elect their property management companies. As at the Latest Practicable Date, we had approximately 188 personnel providing property management services, covering a total GFA of over 714,438 sq.m.

As owners associations of all our property developments have not been formed as at 31 December 2014, we have entered into temporary property management agreements with each owner which will last until the formation of the owners association. Generally, the individual property owner is required to pay property management contributions, calculated based on the type and size of the unit owned, to us on a basis.

For the three years ended 31 December 2012, 2013 and 2014, our property management fee income amounted to approximately RMB9.7 million, RMB10.9 million and RMB18.5 million, respectively, accounting for approximately 0.9%, 1.3% and 0.9% respectively, of our revenue.

PROPERTIES USED BY US FOR OPERATIONS

Our corporate headquarter is located at Flat I, 5th Floor Hengli Building, Hangzhou, Zhejiang Province, PRC, a property leased to us from Taoyuan Property, with a total GFA of approximately 398 sq.m. Taoyuan Property is beneficially owned as to 51% by XG Limited and 49% by 浙江正遠房地產代理有限公司 (Zhejiang Zhengyuan Real Estate Agent Company Limited*), a company owned as to 20% by Ms. Gao and as to 80% by two Independent Third Parties as at the Latest Practicable Date. XG Limited is owned as to 99% by Mr. Chen, one of our Directors and Controlling Shareholders, and 1% by Ms. Gao, one of our Directors and the spouse of Mr. Chen. Pursuant to the tenancy agreement, we shall pay Taoyuan Property annual rental in the sum of RMB480,000. For further details, please refer to the section headed "Connected Transactions — Exempt continuing connected transactions — Tenancy agreement relating to headquarter office" in this prospectus.

For our operations in other cities, we also leased certain premises from Independent Third Parties as our offices and as at Latest Practicable Date, we leased or sub-leased 12 properties from Independent Third Parties as our offices with an aggregate GFA of approximately 8,207 sq.m..

As at the Latest Practicable Date, we leased and occupied seven premises as our offices, including our corporate headquarter in Hangzhou, with an aggregate GFA of approximately 3,654 sq.m., of which property ownership certificates or relevant authority to allow such leasing to us for commercial use have not been obtained by the relevant lessors. As advised by our PRC Legal Advisers, in the event that any party claims its right upon such properties or actions raised by relevant governmental authorities against the lessors for improper use of such properties, we may not be able to continue such leases and as such we may need to relocate and seek for an alternative location for our offices. In light of the size and the number of employees working at such offices and in case of relocation, we estimate such costs of relocation from such offices to other locations will be minimal. However, there is no assurance that we will be able to find a suitable replacement in a timely manner. Please refer to the section headed "Risk Factors — Risks relating to our Businesses and Industry — We may not be able to use certain properties leased by us as offices because of defects affecting our leasehold interests" in this prospectus for further details.

Further, as at the Latest Practicable Date, four lease agreements which we entered into as tenant had not been registered with the relevant government authorities in accordance with relevant PRC laws and regulations. Please refer to the paragraph headed "Regulatory Compliance — Non-Compliance Record" in this section for details.

FINANCING ARRANGEMENTS

Property developments require substantial capital investment for land acquisition and construction and it may take many months or years before positive cash flows can be generated. During the Track Record Period, we financed our projects principally from proceeds from pre-sales and sales of our properties, bank loans and other borrowings. We have not experienced a shortage of funds for the financing of our projects during the Track Record Period.

Proceeds from pre-sales and sales

We use proceeds from the pre-sales and sales of our properties to fund part of the construction costs of the relevant projects and our business operation. For the three years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015, our contracted sales of properties amounted to RMB1,829.6 million, RMB1,277.8 million, RMB553.6 million and RMB102.0 million, respectively.

Bank loans and other borrowings

According to the Guideline on the Risk Management of Property Loans of Commercial Banks《商業銀行房地產貸款風險管理指引》issued by the CBRC on 30 August 2004, no loans may be granted to projects which have not obtained the relevant land use rights certificate, construction land planning permit, construction work planning permit and construction work commencement permit. According to the Notice on Adjusting the Capital Ratio of Fixed Assets Investment Project《國務院關於調整固定資產投資項目資本金比例的通知》issued by the State Council on 25 May 2009, the minimum capital requirement for social welfare housing and general commercial residence is 20%, and the minimum capital requirement for other real estate development projects is 30%.

Further, our ability to obtain financing for our projects also depends on various economic measures introduced by the PRC central and local governments. In recent years, the PRC government has adopted macroeconomic and monetary policies aimed at stabilizing the growth of the national economy, particularly including the regulation and control of the property market, which may influence our ability to obtain financing from commercial banks. For details of these measures, please see the section headed "Regulatory Overview" in this prospectus.

Bank loans are our primary source of external financing, and as at 31 December 2012, 2013 and 31 December 2014, we had outstanding bank borrowings of RMB870.0 million, RMB865.0 million and RMB600.0 million, respectively.

During the Track Record Period, we also obtained financing from third-party financial institutions and trust companies. As at 31 December 2012, 2013 and 2014, we had outstanding other borrowings of RMB310.8 million, nil and RMB800.0 million, respectively.

Trust financing arrangements are funding arrangements provided by trust funds, which are domestic funds established and managed by trust financing companies registered with the CBRC that act as trustees of these funds. Trust financing is an authorized form of financing transaction under PRC laws. As at 31 December 2014, we had two outstanding trust financing arrangements with Zhongrong

International Trust Company Limited (中融國際信託有限公司*) ("**Zhongrong Trust**"); and one with Wanxiang Trust Company Limited (萬向信託有限公司) ("**Wanxiang Trust**"), entered into in the ordinary course of business to finance our operations. Compared with bank loans, trust financing offers greater flexibility. While drawdowns on bank loans usually depend on actual construction progress, drawdowns on trust financing may be made in full in one or multiple installments as agreed with the relevant trust companies. The major terms and covenants we gave under our trust financing arrangement, including (i) pledging of property and provision of guarantees by the borrower; (ii) restriction on the use of custodial account for supervision on the use of funds and repayment; (iii) undertakings not to lease, transfer or pledge or otherwise dispose of the pledged property without consent of the lender; and (iv) undertakings not to carry out merger, restructuring, reduction of registered capital, liquidation or enter into any joint ventures without consent of the lender, are consistent in all material respects with, and are not materially more favorable than those we customarily gave to banks for our bank loans. Our bank borrowings may have floating interest rates linked to the benchmark lending rates published by the PBOC while our trust financing arrangements have fixed interest rate. Further, our bank borrowings may also require us to maintain certain benchmark for certain ratios such as current, contingent liabilities to net assets, long-term investment to net assets and assets to liabilities ratios during the terms of the bank loans.

The table below sets forth the main terms of the outstanding trust financing arrangements as at 31 December 2014:

Subsidiary Obtaining Trust Financing	Trust Financing Company	Term of Financing	Principal Amount of Trust Loan	Cost of Financing/ Return to the Trust Financing Company	Security	Restrictions on Use of Proceeds and Other Key Terms and Covenants	Total Outstanding Trust Loans as at 31 December 2014
			(RMB)				(RMB)
Wenshang Times	Zhongrong Trust	19 June 2014 to 18 June 2019	500 million (to be drawn in two equal instalments of 250 million each)	Interest rate at 9.5% per year	(i) Guarantee by Xinming Group; (ii) pledge of 100% equity interest in Wenshang Times held by Xinming Group; and (iii) pledge of Wenshang Times • Red Star Macalline Household Products Market and the land use rights of the portion of land on which it situates ((ii) and (iii) together as the "**Wenshang Times Pledged Property**").	The trust loan proceeds shall be used in Wenshang Times • Red Star Macalline Household Products Market. Any deviation from the agreed use requires the prior written approval of Zhongrong Trust. Wenshang Times has undertaken not to in any way dispose the Wenshang Times Pledged Property without obtaining the prior written approval of Zhongrong Trust. We had obtained written consent from Zhongrong Trust for leasing certain of the Wenshang Times Pledged Property on 27 March 2015 and we seek to obtain consent from Zhongrong for future leasing of the Wenshang Times Pledged Property.	500 million

Subsidiary Obtaining Trust Financing	Trust Financing Company	Term of Financing	Principal Amount of Trust Loan (RMB)	Cost of Financing/ Return to the Trust Financing Company	Security	Restrictions on Use of Proceeds and Other Key Terms and Covenants	Total Outstanding Trust Loans as at 31 December 2014 (RMB)
Shandong Xingmeng	Wanxiang Trust	12 September 2014 to 11 September 2016	150 million	Interest rate at 9.6% per year	(i) Guarantee by XG Limited, Xinming Group, 杭州高巛控股有限公司 (Hangzhou Gaochuan Holding Company Limited*), Mr. Chen, Ms. Gao, 高立庫 (Gao Liku*) and his wife, 郝芳 (Hao Fang*); (ii) pledge of 55% and 45% equity interest in Shandong Xingmeng held by Xinming Group and 杭州高巛控股有限公司 (Hangzhou Gaochuan Holding Company Limited*), respectively; (iii) pledge of land use rights under the relevant land use right certificate of Xingmeng International Commercial City and certain properties thereon ((ii) and (iii) together as the "**Shandong Xingmeng Pledged Property**"); and (iv) pledge of the sale proceeds of Xingmeng International Commercial City to be transferred to a custodian account when the assessed value to outstanding principal ratio drops to below 0.5. Such amount pledged would be in the amount equal to the shortfall of the assessed value of the pledged property in (iii) above to attain 0.5 for such ratio.	The trust loan proceeds shall be used in Xingmeng International Commercial City. Any deviation from the agreed use requires prior written approval of Wanxiang Trust. Shandong Xingmeng has undertaken not to in any way dispose the Shandong Xingmeng Pledged Property without obtaining the prior written approval of Wanxiang Trust. We would seek to release the pledge on relevant pledged units in Xingmeng International Commercial City before selling the same.	150 million
Taizhou Investment	Zhongrong Trust	4 December 2014 to 3 December 2016	150 million	Interest rate at 9.0% per year	(i) Guarantee by Xinming Group, Mr. Chen and Ms. Gao; (ii) pledge of 79% equity interest in Shanghai Xinming held by Xinming Group; and (iii) pledge of Xinming International Logistic Centre and the land use rights of the portion of land on which it situates ((ii) and (iii) together as the "**Taizhou Investment Pledged Property**").	The trust loan proceeds shall be used in Xinming Lijiang Garden. Any deviation from the agreed use requires prior written approval of Zhongrong Trust. Taizhou Investment has undertaken not to in any way dispose the Taizhou Investment Pledged Property without obtaining the prior written approval of Zhongrong Trust. We seek to obtain consent from Zhongrong Trust for future leasing of the Xinming International Logistic Centre.	150 million

We expect that we will satisfy our repayment obligations under our trust financing arrangements by utilizing our internal resources and external financing. During the Track Record Period and up to the Latest Practicable Date, we did not default on our repayment obligations or any other obligations in any material respect under the trust financing arrangement.

Relevant laws and regulations on trust financing

Pursuant to the Notice on Strengthening the Supervision of Trust Companies' Real Estate Business (關於加強信託公司房地產業務監管有關問題的通知) promulgated by CBRC on 11 February 2010, a trust company shall offer loans for a property development project only if certain requirements have been satisfied.

On 12 November 2010, the CBRC issued the Notice on Risk Alert for Trust Companies' Real Estate Business (關於信託公司房地產信託業務風險提示的通知) to require all trust companies to immediately conduct self-examination of the compliance risk of the real estate trust business. Each trust company must analyze its regulatory compliance and risk exposure on case-by-case basis. If the banking regulatory bureau discovers any problem during the inspection, it must take measures immediately to order the trust companies to rectify such non-compliance and penalize any non-compliance behaviour in accordance with the relevant rules and regulations.

Our PRC Legal Advisers are of the view that the above trust agreements between Zhongrong Trust and Wenshang Times, Zhongrong Trust and Taizhou Investment, and Wanxiang Trust and Shandong Xingmeng are valid and binding on both parties and the grant of trust financing under such trust agreements complied with applicable PRC laws and regulations.

AWARDS AND RECOGNITIONS

We have received recognition and awards from government authorities, authoritative industry associations and the media. The table below sets forth some of the recognition awards for our property development projects we have received over the years.

Project/Project Company	Award	Awarding organisation/institution	Year
Taizhou Xinming Peninsular	2011 Zhejiang Province Construction Qianjiang Cup (Quality Construction Award) (2011年度浙江省建設工程錢江杯獎(優質工程))	Zhejiang Province Commission of Housing and Urban-Rural Development (浙江省住房和城鄉建設廳), Zhejiang Province Construction Industry Association (浙江省建築業行業協會), Zhejiang Province Construction Quality Management Association (浙江省工程建設質量管理協會)	September 2011
	Gold Award - Best Landscape Gardening Engineering Award (優秀園林綠化工程金獎)	Chinese Society of Landscape Architecture (中國風景園林學會)	2013
Xinming Lijiang Garden	2011 China New Residence Era — 10 Best Residential Development Standard (2011中國新居住時代十大人居典範樓盤)	China Real Estate Investment Association (中國房地產投資協會)	May 2011
Wenshang Times	2011 China New Residence Era — 10 Best International Commercial Landmark (2011中國新居住時代十大國際商業地標)	China Real Estate Investment Association (中國房地產投資協會)	May 2011

Project/Project Company	Award	Awarding organisation/institution	Year
Xingmeng International Commercial City	2013 Development Most Satisfied by Tengzhou Consumers — Best Commercial Valued Award (滕州市2013年消費者滿意樓盤評選"最具商業價值獎")	Tengzhou Administrative Bureau for Industry and Commerce (滕州市工商行政管理局), Tengzhou Urban Administrative Enforcement Bureau (滕州市城市管理局), Tengzhou Consumers Council (滕州市消費者協會), Tengzhou Daily (滕州日報社)	October 2013
	2013 Development Most Satisfied by Tengzhou Consumers - Development Having Greatest Appreciation Potential (滕州市2013年消費者滿意樓盤評選"最具升值潛力獎")	Tengzhou Administrative Bureau for Industry and Commerce (滕州市工商行政管理局), Tengzhou Urban Administrative Enforcement Bureau (滕州市城市管理局), Tengzhou Consumers Council (滕州市消費者協會), Tengzhou Daily (滕州日報社)	October 2013

COMPETITION

The PRC property industry is highly fragmented and competitive. We primarily compete with other regional and country-wide property developers focusing on the development of residential and commercial properties in the PRC. We compete on a broad range of factors, including product quality, service quality, price, financial resources, brand recognition, ability to acquire land and other factors. In recent years, property developers from the PRC and overseas have entered the property development markets in the cities where we have operations, resulting in increased competition for land available for development. Moreover, the PRC government has implemented a series of policies to control the growth and curtail the overheating of, and foreign investment in, the PRC property sector. We believe major entry barriers into the PRC property development industry include a potential entrant's limited knowledge of local property market conditions and limited brand recognition in these markets. We believe that the PRC real estate industry still has large growth potential. We believe that, with our strategic focus on cities with population growth potential and fast-developing our brand name and our effective management team, we are able to respond promptly and effectively to challenges in the PRC property market.

We also face competition in the property leasing business from other real estate developers or operators. Compared with property development, the property leasing requires smaller commitments of capital resources and has a relatively lower barrier of entry. Our competitors may have more experience and resources than us. We believe we enjoy the competitive advantages with the cooperation with 紅星美凱龍家居集團股份有限公司 (Red Star Macalline Household Group Company Limited*) ("Red Star Macalline"), a household products department store chain operator, in bringing traffic to our integrated commercial complexes, enhancing our profile and reputation, and thus increasing our rental income and value of our development nearby.

There is no assurance that we will be able to continue competing effectively in our industry. Please refer to the section headed "Risk Factors — Risks relating to our businesses and our industry — Intensified competition may materially and adversely affect our business, results of operations and financial condition" in this prospectus for further details.

For more information on competition, please see the section headed "Industry Overview" in this prospectus.

REAL ESTATE-RELATED AUSTERITY MEASURES PREVIOUSLY IMPLEMENTED BY THE PRC GOVERNMENT AND RECENT POLICY ADJUSTMENT

The PRC government exerts considerable direct and indirect influence on the development of the PRC property sector by imposing industry policies and other economic measures. Over the past few years, the PRC government has introduced a number of policies to control the growth and curtail the overheating of, and the foreign investment in, the PRC property sector. The policies taken by national or local government may limit our ability to obtain financing, acquire land for future development, sell our properties at a profit and to generate sufficient operating cash flows from contracted sales. These policies and measures, including restriction on property ownership and restriction on mortgage financing for property purchasers purchasing their second property onwards, principally target speculative buyers and property investors. In February 2013, the PRC government further promulgated the Notice on Further Regulation and Control of Real Estate Market (關於繼續做好房地產市場調控工作的通知), introducing six policy measures to control the real estate market, including: (i) improving the accountability system for stabilization of property prices; (ii) strictly controlling the purchase of property for speculative purpose; (iii) increasing the supply of ordinary residential properties and the land supply for residential properties; (iv) accelerating the planning and construction of subsidised property development projects; (v) tightening market regulations and forecast management; and (vi) accelerating the establishment and optimisation of the long-term mechanisms for the healthy development of the real estate market. On 1 March 2013, the General Office of the State Council further announced the Notice on Further Regulation on Real Estate Market (《國務院辦公廳關於繼續做好房地產市場調控工作的通知》) which further clarified the requirements of the State Council. Please refer to the section headed "Risk Factors — Risks relating to our businesses and industry — Our operations may be substantially affected by changes in national or local policies relating to the PRC property industry and therefore any failure to adapt to new policies could have a material adverse effect on our business, results of operations and financial condition" in this prospectus for further details.

Recently, a number of PRC cities have loosened certain measures on stabilizing housing price and restriction of property ownership, such as Taizhou and Hangzhou. In Taizhou, the relevant local authority had issued the "Notice of Further the Stable and Healthy Development of Property Market (《關於促進房地產市場平穩健康發展的通知》)" in August 2014 which lifted the requirement for the production of relevant proof for property registration (房屋登記信息查詢證明) for purchasing property in Taizhou, which in turn loosen the purchase limits and credit restrictions. In Hangzhou, relevant local authority had published official statement in July 2014 to lift the requirement for the production of relevant proof for property registration for purchasing property of certain size in certain districts of Hangzhou, which in turn loosen the purchase limits and credit restrictions of those properties in those districts.

Our Directors believe that while the introduction of austerity measures may have affected the demand from speculative buyers or property investors, such austerity measures had less impact on the demand from our target customers, being first-time home buyers or customers with a need to upgrade their living environment. During the Track Record Period, our residential development were designed to cater the demand for first-time home buyers or customers with a need to upgrade their living environment with a majority of them of size ranging from approximately 76 to 170 sq.m. with two to three rooms. Moreover, during the Track Record Period, more than 60% of our residential property customers were having mortgage financing for 40% or more of the property price. During the Track Record Period, according to the relevant PRC regulations in places where we have residential development projects or potential development projects, property buyers could not obtain mortgage loans for more than 40% of the property price for their second property when they had used mortgage financing for their first property, a majority of our residential property customers were purchasing from us their first property. Further, we noted there have been certain adjustment to such austerity measures in various PRC cities.

However, there is no assurance that we can maintain our profitability in the future or that further measures or policies introduced by the PRC government will not affect our business, results of operations and financial condition. Please refer to the section headed "Risk Factors — Risks relating to our businesses and industry — Our operations may be substantially affected by changes in national or local policies relating to the PRC property industry and therefore any failure to adapt to new policies could have a material adverse effect on our business, results of operations and financial condition" in this prospectus for details.

RISK MANAGEMENT

We believe that risk management is crucial to the success of all property developers in the PRC. Key operational risks that we face include changes in PRC political and economic conditions, changes in the PRC regulatory environment, availability of suitable land sites for developments at reasonable prices, availability of financing to support our developments, ability to complete our development projects on time and competition from other property developers. Please refer to the section headed "Risk Factors" in this prospectus for a discussion of various risks and uncertainties we face.

In addition, we also face various financial risks. In particular, we are exposed to interest rate, foreign exchange, credit and liquidity risks that arise in the ordinary course of our business. Please refer to the section headed "Financial Information — Quantitative and qualitative disclosure of financial risks" in this prospectus for a discussion of these market risks.

In order to meet these challenges, we have established the following structures and measures to manage our risks:

- Our Board of Directors and the investment and development department are responsible for determining our business and investment plans, preparing our annual financial budgets and final reports and formulating proposals for profit distributions, and are in charge of the overall risk control of our Group. Any business decision involving material risks are reviewed, analysed and approved at the board level to ensure a thorough examination of the associated risks at our highest corporate governance body. Please refer to the section headed "Directors, Senior Management and Employees — Directors" in this prospectus for details of the experience of members of our Board.

- Our senior management team at our headquarters is in charge of the daily business operations and risk monitoring of our Group, and is responsible for the supervision of different aspects of our operations on a daily basis as well as the supervision and approval of any material business decisions of our project companies. We have established detailed procedures and policies setting out clear reporting lines and responsibilities with a view to facilitating efficient communications among our headquarters and our project companies. The audit department and legal staff at our headquarters are responsible for ensuring regulatory and contractual compliance.

- Our city and site selection decisions are made by our Board of Directors. Our Board of Directors is tasked with the evaluation of regions or cities in the PRC for potential development and the approval of site selection decisions. Our project managers of our project companies would also participate in the meetings of our investment and development department where required.

- For particular operational and market risks, control measures are adopted at an operational level. For example, we control major construction risks by conducting due diligence procedures on our general construction contractors before their appointment while maintaining regular quality control supervision.

- We have adopted various internal control measures to manage and improve our liquidity position, which include: (i) preparing our overall budget on a yearly basis and performing variance analysis on quarterly basis; (ii) monitoring our liquidity position and ratio on a monthly basis and closely monitoring the maturities of our assets and liabilities in an effort to ensure we have sufficient funds to meet obligations when they become due; (iii) proactively executing our sales plan in order to generate sufficient operating cash flows from sales and pre-sales of our properties; (iv) closely monitoring our banking facilities to ensure we have obtained sufficient banking facilities to support our development plan; and (v) considering to diversify our source of financing by seeking other possible long-term financing opportunities, such as bond and equity issuing upon Listing.

- We have adopted various internal policies and procedures for our individual employees in respect of different aspects of the property development process based on our operational needs. We provide both in-house and external training to our employees in order to enhance their knowledge of our corporate culture, with a view to maintain integrity and reliability to manage our operational and market risks.

INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, our Group had five trademarks, one copyright and one domain name which were registered in the PRC and were material to our business, and we had a trademark registered in Hong Kong which were material to our business. Further, we had applied for registration of seven trademarks in the PRC. For further details of our intellectual property rights, please refer to the section headed "Statutory and General Information — Further Information about the Business of the Company — Intellectual property rights of the Group" in Appendix V to this prospectus.

As at the Latest Practicable Date, we were not aware of any infringement (i) by us of any intellectual property rights owned by third parties; or (ii) by any third parties of any intellectual property rights owned by us.

INSURANCE

According to relevant PRC laws and regulations, property developers are not required to maintain insurance coverage in respect of their property development operations. Under relevant PRC laws and regulations, however, construction contractors as employers are required to purchase insurance for their construction workers. As we engage third-party contractors to carry out construction for our projects, we currently do not maintain such insurance ourselves. We typically require the construction contractors of our property development projects to purchase insurance for our projects under development.

For our completed commercial development where we operate our property leasing business, namely, the Red Star Macalline Household Products Mall in Xinming International Household Products Mall and Wenshang Times • Red Star Macalline Household Products Market, we maintain third-party liability insurance and property all-risks insurance. We also maintain business termination risks insurance for the Red Star Macalline Household Products Mall in Xinming International Household Products Mall.

Save as disclosed above, we have not maintained insurance in respect of litigation risks, business termination risks, product liability or important personnel of our Group, as such is not required under the applicable PRC laws and regulations. Our Directors are of the view that our insurance coverage is adequate and in line with customary industry practice in the PRC. During the Track Record Period, we did not receive any civil claims with respect to personal injuries arising out of construction work on our construction sites. However, there is a risk that we do not have sufficient or any insurance coverage for loss, damage and liability that may arise in our business operations. For further information, please refer to the section headed "Risk Factors — Risks relating to our businesses and industry — We may not have adequate insurance to cover all kinds of loss and claims in our operations and as a result our business, results of operations and financial condition may be materially and adversely affected" in this prospectus.

LABOUR AND SAFETY

As at the Latest Practicable Date, we had a total of 438 employees. A breakdown of our employees by functions is set forth in the table below:

Function	Employee
Senior Management	26
Legal	1
Accounts and Finance	40
Administration and Human Resource	51
Sales and Marketing	83
Costs control	21
Construction operation	28
Property management	188
Total	438

A breakdown of our employees by geographic location as at Latest Practicable Date is set forth in the table below:

City, Province	Employee
Taizhou, Zhejiang	152
Hangzhou, Zhejiang	162
Tengzhou, Shandong	40
Chongqing	43
Shanghai	41
Total	438

We actively recruit skilled and qualified personnel in local markets through various channels, such as internet advertisement placing and through headhunter's referral. During the Track Record Period, we engaged headhunter in our personnel selection process for certain specific role in order to identify skilled and qualified personnel competent for the specific role. Pursuant to the contract we had with the headhunter, we would pay a commission to such headhunter equal to certain percentages of the annual salary of the personnel successfully employed by us. During the Track Record Period, roles in which we have successfully employed personnel through headhunter include project manager and deputy engineering manager. Save and except for the headhunter arrangement, we do not engage any external employment agent for recruitment purposes.

The remuneration package of our employees includes salary and bonuses. In general, we determine employees' salaries based on each employee's qualifications, experience, position and seniority and bonuses based on employees' performances and Group's results of operations. We believe the salaries and benefits that our employees receive are competitive with market standards in each geographic location where we conduct business.

Approximately 21.5% of our employees have obtained a bachelor's degree or a master's degree and we have 29 engineers as at the Latest Practicable Date. We believe our workforce has sufficient experience to face the challenges that may arise in our day-to-day operations and that our initiatives, training programs and competitive remuneration packages have contributed to increase employees productivity. We have implemented induction training programs introducing our corporate culture, system and management structure to our new employees and in order to ensure our new employees are able to meet different job requirements efficiently. We also implemented a mentorship programme for new recruits. We provide both on the job trainings and external trainings to our employees. We may require our employees with manager ranking or above to attend management and professional development training provided by local university on a monthly basis. Further, we would reimburse our employees for external courses or trainings which we have approved in the amount up to RMB3,000 per year per each of our employees in order to increase their technical abilities and quality of services.

Our employees do not negotiate their terms of employment through any labour union or by way of collective bargaining agreements. During the Track Record Period and as at the Latest Practicable Date, there had been no complaint or claims from employees or labour dispute which materially and adversely affected, or was likely to have a material adverse effect on, our operations.

As required by relevant PRC laws and regulations, we make contributions to mandatory social security funds for the benefit of our PRC employees that provide for pension insurance, medical insurance, unemployment insurance and housing funds. As confirmed by relevant government authorities and our Directors, except for as disclosed in the paragraph headed "Regulatory Compliance" in this section below, we are not aware of any historical and material non-compliance of our Group under the relevant national and local labour and social welfare laws and regulations in the PRC during the Track Record Period and up to the Latest Practicable Date.

We, as a property developer, have limited potential liability to the workers on our construction sites, because most of this liability rests with the construction contractors. Our staff of chief project management office will conduct monthly site visit to ensure safety measures are implemented to our satisfaction. Our employees' working manual contains policies and procedures regarding work safety and occupational health issues. Our integrated administration department at our headquarter is responsible for documenting and handling work accidents as well as maintaining health and work safety compliance records. During the Track Record Period and up to the Latest Practicable Date, there had been no reported material safety accident nor claims for personal or property damages and no compensation was paid to employees in respect of claims for personal or property damages.

ENVIRONMENTAL MATTERS

We are subject to various PRC environmental laws and regulations as well as environmental regulations promulgated by the local governments. Please refer to the section headed "Regulatory Overview — Regulations on Environmental Protection" in this prospectus for details of these laws and regulations.

As required by PRC laws and regulations, each project developed by a property developer is required to undergo an environmental assessment, and an environmental impact assessment report is required to be submitted to the relevant government authorities for approval before commencement of construction. When there is a material change with respect to the construction site, scale or nature of a given project, a property developer must submit a new environmental impact assessment report for approval. Pursuant to these laws and regulations, we have engaged Independent Third Parties environmental consultants to conduct environmental impact assessments at all of our construction projects, and such environmental impact assessments were submitted to relevant governmental authorities for approval before commencement of development. We have secured the necessary environmental assessment reports for all of our projects during the Track Record Period and up to the Latest Practicable Date in accordance with the relevant PRC laws and regulations.

During the course of construction, the property developer and the construction companies must take measures to prevent air pollution, noise emissions and water and waste discharge. As we outsource our construction work to third-party contractors, pursuant to the terms of the construction contracts, contractors are required to comply the relevant PRC laws and regulations relating to environmental protection and safety. Further, we inspect the construction sites regularly and require our contractors to immediately rectify any default or non-compliance identified.

Upon completion of construction works, we are required to apply for an examination with respect to environmental matters from the relevant governmental authorities. Only property development projects which have passed such examination can be delivered to our customers. All of our completed properties have passed inspections by the environmental protection authorities, and we have obtained the relevant environmental assessment approvals with respect to our properties under development.

For the three years ended 31 December 2012, 2013 and 2014, we incurred approximately RMB0.9 million, RMB1.2 million and RMB2.1 million, respectively, as costs for complying with applicable environmental rules and regulations. Our Directors expect that we will continue to incur environmental compliance costs at a similar level in the future.

During the Track Record Period and up to the Latest Practicable Date, no fines or penalties for non-compliance with PRC environmental laws and regulations were imposed on us. As at the Latest Practicable Date, we had not encountered any material issues in passing examinations conducted by the relevant environmental authorities upon completion of our properties. We are in compliance in all material respects with applicable environmental laws and regulations in PRC, and we have obtained all required approvals in relation to the environmental impact reports for our property development projects.

We cannot predict the impact of unforeseeable environmental contingencies, or of new or changed laws or regulations, on our existing projects or properties that we may develop in the future. We intend to minimize any potential future environmental risks by complying with relevant PRC environmental laws and regulations continually, engaging only construction contractors with good environmental protection and safety track records, and requiring our construction contractors to strictly comply with relevant laws and regulations with respect to materials procurement and property construction.

REGULATORY COMPLIANCE

Legal Proceedings

We may from time to time become a party to various legal proceedings or disputes arising in the ordinary course of our business. As at the Latest Practicable Date, we were not subject to any actual or threatened material claims, litigations or arbitral proceedings that may have a material adverse impact on our business, financial condition and reputation.

Licenses and Certificates

During the Track Record Period and as at the Latest Practicable Date, save as disclosed in the paragraphs headed "Regulatory Compliance — Non-Compliance Record" in this section, we had obtained all relevant licenses, permits, certificates and qualifications in accordance with relevant PRC legal regulations and requirements relating to conducting our business in the PRC property sector. As confirmed by our PRC Legal Advisers, according to the confirmations from relevant authorities, to the best of their knowledge, save as disclosed in the paragraphs headed "Regulatory Compliance — Non-Compliance Record" in this section, our subsidiaries in the PRC have obtained all such licences, permits, certificates and qualifications which are necessary for our business operation from relevant regulatory authorities in the PRC in relation to their establishment and business operations, and complied with the relevant laws and regulations in all material respects in relation to our business operations during the Track Record Period.

The table below sets forth the details of the real property developer qualification certificates and property management enterprise certificates obtained by our PRC subsidiaries in effect as at the Latest Practicable Date:

PRC subsidiary	Qualification	Status
Xinming Group	Qualification Certificate for Real Property Development Enterprise (房地產開發企業資質證書)	In effect, expiring on 9 October 2017
Taizhou Xinming.........	Qualification Certificate for Real Property Development Enterprise (房地產開發企業資質證書)	In effect, expiring on 23 October 2015

PRC subsidiary	Qualification	Status
Taizhou Investment	Qualification Certificate for Real Property Development Enterprise (房地產開發企業資質證書)	In effect, expiring on 23 July 2015
Wenshang Times	Interim Qualification Certificate for Real Property Development Enterprise (房地產開發企業暫定資質證書)	In effect, expiring on 2 July 2015
Shandong Xingmeng	Interim Qualification Certificate for Real Property Development Enterprise (房地產開發企業暫定資質證書)	In effect, expiring on 30 September 2015
Chongqing Xinming	Interim Qualification Certificate for Real Property Development Enterprise (房地產開發企業暫定資質證書)	In effect, expiring on 12 September 2015
Shanghai Xinming	Interim Qualification Certificate for Real Property Development Enterprise (房地產開發企業暫定資質證書)	In effect, expiring on 3 September 2015
Xinming Property	Qualification Certificate for Property Management Enterprises (物業服務企業資質證書)	In effect, expiring on 2 July 2015
Hangzhou Xinming	Interim Qualification Certificate for Real Property Development Enterprise (房地產開發企業暫定資質證書)	In effect, expiring on 30 November 2015

We shall submit application to renew the qualification certificate within one month before their expiry in accordance with relevant PRC laws and regulations. As advised by our PRC Legal Advisers, if the application documents have been submitted to the relevant authorities in accordance with real estate development enterprise qualification management regulations (《房地產開發企業資質管理規定》) and other relevant laws and regulations, and the relevant authorities are of the view that such renewal is in compliance with the requirements under real estate development enterprise qualification management regulations and other relevant laws and regulations, there are no legal impediments to renew the relevant qualification certificate.

Non-Compliance Record

Except as disclosed below, we complied with the laws and regulations applicable to us in all material aspects during the Track Record Period and up to the Latest Practicable Date. Below sets out summaries of certain incidents of historical non-compliance with applicable laws and regulations during the Track Record Period. Our Directors are of the view that such non-compliance incidents have not caused and will not have a material effect on our business, results of operations and financial condition.

(A) *Idle Land*

According to the Measures on the Disposal of Idle Land (《閒置土地處置辦法》) promulgated by MLR, if we fail to commence construction of land after one year but less than two years from the construction commencement date prescribed in the relevant land grant contract, we may be subject to a penalty for idle land at an amount being 20% of the land premium, or if we fail to begin construction works for more than two years from the prescribed construction commencement date, the right to use the land can be taken back by the PRC government without any compensation, unless the delay in commencement of construction is caused by force majeure or acts of government. For details, please refer to the section headed "Regulatory Overview — Development of a real estate project — Commencement of real estate project and regulations with respect to idle land" in this prospectus.

During the Track Record Period, the construction works in respect of (i) Hongjiayuan Xingxing No. 3 Land in Taizhou of site area of 74,390 sq.m., on which three of the projects, namely Wenshang Times • Red Star Macalline Household Products Market, Wenshang Times • Xinming Household Decorations and Fittings City and Wenshang Times • Xinming Apartment, were developed on; and (ii) a parcel of land of site area 25,151 sq.m., being one of the two parcels of land on which our Xingmeng International Commercial City was developed on, had been delayed for more than one year but less than two years from the prescribed construction commencement date under the relevant land grant contract.

The table below sets out the details of the non-compliance in respect of the delay in commencement of construction in respect of Hongjiayuan Xingxing No. 3 Land in Taizhou:

Construction commencement date under the land grant contract	Delay period	(i) Reason for delay (ii) Responsible person involved	Confirmation from relevant authorities	Our PRC Legal Advisers' opinion	Potential operational and financial impact
Before 17 September 2010	Construction commenced in January 2012	(i) The relevant land was not delivered to us by the local government due to prolonged discussions between the relevant authorities and existing residents in relation to relocation compensation. (ii) The local government of Taizhou.	The Jiaojiang branch office of the Ministry of Land and Resources of Taizhou (台州市國土資源局椒江分局) ("**Jiaojiang MLR**") has issued a written confirmation (the "**Jiaojiang MLR Confirmation**") to Wenshang Times in writing confirming that (i) the delay in the delivery of the parcel of land was caused by the prolonged discussion between the local government and the existing residents of the parcel of land in relation to relocation compensation; (ii) the commencement date of the construction work had been postponed to January 2012 and a corresponding postponement had been made to the completion date; and (iii) the land parcel will not be forfeited and Wenshang Times will not be required to pay any penalties or liquidated damages for the delay in commencement and completion of the construction work. The Ministry of Land and Resources of Zhejiang Province (浙江省國土資源廳) has also issued a written confirmation confirming the content of the Jiaojiang MLR Confirmation and that Jiaojiang MLR was the competent authority to issue the relevant confirmation.	Our PRC Legal Advisers confirm that Jiaojiang MLR and the Ministry of Land and Resources of Zhejiang Province are competent authorities to provide their respective confirmations. Based on (i) the Jiaojiang MLR Confirmation; and (ii) our Directors' confirmation that we had not received any idle land investigation notice and/or notice ordering us to pay liquidated damages and/or penalties in relation to the delay in commencement and completion of construction work from the relevant government authorities, our PRC Legal Advisers are of the view that the likelihood that we will be imposed idle land penalty and/or required to forfeit such land and/or require us to pay any liquidated damages for the delay in commencement and completion of construction work is low.	During the Track Record Period and up to the Latest Practicable Date, we had not received any idle land investigation notice or any notice requiring us to pay liquidated damages and/or penalties in relation to the delay of commencement of construction from the relevant governmental authorities. Based on the Jiaojiang MLR Confirmation and the opinion of our PRC Legal Advisers, our Directors consider that such non-compliance will not have any material operational or financial impact on us. Accordingly, no provision was made in our financial statements.

The table below sets out the details of non-compliance in respect of the delay in commencement of construction of a parcel of land of Xingmeng International Commercial City:

Construction commencement date under the land grant contract	Estimated construction commencement date	(i) Reason for delay (ii) Responsible person involved	Confirmation from relevant authorities	Our PRC Legal Advisers' opinion	Potential operational and financial impact
1 December 2013	March to June 2015	(i) The relevant approval procedures of the parcel of land adjacent to the subject land parcel owned by the local government of Tengzhou had delayed our commencement of construction of the subject land as we planned to develop the subject land parcel and the neighbouring land as a whole. (ii) The local government of Tengzhou.	The Ministry of Land and Resources of Tengzhou (滕州市國土資源局) ("**Tengzhou MLR**") has issued a written confirmation (the "**Tengzhou MLR Confirmation**") to Shandong Xingmeng in writing confirming that (i) the delay of commencement of construction was due to the fact that the relevant approval procedures for certain land parcels in the district was still under process; (ii) the commencement date of the construction work has been postponed to 30 June 2015 and a corresponding postponement has been made to the completion date; and (iii) Tengzhou MLR will not treat the land parcel as idle land and will not forfeit the land or require Shandong Xingmeng to pay any idle land penalties or any liquidated damages for the delay in commencement and completion of the construction work.	Our PRC Legal Advisers confirm that Tengzhou MLR is a competent authority to provide the Tengzhou MLR Confirmation. Based on (i) the Tengzhou MLR Confirmation; and (ii) our Directors' confirmation that we had not received any idle land investigation notice and/or notice ordering us to pay liquidated damages and/or penalties in relation to the delay in commencement and completion of construction of such project from the relevant government authorities, our PRC Legal Advisers are of the view that the likelihood that we will be imposed idle land penalty and/or required to forfeit such land and/or require us to pay any liquidated damages for the delay in commencement and completion of construction work is low.	During the Track Record Period and up to the Latest Practicable Date, we had not received any idle land investigation notice or any notice requiring us to pay liquidated damages and/or penalties in relation to the delay of commencement of construction from the relevant governmental authorities. Based on the Tengzhou MLR Confirmation and the opinion of our PRC Legal Advisers, our Directors consider that such non-compliance will not have any material operational or financial impact on us. Accordingly, no provision was made in our financial statements.

Save as disclosed above, our Directors confirm that we had complied with all the relevant laws and regulations relating to idle land in the PRC during the Track Record Period and up to the Latest Practicable Date. Save as disclosed above, as confirmed by our Directors, none of our projects under development or projects for future development constitute idle land which would be subject to idle land fees and/or liquidated damages and/or forfeiture of land pursuant to the relevant PRC laws and regulations as at the Latest Practicable Date. We had not encountered any difficulties in obtaining bank borrowings or other external financing due to the non-compliance relating to idle land stated above.

We have established internal procedures to ensure that we will comply with the obligations under land grant contracts in the future. Please refer to the paragraph headed "Internal Control Measures to Ensure Future Compliance" in this section for further details.

(B) *Other historical non-compliance incidents*

Non-compliance incident	(i) Reason(s) for the non-compliance; and (ii) responsible person involved	Legal consequences, potential maximum penalties and other financial liabilities	Rectification actions taken and current status
Tax non-compliance			
During 2009 to 2011, Taizhou Investment defaulted in paying the following taxes and surcharges in an aggregate amount of approximately RMB10,980,765: • property tax in the amount of approximately RMB407,753 for the year ended 31 December 2011; • corporate income tax in the amount of approximately RMB1,405,284 and RMB2,010,072 for the year ended 31 December 2010 and 2011, respectively, in an aggregate amount of approximately RMB3,415,356; • land appreciation tax in the amount of approximately RMB3,650,956 and RMB1,833,494 for the year ended 31 December 2010 and 2011, respectively, in an aggregate amount of approximately RMB5,484,450; • land use tax in the amount of approximately RMB617,948, RMB352,828 and RMB386,985 for the year ended 31 December 2009, 2010 and 2011, respectively, in an aggregate amount of approximately RMB1,357,761; • business tax in the amount of approximately RMB236,789 for the year ended 31 December 2010; • stamp duty on certain lease agreements in the amount of approximately RMB33,004 and RMB12,501 for the year ended 31 December 2010 and 2011, respectively, in an aggregate amount of approximately RMB45,505; • business surcharges (i.e. municipal maintenance tax, education surcharges, local education surcharges and water conservancy fund) in the amount of approximately RMB28,415 and RMB4,736 for the year ended 31 December 2010 and 2011, respectively, in an aggregate of approximately RMB33,151. The aggregate default amounts of taxes and surcharges above mentioned were approximately RMB 617,948, RMB5,707,276 and RMB4,655,540 for the years ended 31 December 2009, 2010 and 2011, respectively.	(i) The finance manager of Taizhou Investment (the "**Finance Manager**") was not familiar with its business and the applicable tax laws and regulations and submitted tax filings without the review and approval of the Group's management. Deficiency in the internal control procedures for the tax filings and tax payment: • lack of clear written policies and procedures for the calculation, filing and approval procedures of taxes; and • lack of independent review procedures for the calculation, filing and payment of taxes. Specific circumstances of following tax defaults: Property tax: The Finance Manager, due to a lack of understanding of relevant laws and regulations, failed to file tax return and to pay the property tax for the completion of Xinming International Logistic Centre and failed to file and pay the full amount of property tax for the rental income derived there from. Corporate income tax: Mainly due to the Finance Manager mistakenly calculated the taxable rental income based on actual rental income received as opposed to rental income receivable. Land appreciation tax: The Finance Manager incorrectly applied the tax rate of 2% as opposed to 3% in the calculation of the land appreciation tax pre-paid. Land use tax: The Finance Manager mistakenly applied the basis for calculating land use tax for Class 2 land as opposed to Class 1 land which the parcel of land located on the east side of the Jiaojiang Bridge in Jiaojiang District was classified as. Business tax: The Finance Manager mistakenly calculated the taxable rental income based on actual rental income received as opposed to rental income receivable. Stamp duty on certain lease agreements: The Finance Manager failed to file and pay stamp duty for lease agreement in year 2010 and failed to file and pay the full amount of stamp duty for lease agreement in accordance with relevant laws and regulations in year 2011. (ii) The Finance Manager of Taizhou Investment.	Regarding such defaults in taxes and surcharges payment, on 28 December 2012, the relevant government authority ordered Taizhou Investment to pay such outstanding tax amount of an aggregate of approximately RMB10,980,765 and imposed fines in an amount of approximately RMB2,885,385 and delinquent fees in an amount of approximately RMB598,689 (the "**Order**"). We have made necessary tax fillings and paid all outstanding tax and fines and delinquent fees in full. On 20 November 2014 (the "**November Confirmation**") and 28 January 2015 (the "**January Confirmation**"), the Tax Authority of Jiaojiang District of Taizhou (台州市椒江地方稅務局) has confirmed to Taizhou Investment in writing that Taizhou Investment had made the necessary tax filings and paid outstanding tax and fines since the date of establishment and up to the respective dates of the November Confirmation and the January Confirmation, and they were not aware of any penalties or tax non-compliances of Taizhou Investment other than the tax non-compliance as specified in the Order. On 21 November 2014, Taizhou Investment has obtained a written confirmation issued by the Taizhou Municipal Local Tax Authority (台州市地方稅務局) (the "**Municipal Confirmation**"), which confirmed that they agreed with the content of the November Confirmation and that the Tax Authority of Jiaojiang District of Taizhou was the competent authority to issue the November Confirmation. Our PRC Legal Advisers advised that the Taizhou Municipal Local Tax Authority is a competent municipal authority to provide the Municipal Confirmation. Our PRC Legal Advisers advised that the Tax Authority of Jiaojiang District of Taizhou is a competent authority to provide the November Confirmation and the January Confirmation; and based on the Municipal Confirmation which confirmed that the Tax Authority of Jiaojiang District of Taizhou was a competent authority to issue the November Confirmation, chances that the January Confirmation would be subject to possible challenges by Taizhou Municipal Local Tax Authority is remote. In view of our PRC Legal Advisers' advice, our Directors consider that such non-compliance would not have a material operational or financial impact on us. Accordingly, no provision was made in our financial statements.	As at the Latest Practicable Date, we have made the necessary tax filings and paid all such outstanding tax and fines and delinquent fees in full. During the Track Record Period and up to the Latest Practicable Date, save and except for the Order received, we had not been subject to any charge, order, or penalty and no action has been taken by any government authorities in relation to this non-compliance incident. The defaulting Finance Manager of Taizhou Investment resigned in August 2012. We have established internal procedures to ensure that we will comply with the relevant laws and regulations in relation to tax filings and tax payment in the future. Please refer to the paragraph headed "Internal Control Measures to Ensure Future Compliance" in this section.

Non-compliance incident	(i) Reason(s) for the non-compliance; and (ii) responsible person involved	Legal consequences, potential maximum penalties and other financial liabilities	Rectification actions taken and current status
During 2009 to 2012, Taizhou Xinming defaulted in paying the following taxes which in an aggregate amount of approximately RMB19,591,321: • land appreciation tax in the amount of RMB12,929,971 for the year ended 31 December 2012; • labour tax in the amount of approximately RMB407,680 and RMB174,720 for the year ended 31 December 2009 and 2010, respectively; and • personal salary income tax in the amount of approximately RMB199,576, RMB57,975 and RMB5,821,399 for the year ended 31 December 2009, 2010 and 2012, respectively. The aggregate default amounts of taxes above mentioned were approximately RMB607,256, RMB232,695, nil and RMB18,751,370 for the year ended 31 December 2009, 2010, 2011 and 2012, respectively.	(i) The finance managers of Taizhou Xinming were not familiar with its business and the applicable tax laws and regulations and submitted tax filing without the review and approval of our Group's management. The finance manager of Taizhou Xinming defaulted in the monthly filing and paying of land appreciation tax, labour tax and personal salary income tax in 2009 due to his unfamiliarity with Taizhou Xinming's business and the applicable tax laws and regulations. After such finance manager left his position in October 2009, subsequent finance manager followed the practice of such defaulted finance manager in filing and paying the land appreciation tax, labour tax and personal salary income tax and did not uncover such defaults until the relevant governmental authorities issued Taizhou Xinming an order for payment of the outstanding tax amounts and fines in 2012. Deficiency in the internal control procedures for the tax filing and tax payment: • lack of clear written policies and procedures for the calculation, filing and approval procedures of taxes; and • lack of independent review procedures for the calculation, filing and payment of taxes. Specific circumstances of following tax defaults: Land appreciation tax: The finance manager of Taizhou Xinming did not calculate the land appreciation tax in the tax clearance for Phase 1 of Taizhou Xinming Peninsular accurately due to complicated calculation of the said tax and lack of understanding of the relevant laws and regulations. Labour tax: The finance manager of Taizhou Xinming failed to withhold tax for certain service fees paid. Personal salary income tax: Mainly due to finance managers failing to withhold personal salary income tax from certain bonus paid to the employees. (ii) The finance managers of Taizhou Xinming.	Regarding such defaults in tax payment, on 24 December 2012, the relevant government authority ordered Taizhou Xinming to pay the outstanding tax amounts of approximately RMB19,591,321 and imposed fines in the amount of approximately RMB4,662,945 (the "**Order**"). We have made paid all outstanding tax and fines in full. On 20 November 2014 (the "**November Confirmation**") and 28 January 2015 (the "**January Confirmation**"), the Tax Authority of Jiaojiang District of Taizhou (台州市椒江地方税務局) has confirmed to Taizhou Investment in writing that Taizhou Investment had made the necessary tax filings and paid outstanding tax and fines since the date of establishment and up to the respective dates of the November Confirmation and the January Confirmation, and they were not aware of any penalties or tax non-compliances of Taizhou Investment other than the tax non-compliance as specified in the Order. On 21 November 2014, Taizhou Xinming has obtained a written confirmation issued by the Taizhou Municipal Local Tax Authority (台州市地方税務局) (the "**Municipal Confirmation**"), which confirmed that they agreed with the content of the November Confirmation and that the Tax Authority of Jiaojiang District of Taizhou was the competent authority to issue the November Confirmation. Our PRC Legal Advisers advised that the Taizhou Municipal Local Tax Authority is a competent municipal authority to provide the Municipal Confirmation. Our PRC Legal Advisers advised that the Tax Authority of Jiaojiang District of Taizhou is a competent authority to provide the November Confirmation and the January Confirmation; and based on the Municipal Confirmation which confirmed that the Tax Authority of Jiaojiang District of Taizhou was a competent authority to issue the November Confirmation, chances that the January Confirmation would be subject to any possible challenges by Taizhou Municipal Local Tax Authority is remote. In view of our PRC Legal Advisers' advice, our Directors consider that such non-compliance would not have a material operational or financial impact on us. Accordingly, no provision was made in our financial statements.	As at the Latest Practicable Date, we have paid all outstanding tax and fines in full. During the Track Record Period and up to the Latest Practicable Date, save and except for the Order received, we had not been subject to any charge, order, or penalty and no action has been taken by any government authorities in relation to this non-compliance incident. The defaulting finance manager of Taizhou Xinming left his position in October 2009 and the subsequent finance manager and staffs were provided with relevant trainings. We have established internal procedures to ensure that we will comply with the relevant laws and regulations in relation to tax filings and tax payment in the future. Please refer to the paragraph headed "Internal Control Measures to Ensure Future Compliance" in this section.

Non-compliance incident	(i) Reason(s) for the non-compliance; and (ii) responsible person involved	Legal consequences, potential maximum penalties and other financial liabilities	Rectification actions taken and current status
For the years ended 31 December 2008 and 2009, Taizhou Xinming defaulted in paying corporate income tax in the amount of approximately RMB180,534 and RMB2,518,208 respectively, in aggregate amount of RMB2,698,742.	(i) The finance manager of Taizhou Xinming was not familiar with the applicable tax laws and regulations regarding corporate income tax and submitted tax filing without the review and approval of our Group's management. Deficiency in the internal control procedures for the tax filing and tax payment: • lack of clear written policies and procedures for the calculation, filing and approval procedures of taxes; and • lack of independent review procedures for the calculation, filing and payment of taxes. Mainly due to certain funds of Taizhou Xinming were used by its related companies in year 2008 and 2009 and its then finance manager failed to pay income tax for interests deemed to be received by Taizhou Xinming. (ii) The finance manager of Taizhou Xinming.	Regarding such defaults in tax payment, on 28 September 2012, the relevant competent tax authorities ordered Taizhou Xinming to pay the outstanding corporate income tax in the aggregate amount of approximately RMB2,698,742 plus interest and imposed fines in an amount of approximately RMB19,040 (the "**Order**"). We have paid all outstanding tax and interests thereof, and fines in full. On 5 February 2015, the National Tax Authority of Jiaojiang District of Taizhou (台州市椒江區國家稅務局) has confirmed to Taizhou Xinming in writing that Taizhou Xinming had made the necessary tax filings and paid outstanding tax and fines since the establishment of Taizhou Xinming till the date of such confirmation and our PRC Legal Advisers advised that the Tax Authority of Jiaojiang District of Taizhou is a competent authority to provide the said confirmation. In view of our PRC Legal Advisers' advice, our Directors consider that such non-compliance would not have a material operational or financial impact on us. Accordingly, no provision was made in our financial statements.	As at the Latest Practicable Date, we have paid all such outstanding tax and interests thereof, and fines in full. During the Track Record Period and up to the Latest Practicable Date, save and except for the Order received, we had not been subject to any charge, order, or penalty and no action has been taken by any government authorities in relation to this non-compliance incident. The defaulting finance manager of Taizhou Xinming left his position in October 2009. We have established internal procedures to ensure that we will comply with the relevant laws and regulations in relation to tax filings and tax payment in the future. Please refer to the paragraph headed "Internal Control Measures to Ensure Future Compliance" in this section.

Non-compliance incident	(i) Reason(s) for the non-compliance; and (ii) responsible person involved	Legal consequences, potential maximum penalties and other financial liabilities	Rectification actions taken and current status
Selling uncompleted commercial units and leasing such units before passing the construction completion examination			
Wenshang Times sold uncompleted commercial units in Wenshang Times • Xinming Household Decorations and Fittings City and entered into exclusive management and operation agreements with such purchasers before passing the construction completion examination against the relevant PRC laws and regulations. Such exclusive management and operation agreements provide that Wenshang Times can lease out such commercial units and receive all or part of the rental income of the premises for a period of 10 years starting from 1 July 2014.	(i) Lack of understanding of relevant rules and regulations. (ii) The sales manager of Wenshang Times.	According to our PRC Legal Advisers, we may be subject to a disciplinary warning, ordered to make remedial measures and/or imposed a fine of not less than RMB10,000 but not more than RMB30,000 by relevant governmental authorities under the Administrative Measures for the Sale of Commodity Properties and the maximum potential financial penalty that may be imposed on us is RMB30,000. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any charge, order or penalty and no action has been taken by the governmental authorities in relation to this non-compliance incident. Wenshang Times had obtained the pre-sale permit to sell such uncompleted commercial units. On 19 September 2014, Jiaojiang branch office of Taizhou Urban and Rural Residential Construction Planning Bureau (台州市住房和城鄉建設規劃局椒江分局) issued a written confirmation confirming that as Wenshang Times had obtained the pre-sale permit to sell relevant uncompleted units before passing the construction completion examination, the pre-sale activities, the sales and purchase agreements and the exclusive management and operation agreements remained legal and valid. Based on the above confirmation, as advised by our PRC Legal Advisers, the sales of the aforementioned uncompleted commercial units before passing the construction completion examination did not affect the validity of the relevant sales and purchase agreements and exclusive management and operation agreements and would not render such the relevant revenue contribution invalid. As further advised by our PRC Legal Advisers, the exclusive management and operation agreements made between Wenshang Times and the purchasers do not violate the compulsory provisions of applicable PRC laws and administrative regulation. In view of our PRC Legal Advisers' advice, our Directors consider that such non-compliance would not have a material operational or financial impact on us. Accordingly, no provision was made in our financial statements.	Wenshang Times • Xinming Household Decorations and Fittings City has obtained the completion certificate in November 2014. We have established internal procedures to ensure that we will comply with the relevant laws and regulations in the future. Please refer to the paragraph headed "Internal Control Measures to Ensure Future Compliance" in this section.

Non-compliance incident	(i) Reason(s) for the non-compliance; and (ii) responsible person involved	Legal consequences, potential maximum penalties and other financial liabilities	Rectification actions taken and current status
Lease non-registration			
As at the Latest Practicable Date, Chongqing Xinming, Hangzhou Times and Hangzhou Xinming leased four properties in the PRC and accordingly entered into four lease agreements as tenant which had yet to be registered with the relevant government authorities.	(i) The relevant landlords did not cooperate to file the lease agreements and other relevant documents. (ii) The relevant landlords of the four properties concerned.	According to the Measures for Administration of Lease of Commodity Properties (《商品房屋租賃管理辦法》), lease agreements have to be registered with the relevant authorities within 30 days of signing. Our PRC Legal Advisers advised us that under relevant PRC laws and regulations, the relevant government authority may require the parties to a lease to register it within a given period, and a fine ranging between RMB1,000 to RMB10,000 for each unregistered lease may be imposed on the parties to the lease for failing to rectify it within the given period. The estimated maximum penalty that may be imposed on us is RMB40,000. As further advised by our PRC Legal Advisers, such agreements are valid and shall be binding on the parties even without filing the statutory lease registration. However, a lease without completing the statutory lease registration will be subject to a registered lease entered into between a bona fide third party tenant and the landlord regarding the property in question. During the Track Record Period and up to the Latest Practicable Date, we had not received any rectification order or been subject to any fine or penalty in respect of non-registration of lease agreement. In view of our PRC Legal Advisers' advice, our Directors consider that such non-compliance would not have a material operational or financial impact on us. Accordingly, no provision was made in our financial statements.	We have been taking proactive steps to liaise with the landlords regarding registration of the lease agreements and as at the Latest Practicable Date, all of our lease agreements entered into as lessee had not been registered with relevant government authorities. We have established internal procedures to ensure that we will comply with the relevant laws and regulations in relation to lease registration in the future. Please refer to the paragraph headed "Internal Control Measures to Ensure Future Compliance" in this section.

Non-compliance incident	(i) Reason(s) for the non-compliance; and (ii) responsible person involved	Legal consequences, potential maximum penalties and other financial liabilities	Rectification actions taken and current status
Non-compliance in construction of temporary structures			
Wenshang Times constructed a temporary structure as an exhibition centre for selling commercial units on the land parcel of Hongjiayuan Xingxing No. 3 (洪家原星星3號) on which three of our projects, namely Wenshang Times. Red Star Macalline Household Products Market, Wenshang Times • Xinming Household Decorations and Fittings City and Wenshang Times • Xinming Apartment were developed on, before obtaining the required construction works commencement permit, against the relevant PRC laws and regulations. Wenshang Times also failed to obtain the property certificate for the exhibition centre upon the completion of its construction and started to use such exhibition centre before it passed the construction completion examination as required by the relevant PRC laws and regulations. The construction costs of the exhibition centre was approximately RMB2,049,607 with GFA of approximately 1,170 sq.m..	(i) Lack of understanding of relevant laws and regulations. (ii) Administration manager of Wenshang Times.	According to our PRC Legal Advisers, we may be ordered to demolish the relevant temporary structure within a specified period of time and be required to pay penalties equal to certain percentages of the construction costs to relevant governmental authorities. It is estimated that the maximum penalty would be approximately RMB532,898 During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any order or penalty and no action has been taken by the governmental authorities in relation to this non-compliance incident. On 9 February 2015, in view of the need for development and sales of Wenshang Times, the Jiaojiang branch office of the Taizhou Urban and Rural Residential Construction Planning Bureau (台州市住房和城鄉建設規劃局椒江分局) had issued an written consent to Wenshang Times allowing the exhibition centre to be used as the exhibition centre for Wenshang Times • Xinming Household Decorations and Fittings City until 31 December 2015. Our PRC Legal Advisers advised that the Jiaojiang branch office of the Taizhou Urban and Rural Residential Construction Planning Bureau is a competent authority to provide the said consent and the likelihood that we will be ordered to demolish the temporary structure and/or penalised by such authority before 31 December 2015 is low. Since the Company expect to use such temporary structure until no later than 31 December 2015 and to demolish it before 31 December 2015, in view of our PRC Legal Advisers' advice, our Directors consider that such non-compliance would not have a material operational or financial impact on us. Accordingly, no provision was made in our financial statements.	It is expected that we will use such temporary structure until no later than 31 December 2015 and demolish it by 31 December 2015. We have established internal procedures to ensure that we will comply with the relevant laws and regulations in the future. Please refer to the paragraph headed "Internal control measures to ensure future compliance" in this section.

Non-compliance incident	(i) Reason(s) for the non-compliance; and (ii) responsible person involved	Legal consequences, potential maximum penalties and other financial liabilities	Rectification actions taken and current status
Failure to make adequate social security insurance and housing provident fund contributions			
Taizhou Investment, Taizhou Xinming, Wenshang Times, Chongqing Xinming, Shandong Xingmeng, Xinming Property, Shanghai Xinming, Hangzhou Xinming and Xinming Group (the "**Defaulting Companies**") failed to make adequate social security insurance and housing provident fund contributions for our employees as required by relevant PRC laws and regulations. We estimated the total outstanding social insurance and housing provident fund contributions for the year ended 31 December 2012, 2013 and 2014 were RMB6.5 million, RMB6.4 million and RMB6.8 million, respectively.	(i) Inconsistent implementation of the PRC laws and regulations by local authorities and different levels of acceptance of social security insurance and housing provident fund contribution systems by our employees. Further, the Defaulting Companies did not pay the social insurance and housing provident fund contributions for certain of their respective employees because such employees refused to make their own contributions, for which the relevant Defaulting Companies are required to make the matching contributions. (ii) relevant local governmental authorities and certain employees of our Group.	Our PRC Legal Advisers advised us that if we did not pay the relevant social security insurance within the prescribed time limits required by the relevant authorities, a daily late payment at the rate of 0.2% of the outstanding amount will be imposed before July 2011 and/or a fine of one to three times the outstanding amount with a daily late payment at the rate of 0.05% of the outstanding amount from the due date will be imposed from July 2011 onwards. Our PRC Legal Advisers further advised that the housing provident fund management centre shall order the company that is overdue in the payment and deposit of, or underpays the housing provident fund to make the payment and deposit within a prescribed time limit, failing which the housing provident fund management centre may ask the court to take enforcement measures against such company to collect the outstanding housing provident fund. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any order or penalty and no action has been taken by the governmental authorities in relation to social security insurance or housing provident fund nor we are aware of any employees' complaints or demands for payment of previously unpaid social security insurance or housing provident fund. Each of the Defaulting Companies received written confirmations from the relevant regulatory authorities that they do not have any records of outstanding payments of social security insurance and housing provident fund in relation to social security insurance or housing provident fund during the Track Record Period. Our PRC Legal Advisers is of the view that (i) those relevant regulatory authorities are competent authorities to issue the above confirmations and (ii) based on such confirmations, the likelihood that the Defaulting Companies will be required to pay the outstanding payments and any penalties by such authorities thereto is low. In view of our PRC Legal Advisers' advice, we made full provision for all outstanding social security insurance and housing provident fund contributions during the Track Record Period in our financial statements, but not the potential penalties. Our Directors consider that such provision is adequate to cover the potential payment for such non-compliance.	We will continue to communicate with our employees with regard to their contributions required to be made by the relevant laws and regulations in the PRC and to contribute to the social insurance scheme and housing provident funds in accordance with the standards of implementation by relevant regulatory authorities. Further, we have adopted internal procedures in June 2014 to ensure that we will comply with the relevant laws and regulations in relation to social security insurance and housing provident fund contributions upon Listing. Please refer to the paragraph headed "Internal control measures to ensure future compliance" in this section. Our Controlling Shareholders have given an indemnity to each members of our Group against, among others, all claims, actions, losses, damages, costs or expenses suffered or incurred by any of the members of our Group in connection with the social insurance and housing provident fund contributions required to be made by the relevant laws and regulations in the PRC, which any member of our Group has failed to make in accordance with such laws and regulations from their respective date of establishment to the Listing Date. Further, we have made adequate provision in the amount of RMB31.0 million for potential claims of the outstanding social security insurance and housing provident fund contributions in our financial statements as at 31 December 2014. Our Directors consider that such non-compliance would not have a material operational or financial impact on us.

Non-compliance incident	(i) Reason(s) for the non-compliance; and (ii) responsible person involved	Legal consequences, potential maximum penalties and other financial liabilities	Rectification actions taken and current status
Inter-company loans			
During the Track Record Period, we made interest-free advances to various related and Independent Third Parties. For further details, please refer to "Financial Information — Description of certain key items affecting our consolidated statement of financial position — Other payables and accruals" in this prospectus.	(i) Lack of understanding by our finance managers of the relevant Group companies in respect of restriction on inter-company loan under the General Provisions of Loans issued by PBOC, as we neither carry on business as a financial institution nor are engaged in the business of provision of financial services. (ii) The finance managers of the relevant Group companies.	According to relevant PRC laws and regulations, such inter-company loans may be ruled to be invalid by the court of PRC and if interests were charged on the loan, the lender may be ordered to pay a penalty in the amount ranging from one to five times of the income of the lending to PBOC. As such, as advised by our PRC Legal Advisers, our maximum potential liabilities arising from such inter-company loans are penalty in an amount of up to five times of the income generated. Our Directors confirm that (i) all of such loans were interest-free loans from which we did not derive any income; (ii) all of the loans will be repaid in full upon Listing; and (iii) we have not been subject to any sanctions by PBOC for our involvement in these loan transactions. Our PRC Legal Advisers are of the view that, since we have not derived any interest income from the loan transactions, the likelihood that we will be imposed a fine equivalent to one to five times of interest arising from such inter-company loans by PBOC is low, and therefore our Directors consider our past involvement in these loan transactions will not have a material operational or financial impact on us. Accordingly, no provision was made in our financial statements.	During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any charge, order, or penalty and no action has been taken by any government authorities in relation to this non-compliance incident. We expect to settle all balance of the inter-company loans before Listing. We have established internal procedures to ensure that we will comply with the relevant laws and regulations in the future. Please refer to the paragraph headed "Internal Control Measures to Ensure Future Compliance" in this section.

Taking into account (i) the rectification actions taken by us and the status of these non-compliance incidents; (ii) the potential legal consequences arising from these non-compliance incidents as advised by our PRC legal advisers; and (iii) the materiality of the potential fines, if any, we have made necessary and adequate provision for the non-compliance incidents mentioned above. Save as disclosed above, we have complied in all material respects with the relevant PRC laws and regulations in relation to our business operations as approved by relevant governmental authorities during the Track Record Period and up to the Latest Practicable Date.

INTERNAL CONTROL MEASURES TO ENSURE FUTURE COMPLIANCE

In order to ensure future compliance with applicable laws and regulations and related policies in different operational aspects, we have adopted the following steps and measures to further enhance our corporate governance practices and the effectiveness of our internal control measures:

(i) all of our Directors and senior management have attended trainings conducted by our Hong Kong legal advisers, Li & Partners, in June 2014, on the ongoing obligations, duties and responsibilities of directors of publicly listed companies under the Companies Ordinance, the SFO and the Listing Rules and the Directors are fully aware of their duties and responsibilities as directors of a listed company in Hong Kong;

(ii) we have appointed China Everbright Capital Limited as our Company's compliance adviser pursuant to Rule 3A.19 of the Listing Rules to ensure that, among other things, we are properly guided and advised as to compliance with the Listing Rules and all other applicable laws, rules, codes and guidelines. The term of appointment of the compliance adviser shall commence on the Listing Date and end on the date of despatch of our annual report in respect of its financial results for the first full financial year commencing after the Listing Date;

(iii) we have established an audit committee which comprises three independent non-executive Directors. The audit committee has also adopted its terms of reference which set out clearly its duties and obligations for ensuring compliance with the relevant regulatory requirements. In particular, the audit committee is empowered under its terms of reference to review any arrangement which may raise concerns about possible improprieties in financial reporting, internal control or other matters;

(iv) we have established an audit department on 12 May 2014 which comprise two employees supervised by Ms. Quan Xiaolin, our executive Director. One of such employees possessed national certificate of construction cost estimator and associate engineer qualification and another employee is a PRC certified public accountant. These two employees have an average of around seven years' working experience. The audit department regularly monitors the effectiveness of our Group's internal control measures with an aim to improve our Group's operations. Our audit department will continuously review our Group's internal control measures and report findings and make appropriate recommendations to the audit committee and the Board on a quarterly basis;

(v) we have reviewed and updated our internal policies and procedures according to the latest relevant PRC laws and regulations as well as accounting policies and updates to ensure ongoing compliance of our Group. Various trainings on PRC laws and regulations relevant to our Group's operation were provided to our employees by external legal adviser and tax consultant in 2013 and 2014, trainings will be provided to our employees should there be any significant changes and updates to our policies and procedures; and

(vi) we have retained PRC legal advisers to review and advise on our regulatory compliance in respect of all relevant PRC laws and regulations, including changes to such laws and regulations, which may affect our business operations in the PRC.

Specifically, we have adopted the following enhanced internal control measures and policies against each of our historical non-compliance incidents in order to prevent re-occurrence of these incidents in the future:

Matters of non-compliance	Internal control measures	Time of implementation of internal control measures
Idle land	Our internal policy and procedure has been revised to implement internal control measures such that our in-house lawyer will be responsible to supervise and oversee the implementation of the terms relating to the transfer and development of land and report regularly to the management of our Company the progress of development projects. In the event that construction works cannot commence according to the prescribed date of commencement as specified on the land grant contract, the relevant government authorities shall be notified in writing promptly and consent from the relevant government authorities must be obtained. Our project teams would also conduct extensive research and formulate detailed project plans before we acquire a parcel of land, such plan would be submitted to our investment and development department for assessment of risk of idle land.	We adopted such measures since June 2014.

Matters of non-compliance	Internal control measures	Time of implementation of internal control measures
Tax non-compliance	Internal policy and procedure has been established since August 2014 to implement internal control measures to enhance management on tax related matters, which include providing trainings to relevant finance managers and staffs at both the headquarter level and project companies level and requiring designated experienced staff of finance department to handle tax related matters, including tax filings and tax payment. Our tax returns documents are prepared by the finance staff of each of the project companies which are then reviewed by the finance manager of the respective project companies. Our Group's finance manager, being the head of the account and finance department, is responsible to examine and review the management accounts and tax returns of each our Group's project companies on monthly basis, so as to prevent any irregularities in tax fillings and payments. Tax payments request together with relevant tax filings would be reviewed by finance manager of each project companies and payment request and relevant tax filings are required to submit to Group's chief financial officer for his prior review and approval. Further, the internal audit department of our Group would conduct independent review on the taxation cycle on a half-yearly basis, the result of which would be submitted to our audit committee for assessment and approval. Our Group engaged Ernst & Young as our external tax adviser since May 2015. Under such engagement, our external tax adviser would, among others, (i) assist us to review the day-to-day filing of various tax and provide us with professional advice; (ii) provide us with updates on PRC taxation laws and regulations regularly; (iii) arrange training on taxation policies and regulations to our relevant finance staff; and (iv) provide an opinion regarding our Group's taxation compliance to our audit committee and report to them.	Save and except for our engagement with our tax adviser which took effect in May 2015, we adopted such measures in August 2014.

Matters of non-compliance	Internal control measures	Time of implementation of internal control measures
Selling uncompleted commercial units and leasing such units before passing the construction completion examination	Our internal procedure for property construction has been revised and we have provided relevant training sessions to our staff. Our internal policy and procedure has been revised such that each project company is required to (i) prepare a checklist setting out all permits, certificates, approvals and passing of completion examination required for all properties, and (ii) instruct a designated employee to ensure that the lease agreements are only signed after all the requirements on the checklists have been fulfilled. Such checklist shall be submitted to our in-house lawyer for review and filing.	We adopted such measures in June 2014.
Lease non-registration	Internal policy and procedure has been revised to implement internal control procedures such that our leasing team shall be responsible to supervise the filing and registration of the lease agreements with the relevant authorities within 30 days after signing of such lease agreements. A register is maintained by our leasing team which include basic information regarding the lease and its registration. The relevant employees will review the register on a bi-weekly basis and will follow up with the relevant landlord or tenant if a lease agreement has not been timely registered. We have included an extra clause in our standard form of lease agreement for new leases to be entered into, which stipulates that the failure to complete the lease registration within 30 days from the date of the lease agreement will be regarded as a default of the lease, and we will be entitled to terminate the lease.	We adopted such measures in June 2014.

Matters of non-compliance	Internal control measures	Time of implementation of internal control measures
Non-compliance in the construction of temporary structures	Internal policy and procedure has been revised to implement internal control measures such that the project engineering department shall be responsible to (i) prepare a checklist setting out all permits, certificates and approvals required for all construction works; and (ii) instruct a designated person or team of the specific construction project to ensure that relevant requirements have been fulfilled including construction works commencement permits have been obtained before the commencement of any construction works. Such checklist shall be submitted to our in-house lawyer for review and filing. When necessary, our investment and development department will consult our in-house lawyer and/or external legal adviser prior to the commencement of construction works in order to prevent the commencement of construction works prior to obtaining the required construction commencement permits.	We adopted such measures in June 2014.
Failure to make adequate social security insurance and housing fund contributions	Mandatory participation of employees in social insurance and housing provident fund is required in our employment contract. Internal policy and procedure has been established to implement internal control measures including (i) designating an experienced human resources staff at subsidiary level to handle matters in relation to social security insurance and housing provident fund contributions according to the calculation method security set out in the policy and procedure; and (ii) such calculation will then be reviewed by the human resources supervisor of the integrated administration department at the group level. The account and finance department will also keep a proper record of the contributions paid. Training sessions to managerial personnel were conducted to update our employees of such requirement, relevant policy and procedure including but not limited to the calculation of contribution.	We adopted such measures in June 2014.

Matters of non-compliance	Internal control measures	Time of implementation of internal control measures
Inter-company loans	Internal policy and procedure has been established for our Group's financing management. It is set out in the policy that all inter-company advances, loans and borrowings are prohibited. Training sessions were provided to the members of our account and finance department to ensure no inter-company advances, loans and borrowings are made.	We adopted such measures in June 2014

Internal Control Consultant's Review

We engaged an independent Internal Control Consultant, PRO-WIS Risk Advisory Services Limited, in February 2014, to perform an overall assessment on certain of our major business procedures, systems and internal controls, and to highlight areas of improvement. In addition, we engaged the Internal Control Consultant, in June 2014, to assess, based on the procedures agreed between the Internal Control Consultant and us, the enhanced internal control measures and policies which are related to the historical non-compliance incidents (the "**Enhanced Policies and Measures**") as specified in paragraph headed "Internal control measures to ensure future compliance" above. The Internal Control Consultant has performed the following review work in relation to the Enhanced Policies and Measures:

- conducting interviews with the relevant management, staff members and personnel in charge of the key processes, and inspecting the relevant documentation in order to understand the Enhanced Polices and Measures;

- performing walkthrough tests to confirm their understanding of the relevant policies and control measures and to determine whether they have been implemented as described by our Group;

- performing sampling tests to assess whether the internal control measures are operating as described by and in accordance with our operating policies and procedures for the selected samples; and

- identifying findings based on the results of the walkthrough tests and sample tests performed in the steps mentioned above.

The Internal Control Consultant noted in its follow-up review in February and March 2015 that we had established the internal control policies according to its recommendations, and put in place a number of internal control measures, including the Enhanced Policies and Measures to rectify the deficiencies identified under the scope of the review. Based on the results of its assessment and review done, our Internal Control Consultant was not aware of any significant deficiencies in our internal control systems as at the Latest Practicable Date, including any significant deficiencies in our business processes which are related to our historical non-compliance incidents mentioned above, which would render our internal control measures inadequate. Our Internal Control Consultant is therefore of the view that the design of our current Enhanced Policies and Measures is adequate and effective as at the Latest Practicable Date to prevent the occurrence of the above non-compliance incidents.

Based on our remedial actions taken by our Group, our business nature and operation scale and the results of our Internal Control Consultant's assessment and reviews, we confirm that all the internal control deficiencies that were considered material have been rectified and addressed. On that basis, our Directors are satisfied that our internal control system is adequate and effective for our current operation environment and consider that the non-compliance incidents do not have any material impact on the suitability of our Directors under Rules 3.08 and 3.09 of the Listing Rules and our suitability for listing under Rule 8.04 of the Listing Rules.

Sole Sponsor's View

During the Sole Sponsor's due diligence process and having taken into account the following matters as confirmed by our Directors, nothing has come to the attention of the Sole Sponsor that would cause it to believe that our internal control is inadequate and insufficient under the Listing Rules to prevent the occurrence of the above non-compliance incidents in the future.

- having considered the reasons for each of the historical non-compliance incidents and the internal control measures set out in the paragraphs headed "Non-Compliance Record" and "Internal Control Measures to Ensure Future Compliance" in this section above;

- having reviewed the internal control procedures our Group prepared and the relevant supporting documents collected from our Group;

- having discussed with the senior management on the findings and recommendations concerning the internal control system by the Internal Control Consultant;

- having been given to understand that as disclosed in the paragraph headed "Internal Control Consultant's Review" in this section, (i) our Group had established the internal control policies according to the recommendations of the internal control consultant, and put in place a number of internal control measures, including the Enhanced Policies and Measures, both at the headquarter level and project company level, which are assumed to be fully implemented on an ongoing basis, to rectify the deficiencies identified under the scope of the review. While the headquarter level refers to our Company functioning as the administrative head of the whole Group, the project company level refers to key operating subsidiaries of our Group. As confirmed by the Internal Control Consultant, the Enhanced Policies and Measures were systems of policies and measures aiming to prevent the re-occurrence of the historical non-compliance and involved and applied to staffs and personnel both at the headquarter level and the project company level of our Group; (ii) no further deficiency on the internal control systems, including any deficiencies in the business processes which are related to the historical non-compliance incidents, which would render the internal control measures inadequate and ineffective; and (iii) our Group believes that its internal control measures that are currently in place are adequate and effective;

- training session provided to all of our Directors by our Hong Kong legal advisers, Li & Partners, on the ongoing obligations, duties and responsibilities of directors of publicly listed companies under the Companies Ordinance, the SFO and the Listing Rules and the Directors are fully aware of their duties and responsibilities as directors of a listed company in Hong Kong; and

- our Company's access to external professionals, such as the compliance adviser and legal advisers, to seek professional advice on any issues relating to rules, laws and regulations in the PRC and Hong Kong.

Other than the above, our Directors are satisfied and the Sole Sponsor concurs that the above non-compliant incidents would not affect the suitability of our Directors under Rule 3.08 and 3.09 of the Listing Rules on the following basis:

(i) the occurrence of the non-compliance incidents was solely due to past inadvertent oversight or unfamiliarity with the relevant rules and regulations and did not involve dishonesty or fraud on the part on our Directors or impugn their integrity or competence;

(ii) with the occurrence of these incidents, our Directors are minded and alert to any issues that might result in any non-compliance, and there are in place measures for preventing recurrence of non-compliance as disclosed above and such measures are considered adequate and effective;

(iii) upon the training sessions provided to our Directors, our Directors are fully aware of the requirements and obligations as directors of a listed issuer pursuant to the Listing Rules and have undertaken to observe and comply with all the relevant rules and regulations; and

(iv) since the implementation of the Enhanced Policies and Measures and up to the Latest Practicable Date, our Directors confirmed that our Group had not been accused of any breach of rules and regulations other than the non-compliant incidents as disclosed above.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Immediately after completion of the Capitalisation Issue and Global Offering (without taking into account any Shares which may be allotted and issued upon any exercise of the Over-allotment Option or options which have been or may be granted under the Share Option Scheme), Xinxing Company will effectively hold 75% of the total issued share capital of our Company. Xinxing Company is held as to 100% by Mr. Chen. Xinxing Company will continue to control more than 30% of our issued share capital. Xinxing Company is held as to 100% by Mr. Chen, who will continue to control more than 30% of our issued share capital and will remain as the Controlling Shareholder after the Capitalisation Issue and Global Offering. For the background of Mr. Chen, please refer to the section headed ''Directors, Senior Management and Employees'' in this prospectus.

RETAINED PROPERTY BUSINESS OF OUR CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, our Controlling Shareholders had interests in certain companies (namely, Taoyuan Property, Dongtian Property and Hangzhou Fengtan) that carried on property development businesses that did not form part of our Group (the "**Retained Property Business**"). Such businesses include other property development projects, the details of which are set out below.

XG Limited

XG Limited is a company established in the PRC in March 1999. It has a registered capital of RMB200,000,000 and is owned as to 99% by Mr. Chen and 1% by Ms. Gao, our non-executive Director and spouse of Mr. Chen. It principally serves as a holding company of Mr. Chen and Ms. Gao for holding the interests in certain companies which are excluded from our Group. As at the Latest Practicable Date, XG Limited owned 51% interest in Taoyuan Property (which in turn owns 100% interest in Dongtian Property), 60% interest in Hangzhou Yixing (which in turn owns 60% interest in Hangzhou Fengtan), 100% interest in Zhejiang Lianxin, 100% in Taishun Shiye, 100% interest in Zhejiang Canyin, 90% interest in Pengyue Trading, 90% interest in Tuokai Investment and 90% interest in Zhiyao Trading. As at 31 December 2014, XG Limited owned 5.12% interest in Wenzhou Bank.

The Retained Property Business comprises three property development projects in Hangzhou.

A comparison table for our property development project of our Group in Hangzhou (being Hangzhou Xinming) and the Retained Property Business in Hangzhou is set out below:

	Taoyuan Property	**Dongtian Property**	**Hangzhou Fengtan**	**Hangzhou Xinming**
Ownership	Excluded from our Group	Excluded from our Group	Excluded from our Group	Included in our Group
Property project	Hangzhou Xinming Peninsular (杭州新明半島)	Hangzhou Dongtian (杭州東田)	Hangzhou Fengtan (杭州豐潭)	Hangzhou Xinming • Children's world (杭州新明 • 兒童世界)
Project type	Residential	Residential	Commercial and composite (migrant workers)(3)	Commercial
Classification	The project consists of three phases. Phase 1 and 2 were completed. Phase 3 is under development.	Held for future development	Held for future development	Held under development
Site area	562,278 sq.m.(1)	29,147 sq.m.	14,658 sq.m.	30,449 sq.m.
Valuation (excluding the sold properties) attributable to the beneficial interest of the XG Limited as at 31 March 2015(2)	RMB1,247,466,000	RMB135,000,000	RMB341,000,000	RMB892,384,000
Estimated completion time	Phase 3: 2016	2016	2018	2016
Independent management personnel from our Group	Yes	Yes	Yes	N/A

Notes:

(1) The site area of Taoyuan Property includes all 3 phases.

(2) The valuation of each project is based on the assumption that all land premium payments and other costs such as resettlement and ancillary utilities services have been paid in full and the property can be freely transferred, leased or mortgaged without payment of further land premium or transfer fees.

(3) The land use rights of the property developments engaged by Hangzhou Fengtan are not permitted to develop real estate for business purpose (經營性房地產開發) and the commodity housing (商品房開發). It is expected to be primarily used for the purpose of building apartment for migrant workers.

The details of each project of the Retained Property Business are described below.

Taoyuan Property

Taoyuan Property is a company established in the PRC on 18 April 2000. Taoyuan Property has a registered capital of RMB50,000,000 and was owned as to 51% by XG Limited and 49% by 浙江正遠房地產代理有限公司 (Zhejiang Zhengyuan Property Agent Company Limited*), which was owned as to 20% by Ms. Gao and as to 80% by two Independent Third Parties as at the Latest Practicable Date.

Taoyuan Property is principally engaged in development of the Hangzhou Xinming Peninsular (杭州新明半島), which mainly comprises residential property development in Hangzhou. Hangzhou Xinming Peninsular (杭州新明半島) consists of three phases. Taoyuan Property has completed and sold most of the properties in phase one and two of the project. The construction of phase three of the project has commenced. It is expected that phase three will be completed in 2016 and the saleable gross floor area of the phase three after completion will be approximately 61,805 sq.m..

Taoyuan Property is excluded from our Group because of the restriction for the change of ownership in the equity pledge contract executed by XG Limited, in favour of an Independent Third Party as a security for a loan with a term of three years commencing from 2013 and up to RMB600,000,000 granted to an Independent Third Party (the "**XG Joint Venture Partner**") who is one of our top five suppliers during the Track Record Period and our Controlling Shareholder's joint venture partner, holding 40% interest in Hangzhou Yixing which in turn owns 60% interest in Hangzhou Fengtan. The loan shall be used by the XG Joint Venture Partner to purchase construction raw materials of its projects. The pledge was given pursuant to the mutual guarantee and security arrangement agreed by the XG Joint Venture Partner with XG Limited and Taoyuan Property.

The Directors are of the view that there may be potential competition between the businesses carried on by Taoyuan Property and us in Hangzhou. However, our Directors believe that the extent of such competition is not severe for the following reasons:

1) Taoyuan Property entered into an exclusive real estate agency services agreement with our Group, pursuant to which, our Group shall, after consultation with Taoyuan Property, have the discretion to determine the strategy, timing and selling price of the properties in the Hangzhou Xinming Peninsular (杭州新明半島). Taoyuan Property shall pay our Group a commission in respect of the value of properties sold by our Group for the Hangzhou Xinming Peninsular (杭州新明半島) at a rate of 8% or to be agreed between Taoyuan Property and our Group by reference to the market rate at the relevant time. For details, please refer to the section headed "Connected Transactions — Non-exempt Continuing Connected Transactions — Real Estate Agency Services Agreements" in this prospectus;

2) All the properties developed by Taoyuan Property are located in Hangzhou but the property development projects of our Group are mainly located in Taizhou, Shanghai, Shandong and Chongqing. As at the Latest Practicable Date, the only project of our Group in Hangzhou was Hangzhou Xinming • Children's World (杭州新明•兒童世界). As the GFA under development of the piece of land in Hangzhou Xinming • Children's World (杭州新明•兒童世界) amounting to approximately 12.2% of our land reserves as at 31 March 2015 is solely commercial in nature, our Group will only focus on the development of commercial properties in such project in accordance with the land use right and the relevant laws in the PRC. Taoyuan Property is mainly engaged in residential property development which is different from our Group's commercial property development in Hangzhou;

3) Taoyuan Property has its own management team and does not share any management personnel with us;

4) Taoyuan Property undertakes that it will cease operation after completion of the Hangzhou Xinming Peninsular (杭州新明半島) project; and

5) The Controlling Shareholders granted an option to our Group for acquiring the equity interest in Taoyuan Property subject to certain restrictions. For further details, please refer to the paragraph headed "Deed of Non-Competition" in this section.

Taoyuan Property also obtains the right to use certain properties of gross floor area of approximately 2,137 sq.m. and 1,344 sq.m. located at Gongshu Sports Building (拱墅體育大廈) and Hengli Building (恒勵大廈) in Hangzhou, respectively. These properties were not developed by Taoyuan Property but Taoyuan Property obtained the right to use them for office purpose. Save that Taoyuan Property leases a property located at Hengli Building (恒勵大廈) with a gross floor area of approximately 398 sq.m. to our Group for the office use, which constitutes exempt continuing connected transaction after the Listing, Taoyuan Property currently uses the other properties as offices. For further details, please refer to the section headed "Connected Transactions — Exempt Continuing Connected Transactions — Tenancy agreements relating to headquarter office" in this prospectus.

Dongtian Property

Dongtian Property is a company established in the PRC on 28 February 2008. Dongtian Property had a registered capital of RMB70,000,000 and was owned as to 100% by Taoyuan Property as at the Latest Practicable Date.

Dongtian Property is principally engaged in the development of residential properties in the Hangzhou Dongtian (杭州東田) project. The piece of land of the Hangzhou Dongtian (杭州東田) is situated next to the Hangzhou Xinming Peninsular (杭州新明半島). Dongtian Property has not commenced the construction of the project. It is expected that the Hangzhou Dongtian (杭州東田) will be completed in 2016.

Dongtian Property is excluded from our Group because of the restriction for the change of ownership in the equity pledge contract executed by Taoyuan Property, in favour of an Independent Third Party as a security for a loan with a term of three years commencing from 2013 and up to RMB600,000,000 granted to the XG Joint Venture Partner. The loan shall be used by the XG Joint Venture Partner to purchase construction raw materials of its projects. The pledge was given pursuant to the mutual guarantee and security arrangement agreed by the XG Joint Venture Partner with XG Limited and Taoyuan Property.

The Directors are of the view that there may be potential competition between the businesses carried on by Dongtian Property and us in Hangzhou. However, our Directors believe that the extent of such competition is not severe for the following reasons:

1) Dongtian Property entered into an exclusive real estate agency services agreement with our Group, pursuant to which, our Group shall, after consultation with Dongtian Property, have the discretion to determine the strategy, timing and selling price of the properties in the Hangzhou Dongtian (杭州東田). Dongtian Property shall pay our Group a commission in respect of the value of properties sold by our Group for the Hangzhou Dongtian (杭州東田) at a rate of 8% or to be agreed between Dongtian Property and our Group by reference to the market rate at the relevant time. For details, please refer to the section headed "Connected Transactions — Non-exempt Continuing Connected Transactions — Real Estate Agency Services Agreements" in this prospectus;

2) All the properties developed by Dongtian Property are located in Hangzhou but the property development projects of our Group are mainly located in Taizhou, Shanghai, Shandong and Chongqing. As at the Latest Practicable Date, the only project of our Group in Hangzhou was Hangzhou Xinming • Children's World (杭州新明•兒童世界) with approximately 12.2% of our land reserves as at 31 March 2015. As the land use right of the piece of land in Hangzhou Xinming • Children's World (杭州新明•兒童世界) is solely commercial in nature, our Group will only focus on the development of commercial properties in such project in accordance with the land use right and the relevant laws in the PRC. Dongtian Property is mainly engaging in a residential property development which is different from our Group's commercial property development in Hangzhou;

3) Dongtian Property has its own management team and does not share any management personnel with us;

4) Dongtian Property undertakes that it will cease operation after completion of the Hangzhou Dongtian (杭州東田) project; and

5) The Controlling Shareholders granted an option to our Group for acquiring the equity interest in Dongtian Property subject to certain restrictions. For further details, please refer to the paragraph headed "Deed of Non-Competition" in this section.

Hangzhou Fengtan

Hangzhou Fengtan is a company established in the PRC on 12 May 2004. Hangzhou Fengtan had a registered capital of RMB15,000,000 and was owned as to 60% by Hangzhou Yixing and 40% by an Independent Third Party, as at the Latest Practicable Date.

Hangzhou Yixing is a company established in the PRC on 27 November 1998, which was owned as to 60% by XG Limited and 40% by the XG Joint Venture Partner. As at the Latest Practicable Date, Hangzhou Yixing was the holding company of Hangzhou Fengtan.

Hangzhou Fengtan is principally engaged in the development of properties on which the land use rights are not permitted to develop real estate for business purpose (經營性房地產開發) and the commodity housing (商品房開發). It is expected that such parcel of land will be primarily used for the purpose of building apartment for migrant workers. As our Group is principally engaged in development of real estate for business purpose, Hangzhou Fengtan is excluded from our Group due to the restriction on the land use rights.

The Directors are of the view that there is no competition between the businesses carried on by Hangzhou Fengtan and us because its business nature is different from our focus on developing properties for business purpose in Hangzhou. Moreover, Hangzhou Fengtan undertakes that it will cease operation after completion of the development of the land.

A summary of the relevant financial information of the Retained Property Business for the three years ended 31 December 2012, 2013 and 2014 according to the accounts prepared by the domestic PRC auditors under the PRC accounting principles or unaudited management accounts prepared by the management of the Retained Property Business is set forth below:

	For the year ended 31 December		
	2012	2013	2014
	RMB	RMB	RMB
Taoyuan Property			
Total Revenue	830,131,261	20,607,888	315,060,679
Total Net Profits/(Losses)	85,548,897	1,356,698	19,393,744
Dongtian Property			
Total Revenue	—	—	—
Total Net Losses	(366,279)	(988,127)	(1,052,913)
Hangzhou Fengtan			
Total Revenue	—	—	—
Total Net Losses	(5,250)	(7)	(975,121)

OTHER BUSINESS OF OUR CONTROLLING SHAREHOLDERS

Apart from our Group and the Retained Property Business, our Controlling Shareholders and their respective close associates are currently conducting other businesses or holding interest directly or indirectly in certain companies which are engaged in businesses not in competition with the businesses of our Group. These major other businesses conducted or owned directly or indirectly by our Controlling Shareholders and their respective close associates include, among others, banking, investment, trading, provision of guarantee services, media and network technology.

As we are principally engaged in property development and none of the business owned by Controlling Shareholders and their respective close associates outside our Group (other than the Retained Property Business) involve in property development business, our Directors are of the view that there are clear delineations between the principal businesses of our Company and those of the above companies owned by our Controlling Shareholders and their respective close associates (other than the Retained Property Business).

In relation to the Retained Property Business, even though there may be potential competition due to the reasons set out in the paragraph headed "Retained Property Business of our Controlling Shareholders" in this section, the competition is not severe and the Directors consider that these would not affect the suitability of the Company for the Listing.

Save as disclosed above, none of our executive Directors, our Controlling Shareholders and their respective close associates are interested in any business that, competes or is likely to compete, either directly or indirectly with the business of our Group. To minimize the potential competition in the future, our Controlling Shareholders have entered into the Deed of Non-Competition with us to the effect that (other than the Retained Property Business) each of them will not, and will procure each of their respective close associates not to, directly or indirectly participate in, or hold any right or interest or otherwise be involved in, any business which may be in competition with our businesses.

DEED OF NON-COMPETITION

Non-Competition

We entered into the Deed of Non-Competition with the Controlling Shareholders on 8 June 2015, under which the Controlling Shareholders agreed not to, and to procure their subsidiaries (other than our Group) and their close associates not to compete, either directly or indirectly, with our principal business and granted to our Group the option for new business opportunities, the option for acquisitions and pre-emptive rights.

The Controlling Shareholders have further irrevocably undertaken in the Deed of Non-Competition that, other than the Retained Property Business, during the term of the Deed of Non-Competition, they will not, and will also procure their subsidiaries (other than our Group) and their close associates not to, alone or with any other entity, in any form, directly or indirectly, engage in, participate in, assist or support a third party to engage in or participate in any business that competes, or is likely to compete, directly or indirectly with our principal business (including residential and commercial property development). The foregoing restrictions are subject to the fact that our Company may waive certain new business opportunities pursuant to the terms and conditions under the Deed of Non-Competition.

The foregoing restrictions do not apply to (1) the purchase by the Controlling Shareholders, their subsidiaries or close associates for investment purpose of not more than 10% equity interest in other listed companies whose business competes or is likely to compete with our principal business; or (2) the holding by the Controlling Shareholders, their subsidiaries or close associates of not more than 10% equity interest in other companies whose business competes or is likely to compete with our principal business, as a result of a debt restructuring of such companies (collectively referred to as "**Investment Companies**" for scenarios (1) and (2)). For the avoidance of doubt, the exceptions above do not apply to such Investment Companies which the Controlling Shareholders, their subsidiaries or close associates are able to control their respective board of directors notwithstanding the fact that not more than 10% of the equity interests of such Investment Companies are being held by the Controlling Shareholders, their subsidiaries or close associates.

Option for New Business Opportunities

The Controlling Shareholders have undertaken in the Deed of Non-Competition that, during the term of the Deed of Non-Competition, if the Controlling Shareholders and/or their subsidiaries become aware of a business opportunity which competes, or may compete, directly or indirectly with our principal business, the Controlling Shareholders will notify us in writing immediately and provide to us all information which is reasonably necessary for us to consider whether or not to engage in such business opportunity ("**Offer Notice**"). The Controlling Shareholders are also obliged to use their best efforts to procure that such opportunity is first offered to us on terms that are fair and reasonable. We are entitled to decide whether or not to take up such business opportunity within 30 business days from receiving the Offer Notice (subject to our request to extend the notice period of 30 business days), subject to compliance with the applicable requirements under the Listing Rules.

The Controlling Shareholders and/or their subsidiaries will use their best efforts to procure their close associates to offer to us an option to acquire any new business opportunity which competes, or is likely to complete, directly or indirectly with our principal business according to the terms of the Deed of Non-Competition.

If we decide not to take up the new business opportunity for any reason or do not respond to the Controlling Shareholders and/or their subsidiaries and/or their close associates within 30 business days from receiving the Offer Notice (subject to our request to extend the notice period of 30 business days), we should be deemed to have decided not to take up such new business opportunity, and the Controlling Shareholders and/or their subsidiaries may operate such new business opportunity on their own.

Option for Acquisitions

In relation to:

(i) the Retained Property Business; and/or

(ii) any new business opportunity of the Controlling Shareholders referred to in the Deed of Non-Competition, which has been offered to, but has not been taken up by, our Company and has been retained by the Controlling Shareholders or any of their subsidiaries (other than our Group), which competes, or may lead to competition, directly or indirectly with our principal business,

the Controlling Shareholders have undertaken to grant us the option, which is exercisable at any time during the term of the Deed of Non-Competition, subject to applicable laws and regulations and the restriction under the abovementioned equity pledge contracts executed by XG Limited and Taoyuan Property, respectively, in favour of an Independent Third Party, to purchase at one or more times any equity interest, assets or other interests which form part or all of the Retained Property Business or new business as described above, or to operate the Retained Property Business and/or new business as described above by way of, including but not limited to, management outsourcing, lease or subcontracting. However, if a third party has the pre-emptive right, in accordance with applicable laws and regulations and/or a prior legally binding document (including but not limited to articles of association and shareholders' agreement), our option for acquisitions shall be subject to such third party rights. In this case, the Controlling Shareholders will use their best efforts to procure the third party to waive their pre-emptive right.

The Controlling Shareholders shall procure their subsidiaries (other than our Group) and their close associates to comply with the option granted to us by the Controlling Shareholders above.

The consideration shall be determined following negotiation between the parties under the fair and reasonable principle based on the valuation conducted by an independent third party professional valuer (selected by both the Controlling Shareholders and us) and the mechanism and procedure provided by applicable laws and regulations.

Pre-emptive Right

The Controlling Shareholders have undertaken that, during the term of the Deed of Non-Competition, if they intend to transfer, sell, lease, license or otherwise permit to use, the Retained Property Business to a third party (but excluding sale or lease of completed properties to end users during the ordinary course of business of the Retained Property Business), the Controlling Shareholders or their subsidiaries shall notify us by written notice ("**Selling Notice**") in advance. The Selling Notice shall attach the terms of the transfer, sale, lease or license and any information which may be reasonably required by our Company. We shall reply to the Controlling Shareholders and/or their subsidiaries within 30 business days after receiving the Selling Notice. The Controlling Shareholders and/or their subsidiaries have undertaken that until they receive the reply from us, they shall not notify any third party of the intention to transfer, sell, lease or license the business. If our Company decides not to exercise its pre-emptive right or if our Company does not reply within the agreed time period, or if our Company does not accept the terms as set out in the Selling Notice and issues to the Controlling Shareholders a written notice within the agreed time period stating acceptable terms which, however, are not acceptable to the Controlling Shareholders or their subsidiaries following negotiation between the parties under the fair and reasonable principle, the Controlling Shareholders or their subsidiaries are entitled to transfer the business to a third party pursuant to the terms stipulated in the Selling Notice.

The Controlling Shareholders shall procure their subsidiaries (other than our Group) and their close associates to comply with the above pre-emptive right.

Our independent non-executive Directors will be responsible for reviewing, considering and deciding whether or not to exercise the option for the new business opportunities and the Retained Property Business (subject to applicable laws and regulations and the restriction under the abovementioned equity pledge contracts) and whether or not to exercise our pre-emptive right. In assessing whether or not to exercise the options and our pre-emptive right, the independent non-executive Directors will consider a range of factors including any feasibility study, counterparty risk, estimated profitability, our business and the legal, regulatory and contractual landscape and form their views based on the best interest of the Shareholders and our Company as a whole, and if necessary, our independent non-executive Directors will consider to engage an independent third party professional valuer to evaluate the business opportunity. Our independent non-executive Directors are also entitled to engage an independent financial adviser, at the cost of our Company, in connection with the exercise of the option for the business opportunity.

The Controlling Shareholders' Further Undertakings

Each of the Controlling Shareholders has further undertaken that:

(i) it will provide all information necessary for our independent non-executive Directors to review the Controlling Shareholders' and its subsidiaries' compliance with and enforcement of the Deed of Non-Competition;

(ii) it consents to our disclosure of the decision made by the independent non-executive Directors in relation to the compliance with and enforcement of the Deed of Non-Competition in our annual report, or by way of announcement; and

(iii) it will make a declaration to our Company and our independent non-executive Directors annually regarding its compliance with the Deed of Non-Competition for our disclosure in our annual report.

CORPORATE GOVERNANCE MEASURES TO MANAGE POTENTIAL CONFLICTS OF INTEREST

The following corporate governance measures will be adopted by our Company.

(a) our Directors will comply with our Articles of Association which require the interested Director(s) not to vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested;

(b) our independent non-executive Directors will, on an annual basis, review the compliance and enforcement of the Deed of Non-Competition by our Controlling Shareholders. Our Controlling Shareholders have undertaken that they will and will procure their subsidiariesand close associates to provide all information reasonably required by our independent non-executive Directors to assist them in the assessment. Our Company will disclose the review in our annual report or by way of announcement to the public. Our Controlling Shareholders have also undertaken that they will make an annual declaration on the compliance with the Deed of Non-Competition and other connected transaction agreements in our annual report;

(c) our independent non-executive Directors will also review, on an annual basis, all decisions made in relation to any pre-emptive rights during the year. Our Company will disclose such decisions and basis for them in our annual report or by way of announcement to the public;

(d) our Company has appointed a compliance adviser who shall provide it with professional advice and guidance, in respect of compliance with the Listing Rules and applicable laws; and

(e) any transaction (if any) between (or proposed to be made between) our Group and connected persons will be required to comply with Chapter 14A of the Listing Rules, including, where applicable, the report, annual review, announcement, and/or circular and independent shareholders' approval requirements and with those conditions imposed by the Stock Exchange for the granting of waiver from strict compliance with the relevant requirements under the Listing Rules.

Our Directors and the Sole Sponsor have reviewed the above corporate governance measures which will be adopted by our Group, and the Sole Sponsor has discussed with the Internal Control Consultant. Our Directors and the Sole Sponsor believe that the above corporate governance measures, when adopted, will be adequate to manage the potential conflicts of interests between our Group and the Controlling Shareholders.

INDEPENDENCE OF MANAGEMENT, FINANCING AND OPERATION

Having considered the following factors, our Directors are satisfied that our Group will be able to be operationally and financially independent from our Controlling Shareholders and their close associates:

Non-competition

Although there are certain businesses owned by our Controlling Shareholders as mentioned above in this section, none of our Controlling Shareholders or executive Directors has any interest in a business which competes or is likely to compete, either directly or indirectly, with our Group's business (other than the Retained Property Business). In addition, each of our Controlling Shareholders has executed the Deed of Non-Competition in favor of us. For details, please refer to the paragraph headed "Deed of Non-Competition" in this section.

Management independence

Our Board comprises four executive Directors, one non-executive Director and three independent non-executive Directors.

The Company, the Retained Property Business and XG Limited and its subsidiaries have board of directors that function independently of each other. The following table sets out the details of the position of the Directors within the Company, the Retained Property Business and XG Limited and its subsidiaries immediately upon the Listing:

Name	Position within the Company	Position within the Retained Property Business	Position within XG Limited and its subsidiaries
Mr. Chen Chengshou	Executive Director	Nil	Non-executive director of XG Limited and its certain subsidiaries
Ms. Quan Xiaolin	Executive Director	Nil	Nil
Mr. Zhou Yongkui	Executive Director	Nil	Nil
Mr. Jin Zhanghai	Executive Director	Nil	Nil
Ms. Gao Qiaoqin	Non-executive Director	Nil	Non-executive director of XG Limited and its certain subsidiaries
Mr. Gu Jiong	Independent non-executive Director	Nil	Nil
Mr. Lo Wa Kei, Roy	Independent non-executive Director	Nil	Nil
Mr. Fong Wo, Felix	Independent non-executive Director	Nil	Nil

Despite the interest of our Controlling Shareholders in certain businesses outside our Group and overlapping directors as disclosed above, we consider that our Board will function independently from our Controlling Shareholders because:

(a) each Director is aware of his fiduciary duties as our Director which requires, among other things, that he acts for the benefit and in the best interests of our Company and that he does not allow any conflict between his duties as a Director and his personal interest;

(b) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions;

(c) our board comprises eight Directors and three of them are independent non-executive Directors who represent more than one-third of the members of the Board which is in line with the requirement as set out in the Listing Rules;

(d) there was no common director between the Company and the Retained Property Business as at the Latest Practicable Date; and

(e) none of our executive Directors and senior management members take any executive position within XG Limited and its subsidiaries.

Financial independence

Our Group has an independent financial system and makes financial decisions according to its own business needs. As at 31 December 2014, approximately RMB256,769,000 was owed by our Group to our related parties and approximately RMB7,534,000 was owed by our Controlling Shareholders and related parties to our Group, respectively. All amounts due from/to related parties which were non-trade in nature are expected to be fully settled prior to the Listing partly by way of set-off and partly by cash. Similarly, guarantee and/ or security provided by our Controlling Shareholders and their respective close associates for our bank loans and other borrowings (which amounted to approximately RMB1,400,000,000 as at 31 December 2014) is expected to be discharged prior to the Listing by replacing such guarantees with the guarantee/security provided by our Group and/or refinancing from the Independent Third Parties, including the bank loans. In the circumstances, our Directors believe we are capable of obtaining financing from independent third parties without reliance on our Controlling Shareholders.

Operational independence

Our Group has an independent work force to carry out our operation and has not shared its operation team with our Controlling Shareholders' businesses outside our Group. Although during the Track Record Period, there have been certain transactions between us and our related parties, details of which are set out in note 33 to the Accountants' Report, our Directors have confirmed that these related party transactions (which were trade-related) were conducted in the ordinary course of business and on normal commercial terms. Saved as disclosed in the section headed "Connected Transactions" in this prospectus, none of the historical related party transactions with the connected persons as defined in the Listing Rules are expected to be non-exempt continuing connected transactions after the Listing.

Having considered that (i) we have established our own organisational structure comprising individual departments, each with specific areas of responsibilities; (ii) our Group does not share our operational resources, such as customers, sales, marketing and general administration resources with our Controlling Shareholders and/or their close associates, our Directors consider that our Group can operate independently from our Controlling Shareholders from the operational perspective.

CONTINUING CONNECTED TRANSACTIONS

The following continuing connected transactions have been, and will be, carried out by our Group in the ordinary and usual course of business, on either normal commercial terms or terms not less favourable to our Company than those available from the Independent Third Parties, and are expected to continue in the foreseeable future.

EXEMPT CONTINUING CONNECTED TRANSACTIONS

Upon the Listing, the transaction sets forth below will constitute exempt continuing connected transaction of the Company for the purpose of Chapter 14A of the Listing Rules:

Continuing connected transactions fully exempt from report, annual review, announcement, circular and independent Shareholders' approval requirements

1. Tenancy agreements relating to headquarter office

Background of the connected person

Taoyuan Property is principally engaged in the property in Hangzhou and is the project company of the Hangzhou Xinming Peninsular (杭州新明半島), which was owned as to 51% by XG Limited and 49% by 浙江正遠房地產代理有限公司 (Zhejiang Zhengyuan Property Agent Company Limited*) ("**Zhejiang Zhengyuan**"), as at the Latest Practicable Date. Zhejiang Zhengyuan was owned as to 20% by Ms. Gao, our non-executive Director and the spouse of Mr. Chen. The remaining 80% interests in Zhejiang Zhengyuan were owned by two Independent Third Parties. XG Limited was owned as to 99% by Mr. Chen, one of our Directors and Controlling Shareholders, and 1% by Ms. Gao, as at the Latest Practicable Date. XG Limited and Taoyuan Property are considered as connected persons of our Group under Rule 14A.07 of the Listing Rules.

Nature of transaction

A tenancy agreement dated 1 July 2014 and a supplemental tenancy agreement dated 10 March 2015 were entered into between Taoyuan Property and Xinming Group, under which Taoyuan Property agreed to lease to Xinming Group, Block I, 5th Floor Hengli Building, 5 Huanglong Road, Xihu District, Hangzhou, Zhejiang Province, PRC with a gross floor area of approximately 398 sq.m., for a term ending on 31 December 2017 for office use (the "**Tenancy Agreements**").

Pursuant to the Tenancy Agreements, Xinming Group shall pay Taoyuan Property the monthly rental in the sum of RMB40,000.

Historical transaction value

For the three years ended 31 December 2012, 2013 and 2014, the aggregate rental paid by Xinming Group to Taoyuan Property were RMB29,000, RMB150,000 and RMB315,000 respectively.

Proposed annual caps

The Directors estimated that the aggregate annual rental payable by Xinming Group to Taoyuan Property under the Tenancy Agreements is RMB480,000, therefore, the proposed annual cap for the lease under the Tenancy Agreements, for each of the three years ending 31 December 2015, 2016 and 2017 are approximately RMB480,000, RMB480,000 and RMB480,000 respectively.

Basis of the annual caps

Such proposed cap amounts are determined on normal commercial terms and with reference to the prevailing market rates of similar properties in the locality.

Listing Rules implications

It is anticipated that on an annual basis, the annual rental to be paid by our Group under the Tenancy Agreements for each of the three years ending 31 December 2015, 2016 and 2017 are approximately RMB480,000, RMB480,000 and RMB480,000 respectively, and each of the percentage ratios (other than the profits ratio) under Chapter 14 of the Listing Rules, where applicable, in respect of the Tenancy Agreements is, on an annual basis, (i) less than 0.1%; or (ii) less than 1% and the transaction is a connected transaction only because it involves connected person(s) at the subsidiary level; or (iii) less than 5% and the total consideration is less than HK$3,000,000. Therefore, the transaction under the Tenancy Agreements is a de minimis transaction and constitutes an exempt continuing connected transaction under Rule 14A.76 of the Listing Rules and will be exempted from report, annual review, announcement, circular and independent Shareholders' approval requirements under the Listing Rules.

The Directors (including the independent non-executive Directors) consider that the terms of the Tenancy Agreements are conducted on an arms' length basis and on normal commercial terms or terms not less favourable to our Company than those available from the Independent Third Parties.

According to the view of the Property Valuer, the annual rentals payable for the lease under the Tenancy Agreements is fair, reasonable and are consistent with the prevailing market rates of similar properties in the locality.

2. Trademark License Agreement

Background of the connected person

XG Limited was owned as to 99% by Mr. Chen, one of our Directors and Controlling Shareholders, and 1% by Ms. Gao, one of our Directors and spouse of Mr. Chen, as at the Latest Practicable Date. XG Limited is considered as a connected person of our Group under Rule 14A.07 of the Listing Rules.

Nature of transaction

We (as licensee) entered into a trademark license agreement with XG Limited (as licensor) on 21 August 2014, for a term of three years ending on 20 August 2017 (the "**Trademark License Agreement**"). It will be renewed for a further term after the negotiation of the parties. Pursuant to the Trademark License Agreement, XG Limited has agreed to grant a license for the use of XG Limited's various "新明半島" trademarks to our Group for nil consideration. Please refer to the section headed "Further Information about the business of the Company — Intellectual property rights of our Group" in Appendix V to this prospectus.

Historical transaction value

For the three years ended 31 December 2012, 2013 and 2014, we did not pay any trademark license fee to XG Limited.

Proposed annual caps

We will not be required to pay any amount to XG Limited for the use of XG Limited's various "新明半島" trademarks.

Reasons

We have been using XG Limited's various "新明半島" trademarks over the years. As such, in order to maintain the consistency of our market image, we will continue to use XG Limited's various "新明半島" trademarks after the Listing.

Listing Rules implications

There is no consideration payable to XG Limited under the Trademark License Agreement, and each of the percentage ratios (other than the profits ratio) under Chapter 14 of the Listing Rules, where applicable, in respect of the Trademark License Agreement is, on an annual basis, (i) less than 0.1%; or (ii) less than 1% and the transaction is a connected transaction only because it involves connected person(s) at the subsidiary level; or (iii) less than 5% and the total consideration is less than HK$3,000,000. Therefore, the Trademark License Agreement is a de minimis transaction and constitutes an exempt continuing connected transaction under Rule 14A.76 of the Listing Rules and will be exempted from report, annual review, announcement, circular and independent Shareholders' approval requirements under the Listing Rules.

3. Guarantee by minority shareholders of our subsidiaries

(a) ***Guarantee by minority shareholders of Chongqing Xinming***

Background of the connected persons

Chongqing Xinming is owned as to 60% by Xinming Group. The remaining interests in Chongqing Xinming are owned as to 20% by 東莞市歐海實業有限公司 (Dongguan City Ouhai Shiye Company Limited*), 10% by 沈明 (Shen Ming*), 5% by 東莞市森欣服飾有限公司 (Dongguan City Senxin Apparel Company Limited*) and 5% by 浙江星際電梯有限公司 (Zhejiang Xingji Elevators Limited*).

As (i) each of 東莞市歐海實業有限公司 (Dongguan City Ouhai Shiye Company Limited*) and 沈明 (Shen Ming*) is a substantial shareholder of Chongqing Xinming and (ii) 沈明 (Shen Ming*) is also a director of Chongqing Xinming and together with his cousin own 浙江星際電梯有限公司 (Zhejiang Xingji Elevators Limited*), they are considered as connected persons of our Group under Rule 14A.07 of the Listing Rules. The other minority Shareholder, namely 東莞市森欣服飾有限公司 (Dongguan City Senxin Apparel Company Limited*), is an Independent Third Party (save for being a shareholder of Chongqing Xinming).

Nature of transaction

On 8 October 2014, a loan agreement was entered into between Chongqing Xinming and the Chongqing Dazu branch of the Industrial and Commercial Bank of China (工商銀行重慶大足支行) with a loan amount of RMB81,700,000 for a term of three years from the date of the drawdown (being 15 February 2015) at an interest rate of 110% of the 3-year benchmark loan interest rates published by the People's Bank of China. On 24 February 2015, another loan agreement was entered into between Chongqing Xinming and the same bank with a loan amount of RMB45,000,000 for a term of three years from the date of the drawdown (being 20 April 2015) at an interest rate of 110% of the 3-year benchmark loan interest rates published by the People's Bank of China. On 27 May 2015, a third loan agreement was entered into between Chongqing Xinming and the same bank with a loan amount of RMB150,000,000 for a term of five years from the date of the drawdown (being 30 May 2015) at an interest rate of 110% of the 5-year benchmark loan interest rates published by the People's Bank of China. The loans are guaranteed by, amongst the other minority shareholder who is not a connected person, 東莞市歐海實業有限公司 (Dongguan City Ouhai Shiye Company Limited*), 沈明 (Shen Ming*) and 浙江星際電梯有限公司 (Zhejiang Xingji Elevators Limited*). The purposes of these loans were for the procurement of construction materials and payment of construction costs of the projects of China South-western City Phase 1 and China South-western City Phase 2, respectively.

The guarantees by 東莞市歐海實業有限公司 (Dongguan City Ouhai Shiye Company Limited*), 沈明 (Shen Ming*) and 浙江星際電梯有限公司 (Zhejiang Xingji Elevators Limited*) for the loans constitute financial assistance provided by connected persons of our Company for the benefit of our Group under Rule 14A.24(4) of the Listing Rules.

Historical transaction value

The guarantees are granted for nil consideration.

Proposed annual caps

We will not be required to pay any amount to 東莞市歐海實業有限公司 (Dongguan City Ouhai Shiye Company Limited*), 沈明 (Shen Ming*) and 浙江星際電梯有限公司 (Zhejiang Xingji Elevators Limited*) as the guarantees are granted for nil consideration.

Reason

We do not propose to discharge the guarantees by 東莞市歐海實業有限公司 (Dongguan City Ouhai Shiye Company Limited*), 沈明 (Shen Ming*) and 浙江星際電梯有限公司 (Zhejiang Xingji Elevators Limited*) with respect to the loans prior to the Listing and we intend to keep the loans until their expiration. The early discharge of the guarantees by them would require renegotiation with the relevant bank, which would be an unduly burdensome and cost-ineffective exercise for our Company. Moreover, our Group has provided the guarantees relating to the loans as Chongqing Xinming is owned as to 60% by our Group. Similarly, the minority shareholders, who own 40% interests in Chongqing Xinming, should also provide the same guarantees to Chongqing Xinming.

Listing Rules implications

東莞市歐海實業有限公司 (Dongguan City Ouhai Shiye Company Limited*) is a shareholder holding 20% interest in Chongqing Xinming, our non-wholly owned subsidiary, thus it is a substantial shareholder of Chongqing Xinming and a connected person of our Company.

沈明 (Shen Ming*) is a shareholder holding 10% interest in and a director of Chongqing Xinming, our non-wholly owned subsidiary, thus 沈明 (Shen Ming*) is a connected person of our Company. 浙江星際電梯有限公司 (Zhejiang Xingji Elevators Limited*), being a shareholder of 5% equity interest in Chongqing Xinming, is owned by 沈明 (Shen Ming*) together his cousin and accordingly an associate of 沈明 (Shen Ming*).

As the loans were provided for the benefit of the Group on normal commercial terms (or better) and no security over the assets of our Group was granted in respect of the financial assistance, the financial assistance will be exempted from report, annual review, announcement, circular and independent shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

(b) ***Guarantee by minority shareholders of Shandong Xingmeng***

Background of the connected persons

Shandong Xingmeng was owned as to 55% by Xinming Group and 45% by 杭州高巛控股有限公司 (Hangzhou Gaochuan Holding Company Limited*), which is owned as to 90% by Gao Liku (高立庫), the executive director of Shandong Xingmeng, and 10% by Dong Shuliang (董書亮), an Independent Third Party.

As 杭州高巛控股有限公司 (Hangzhou Gaochuan Holding Company Limited*), which is owned as to 90% by Gao Liku (高立庫), is a substantial shareholder of Shandong Xingmeng, each of 杭州高巛控股有限公司 (Hangzhou Gaochuan Holding Company Limited*) and Gao Liku (高立庫) is considered as a connected person of our Group under Rule 14A.07 of the Listing Rules. Hao Fang (郝芳), the wife of Gao Liku (高立庫), is an associate of Gao Liku (高立庫).

Nature of transaction

On 5 September 2014, a trust financing agreement was entered into between Shandong Xingmeng and Wanxiang Trust Company Limited (萬向信託有限公司) with an amount of RMB150,000,000 for a term of two years from the date of the drawdown (being 12 September 2014) at an interest rate of 9.6%. The trust financing is guaranteed by Xinming Group, 杭州高巛控股有限公司 (Hangzhou Gaochuan Holding Company Limited*), Gao Liku (高立庫) and Hao Fang (郝芳). The purpose of this financing arrangement was for the construction and decoration of the project of Shandong Xingmeng.

The guarantee by 杭州高巛控股有限公司 (Hangzhou Gaochuan Holding Company Limited*), Gao Liku (高立庫) and Hao Fang (郝芳) under the trust financing agreement constitutes financial assistance provided by connected persons or their associates of our Company for the benefit of our Group under Rule 14A.24(4) of the Listing Rules.

Historical transaction value

The guarantee is granted for nil consideration.

Proposed annual caps

We will not be required to pay any amount to 杭州高巛控股有限公司 (Hangzhou Gaochuan Holding Company Limited*), Gao Liku (高立庫) and Hao Fang (郝芳) as the guarantee is granted for nil consideration.

Reason

We do not propose to discharge the guarantee by 杭州高巛控股有限公司 (Hangzhou Gaochuan Holding Company Limited*), Gao Liku (高立庫) and Hao Fang (郝芳) with respect to the trust financing agreement prior to the Listing and we intend to keep the trust financing agreement until its expiration. The early discharge of the guarantee by 杭州高巛控股有限公司 (Hangzhou Gaochuan Holding Company Limited*), Gao Liku (高立庫) and Hao Fang (郝芳) would require renegotiation with the relevant trust company, which would be an unduly burdensome and cost-ineffective exercise for our Company. Moreover, our Group has provided the guarantee relating to the trust financing agreement as Shandong Xingmeng is owned as to 55% by our Group. Similarly, the minority shareholder, which owns 45% interest in Shandong Xingmeng, should also provide the same guarantee to Shandong Xingmeng.

Listing Rules implications

杭州高巛控股有限公司 (Hangzhou Gaochuan Holding Company Limited*), which is owned as to 90% by Gao Liku (高立庫), is a shareholder holding 45% in Shandong Xingmeng, our non-wholly owned subsidiary, thus they are substantial shareholders of Shandong Xingmeng and connected persons of our Company. Hao Fang (郝芳), the wife of Gao Liku (高立庫), is an associate of Gao Liku (高立庫).

As the trust financing was provided for the benefit of the Group on normal commercial terms (or better) and no security over the assets of the Group was granted in respect of the financial assistance, the financial assistance will be exempted from report, annual review, announcement, circular and independent shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Upon the Listing, the transactions set forth below will constitute non-exempt continuing connected transactions (the "**Non-exempt Continuing Connected Transactions**") of the Company for the purpose of Chapter 14A of the Listing Rules:

Continuing connected transactions subject to report, annual review and announcement requirements but exempt from circular and independent Shareholders' approval requirements

1. Nanshuo Master Service Agreement

Background of the connected person

According to its business license, the business scope of 上海南碩資產經營管理有限公司 (Shanghai Nanshuo Asset Operation and Management Co., Ltd.*) ("**Shanghai Nanshuo**") is asset management, corporate advisory, marketing planning, property management, investment management and sale of automobile accessories, daily commodities, household products, furniture and construction materials (資產管理，企業管理諮詢，市場營銷策劃，物業管理，投資管理，汽車用品、日用品、家居用品、家具、建材的銷售). Shanghai Nanshuo is owned as to 100% by 浙江天茂園林工程有限公司 (Zhejiang Tianmao Landscape Engineering Co., Ltd.*) ("**Zhejiang Tianmao**"), which in turn is owned as to 60% by Zheng Xiangtian (鄭翔天) and 40% by Liu Xiaofeng (劉小豐), an Independent Third Party.

Zheng Xiangtian (鄭翔天) is one of the directors of our subsidiaries and a brother of Mr. Chen who is one of our Directors and Controlling Shareholders. As Shanghai Nanshuo is 100% owned by Zhejiang Tianmao, which is an associate of Zheng Xiangtian (鄭翔天) and hence Shanghai Nanshuo is considered as a connected person of our Group under Rule 14A.07 of the Listing Rules.

Nature of transaction

On or about 15 May 2015, Shanghai Nanshuo and our Company entered into a master service agreement ("**Nanshuo Master Service Agreement**") for a term ending on 31 December 2017, pursuant to which Shanghai Nanshuo agreed to provide commercial property marketing services for sourcing tenants and the ongoing management services for the commercial properties of our Group. The service fees payable by our Group to Shanghai Nanshuo will be agreed following arm's length negotiations between the relevant parties with reference to the prevailing market price of the similar services in the PRC.

Historical transaction value

For the three years ended 31 December 2012, 2013 and 2014, the aggregate service fees paid by our Group for the services provided by Shanghai Nanshuo are as follows:

	Years ended 31 December		
	2012	**2013**	**2014**
	(Approximately) RMB'000	**(Approximately) RMB'000**	**(Approximately) RMB'000**
Commercial property marketing and management services	—	—	1,415

Proposed annual caps

The proposed annual cap amounts of the service fees to be paid by our Group for the services under the Nanshuo Master Service Agreement for the three years ending 31 December 2015, 2016 and 2017 are as follows:

	Years ending 31 December		
	2015	**2016**	**2017**
	RMB'000	**RMB'000**	**RMB'000**
Commercial property marketing and management services	9,000	18,000	22,000

The difference between the historical amounts and proposed annual caps is because of the expected increase of the GFA of the commercial area of projects requiring the commercial property marketing and management services from Shanghai Nanshuo. The name of the projects and the respective estimated GFA of the commercial area under development during the Track Record Period and expected to be involved in the three years ending 31 December 2015, 2016 and 2017 under which

Shanghai Nanshuo provided or will provide commercial property marketing and management services to our Group are as follows:

	Years ended 31 December			Years ending 31 December		
	2012	2013	2014	2015	2016	2017
Wenshang Times • Xinming Household Decorations and Fittings City (温商時代 • 新明飾品城)	—	—	44,381 sq.m.	—	—	—
Shanghai Xinming • Children's World (上海新明 • 兒童世界)	—	—	—	103,124 sq.m.	103,124 sq.m.	103,214 sq.m.
Chongqing Xinming • China South-western City Phase 1 (重慶新明 • 中國西南城一期)	—	—	*(Note 1)*	44,498 sq.m.	44,498 sq.m.	44,498 sq.m.
Chongqing Xinming • China South-western City Phase 2 (重慶新明 • 中國西南城二期)	—	—	—	—	98,790 sq.m.	98,790 sq.m.
Xingmeng International Commercial City (興盟國際商城)	—	—	*(Note 2)*	61,744 sq.m.	61,744 sq.m.	61,744 sq.m.
Hangzhou Xinming • Children's World (杭州新明 • 兒童世界)	—	—	—	—	44,644 sq.m.	44,644 sq.m.
Total:	—	—	44,381 sq.m.	209,366 sq.m.	352,800 sq.m.	352,800 sq.m.

Notes:

(1) Shanghai Nanshuo received initial marketing fees of RMB50,000 from our Group in connection with the preparation of the marketing plan for the relevant project.

(2) Shanghai Nanshuo received initial marketing fees of RMB50,000 from our Group in connection with the preparation of the marketing plan for the relevant project.

(3) It is expected that services fees of the commercial property management in 2017 will be higher than 2016 because only marketing services and no management services are expected to be provided for the two projects, namely (Chongqing Xinming • China South-western City Phase 2 and Hangzhou Xinming • Children's World) in 2016.

Basis of the annual caps

Such proposed cap amounts are determined based on (i) the historical amount of the service fees paid by our Group during the Track Record Period; (ii) our expected increase in the demand for the commercial property marketing services which are required when the project launches the marketing activities from 2015 to 2016; and (iii) our anticipated increase in the GFA of the commercial area of projects requiring the commercial property management services of Shanghai Nanshuo from 2015 to 2017.

Reasons

Our Group's business focuses on three areas, namely (i) property development, i.e. development of residential and commercial properties for sale; (ii) property leasing, i.e. the leasing of our commercial properties held for investment and leasing of properties owned by third party purchasers of our commercial properties; and (iii) property management, i.e. the provision of property management services to our residential customers. The major business of our Group is property development, which contributed for approximately 95.5%, 95.1% and 96.0% of our revenue for the three years ended 31 December 2012, 2013 and 2014. As our major business will continue to focus on property development, we will require Shanghai Nanshuo to provide marketing and management services for our commercial properties so that we can concentrate our resources on property development business. In addition, the skills and expertise for managing residential properties are different from commercial properties and it will be more cost effective to our Group to outsource the management of commercial properties to Shanghai Nanshuo.

Listing Rules implications

The proposed annual cap amounts of the transactions under the Nanshuo Master Supply Agreement for the three years ending 31 December 2015, 2016 and 2017 are RMB9,000,000, RMB18,000,000 and RMB22,000,000 respectively, and each of the percentage ratios (other than the profits ratio) under Chapter 14 of the Listing Rules, where applicable, in respect of the Nanshuo Master Service Agreement is, on an annual basis, less than 5%. Therefore, the transactions under the Nanshuo Master Service Agreement will be exempted from the circular and independent Shareholders' approval requirements but subject to report, annual review and announcement requirements under Chapter 14A of the Listing Rules.

2. ***Tianmao Master Service Agreement***

Background of the connected person

According to its business license, the business scope of 浙江天茂園林工程有限公司 (Zhejiang Tianmao Landscape Engineering Co., Ltd.*) ("**Zhejiang Tianmao**") is design, constructing and sub-contracting of landscaping projects and municipal environmental projects; flowers and seedlings (excluding seed) planting; sale of garden machinery, hardware products, building and decoration materials and craft accessories (園林綠化工程、市政環境工程的設計、施工、工程承包；花卉、苗木(不含種子)的栽培；園林機械、五金交電、建築裝飾材料、工藝飾品的銷售). Zhejiang Tianmao is owned as to 60% by Zheng Xiangtian (鄭翔天) and 40% by Liu Xiaofeng (劉小豐), an Independent Third Party.

Zheng Xiangtian (鄭翔天) is one of the directors of our subsidiaries and a brother of Mr. Chen who is one of our Directors and Controlling Shareholders. Zhejiang Tianmao is an associate of Zheng Xiangtian (鄭翔天) and hence Zhejiang Tianmao is considered as a connected person of our Group under Rule 14A.07 of the Listing Rules.

Nature of transaction

On or about 15 May 2015, Zhejiang Tianmao and our Company entered into a master service agreement ("**Tianmao Master Service Agreement**") for a term ending on 31 December 2017, pursuant to which Zhejiang Tianmao agreed to provide construction services which mainly include landscaping and planting projects to our Group. The service fees payable by our Group to Zhejiang Tianmao will be agreed following arm's length negotiations between the relevant parties with reference to the prevailing market price of the similar services in the PRC.

Historical transaction value

For the three years ended 31 December 2012, 2013 and 2014, the aggregate service fees paid by our Group for the services provided by Zhejiang Tianmao are as follows:

	Years ended 31 December		
	2012	2013	2014
	(Approximately) RMB'000	(Approximately) RMB'000	(Approximately) RMB'000
Construction services for landscaping and planting projects.......................	14,751	14,161	17,212

Proposed annual caps

The proposed annual cap amounts of the fees to be paid by our Group for the services under the Tianmao Master Service Agreement for the three years ending 31 December 2015, 2016 and 2017 are as follows:

	Years ending 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Construction services for landscaping and planting projects.......................	22,000	35,000	10,000

The difference between the historical amounts and proposed annual caps is because of the expected increase of the GFA of the landscape gardening area of projects requiring the construction services from Zhejiang Tianmao. The name of the projects and the respective estimated GFA of the landscape gardening area involved during the Track Record Period and expected to be involved in the three years ending 31 December 2015, 2016 and 2017 under which Zhejiang Tianmao provided or will provide construction services for landscaping and planting projects to our Group are as follows:

	Years ended 31 December			Years ending 31 December		
	2012	2013	2014	2015	2016	2017
Taizhou Xinming Peninsular Phase 2 Stage 1 (台州新明半島二期第一階段).	19,980 sq.m.	—	—	—	—	—
Taizhou Xinming Peninsular Phase 2 Stage 2 (台州新明半島二期第二階段).	—	13,713 sq.m.	—	—	—	—
Xinming Lijiang Garden (新明麗江苑)....	*(Note 1)*	—	15,908 sq.m.	3,121 sq.m.	—	—
Commercial Building Project (商務樓項目).....................................	—	—	—	1,948 sq.m.	2,922 sq.m.	—
Wenshang Times • Red Star Macalline Household Products Market (温商時代•紅星美凱龍家居市場)...................	—	3,851 sq.m.	—	—	—	—
Wenshang Times • Xinming Household Decorations and Fittings City (温商時代 • 新明飾品城)	—	*(Note 2)*	8,974 sq.m.	—	—	—
Wenshang Times • Xinming Apartment (温商時代 • 新明公館)......................	—	—	2,053 sq.m.	—	—	—
Shanghai Xinming • Children's World (上海新明 • 兒童世界)......................	—	—	*(Note 3)*	1,589 sq.m.	2,383 sq.m.	—
Chongqing Xinming • China South-western City Phase 1 (重慶新明 • 中國西南城一期)	—	—	—	21,396 sq.m.	13,417 sq.m.	4,513 sq.m.
Chongqing Xinming • China South-western City Phase 2 (重慶新明 • 中國西南城二期)	—	—	—	—	5,887 sq.m.	1,472 sq.m.
Chongqing Xinming • China South-western City Phase 3 (重慶新明 • 中國西南城三期)	—	—	—	—	12,410 sq.m.	3,102 sq.m.
Xingmeng International Commercial City (興盟國際商城)	—	—	—	2,817 sq.m.	4,225 sq.m.	1,761 sq.m.
Hangzhou Xinming • Children's World (杭州新明 • 兒童世界)......................	—	—	—	—	6,090 sq.m.	1,522 sq.m.
Total:	19,980 sq.m.	17,564 sq.m.	26,935 sq.m.	30,871 sq.m.	47,334 sq.m.	12,370 sq.m.

Notes:

(1) Zhejiang Tianmao received construction services fees of RMB850,000 from our Group in connection with the landscape gardening construction of the model unit of the relevant project.

(2) Zhejiang Tianmao received construction services fees of RMB1,349,936 from our Group in connection with the landscape gardening construction of the model unit of the relevant project.

(3) Zhejiang Tianmao received construction services fees of RMB944,505 from our Group in connection with the landscape gardening construction of the model unit of the relevant project.

Basis of the annual caps

Such proposed cap amounts are determined based on (i) the historical amount of the service fees paid by our Group during the Track Record Period; (ii) our expected demand for the construction services; and (iii) our anticipated landscape gardening area of our projects.

Reasons

Our Group has established a long term relationship with Zhejiang Tianmao which provides construction services for landscaping and planting projects to our Group from time to time. During the Track Record Period, Zhejiang Tianmao has been providing us with quality services. Our Directors consider that it is in our Group's interests to continue our relationship with Zhejiang Tianmao and source the services from Zhejiang Tianmao upon the Listing.

Listing Rules implications

The proposed annual cap amounts of the transactions under the Tianmao Master Service Agreement for the three years ending 31 December 2015, 2016 and 2017 are approximately RMB22,000,000, RMB35,000,000 and RMB10,000,000 respectively, and each of the percentage ratios (other than the profits ratio) under Chapter 14 of the Listing Rules, where applicable, in respect of the Tianmao Master Service Agreement is, on an annual basis, less than 5%. Therefore, the transactions under the Tianmao Master Service Agreement will be exempted from the circular and independent Shareholders' approval requirements but subject to report, annual review and announcement requirements under Chapter 14A of the Listing Rules.

3. Master Supply Agreements

(a) Kaijie Master Supply Agreement

Background of the connected person

According to its business license, the business scope of 杭州開捷門窗有限公司 (Hangzhou Kaijie Decoration Co., Ltd *) ("**Hangzhou Kaijie**") is production, installation and sale of aluminium windows and doors and rolling doors (鋁塑門窗、卷門生產、安裝、銷售).

Hangzhou Kaijie is owned as to 35% by Zheng Xiangtian (鄭翔天) and 65% by three Independent Third Parties. Zheng Xiangtian (鄭翔天) is one of the directors of our subsidiaries and a brother of Mr. Chen who is one of our Directors and Controlling Shareholders. Hangzhou Kaijie is an associate of Zheng Xiangtian (鄭翔天) and hence Hangzhou Kaijie is considered as a connected person of our Group under Rule 14A.07 of the Listing Rules.

Nature of transaction

On or about 15 May 2015, Hangzhou Kaijie and our Company entered into a master supply agreement (the "**Kaijie Master Supply Agreement**") for a term ending on 31 December 2017, pursuant to which Hangzhou Kaijie agreed to supply construction raw materials which mainly comprise doors and windows to our Group. The purchase price payable by our Group to Hangzhou Kaijie will be agreed following arm's length negotiations between the relevant parties with reference to the prevailing market price of the similar construction raw materials in the PRC.

Historical transaction value

For the three years ended 31 December 2012, 2013 and 2014, the aggregate purchase price paid by our Group for the construction raw materials supplied by Hangzhou Kaijie are as follows:

	Years ended 31 December		
	2012	**2013**	**2014**
	RMB'000	**RMB'000**	**RMB'000**
Construction raw materials................................	9,980	43,867	19,442

Proposed annual caps

The proposed annual cap amounts of the purchase price to be paid by our Group for the supply of the construction raw materials under the Kaijie Master Supply Agreement for the three years ending 31 December 2015, 2016 and 2017 are as follows:

	Years ending 31 December		
	2015	**2016**	**2017**
	RMB'000	**RMB'000**	**RMB'000**
Construction raw materials................................	12,000	13,000	21,000

The difference between the historical amounts and proposed annual caps is because of the expected difference in progress and the GFA of projects requiring the supply of construction materials from Hangzhou Kaijie. The name of the projects and the respective estimated GFA under development during the Track Record Period and expected to be involved in the three years ending 31 December 2015, 2016 and 2017 under which Hangzhou Kaijie supplied or will supply construction raw materials to our Group are as follows:

	Years ended 31 December			Years ending 31 December		
	2012	2013	2014	2015	2016	2017
Taizhou Xinming Peninsular Phase 2 Stage 1 (台州新明半島二期第一階段)	42,524 sq.m.	—	—	—	—	—
Taizhou Xinming Peninsular Phase 2 Stage 2 (台州新明半島二期第二階段)	39,682 sq.m.	112,942 sq.m.	—	—	—	—
Xinming International Household Products Mall (新明國際家居廣場)	—	*(Note 1)*	—	—	—	—
Xinming Lijiang Garden (新明麗江苑)	—	122,162 sq.m.	88,826 sq.m.	—	—	—
Commercial Building Project (商務樓項目)	—	—	—	20,461 sq.m.	13,641 sq.m.	—
Wenshang Times • Xinming Household Decorations and Fittings City (温商時代 • 新明飾品城) (Note 2)	—	53,801 sq.m.	13,450 sq.m.	—	—	—
Wenshang Times • Xinming Apartment (温商時代 • 新明公館)	—	19,949 sq.m.	19,949 sq.m.	—	—	—
Shanghai Xinming • Children's World (上海新明 • 兒童世界)	—	—	—	55,878 sq.m.	37,252 sq.m.	—
Chongqing Xinming • China South-western City Phase 2 (重慶新明 • 中國西南城二期)	—	—	—	—	9,934 sq.m.	45,253 sq.m.
Chongqing Xinming • China South-western City Phase 3 (重慶新明 • 中國西南城三期)	—	—	—	—	—	55,402 sq.m.
Xingmeng International Commercial City (興盟國際商城)	—	—	—	25,887 sq.m.	17,258 sq.m.	10,786 sq.m.
Hangzhou Xinming • Children's World (杭州新明 • 兒童世界)	—	—	—	—	28,817 sq.m.	64,313 sq.m.
Total:	82,206 sq.m.	308,854 sq.m.	122,225 sq.m.	102,226 sq.m.	106,902 sq.m.	175,754 sq.m.

Notes:

(1) Hangzhou Kaijie received purchase price of RMB222,383 from our Group in the year 2013 which was the purchase price for supplying additional raw materials for the alternation work after completion of the relevant project.

(2) Due to the open architectural design of Wenshang Times • Xinming Household Decorations and Fittings City, this project required more windows per sq.m. of the development area comparing with other projects and therefore the transaction amounts were and expected to be relatively higher for the years 2013 and 2014 when Wenshang Times • Xinming Household Decorations and Fittings City is under development.

Basis of the annual caps

Such proposed cap amounts are determined based on (i) the historical amount of the purchase price paid by our Group during the Track Record Period; (ii) our anticipated GFA of projects requiring the supply of construction raw materials from Hangzhou Kaijie; and (iii) the nature of our Group's projects.

Reasons

Our Group has established a long term relationship with Hangzhou Kaijie which supplies construction raw materials to our Group from time to time. During the Track Record Period, Hangzhou Kaijie has been supplying us with quality construction raw materials. Our Directors consider that it is in our Group's interests to continue our relationship with Hangzhou Kaijie and source the construction raw materials from Hangzhou Kaijie upon the Listing.

(b) Shouchuang Master Supply Agreement

Background of the connected person

According to its business license, the business scope of 浙江首創實業有限公司 (Zhejiang Shouchuang Industry Co., Ltd*) ("**Zhejiang Shouchuang**") is industrial investment; sale, technology development and achievement transfer of metallic material, building materials, machinery equipment and hardware products; processing and installation services of doors and windows (實業投資；金屬材料、建築材料、機械設備、五金交電產品的銷售、技術開發、成果轉讓；門窗加工、安裝服務). Zhejiang Shouchuang is owned as to 100% by Zheng Xiangtian (鄭翔天).

Zheng Xiangtian (鄭翔天) is one of the directors of our subsidiaries and a brother of Mr. Chen who is one of our Directors and Controlling Shareholders. Zhejiang Shouchuang is an associate of Zheng Xiangtian (鄭翔天) and hence Zhejiang Shouchuang is considered as a connected person of our Group under Rule 14A.07 of the Listing Rules.

Nature of transaction

On or about 15 May 2015, Zhejiang Shouchuang and our Company entered into a master supply agreement (the "**Shouchuang Master Supply Agreement**") for a term ending on 31 December 2017, pursuant to which Zhejiang Shouchuang agreed to supply construction raw materials which mainly include electrical boxes, fans, pumps, tanks, air conditioners, tiles, paint, fountain, locks and other construction and building raw materials to our Group. The purchase price payable by our Group to Zhejiang Shouchuang will be agreed following arm's length negotiations between the relevant parties with reference to the prevailing market price of the similar construction raw materials in the PRC.

Historical transaction value

For the three years ended 31 December 2012, 2013 and 2014, the aggregate purchase price paid by our Group for the construction raw materials supplied by Zhejiang Shouchuang are as follows:

	Years ended 31 December		
	2012	**2013**	**2014**
	(Approximately)	**(Approximately)**	**(Approximately)**
	RMB'000	**RMB'000**	**RMB'000**
Construction raw materials	5,129	8,715	8,981

Proposed annual caps

The proposed annual cap amounts of the purchase price to be paid by our Group for the supply of the construction raw materials under the Shouchuang Master Supply Agreement for the three years ending 31 December 2015, 2016 and 2017 are as follows:

	Years ending 31 December		
	2015	**2016**	**2017**
	RMB'000	**RMB'000**	**RMB'000**
Construction raw materials	25,000	34,000	15,000

The difference between the historical amounts and proposed annual caps is because of the expected increase of the GFA of projects requiring the supply of construction materials from Zhejiang Shouchuang. The name of the projects and the respective estimated GFA under development during the Track Record Period and expected to be involved in the three years ending 31 December 2015, 2016 and 2017 under which Zhejiang Shouchuang supplied or will supply construction raw materials to our Group are as follows:

	Years ended 31 December			Years ending 31 December		
	2012	**2013**	**2014**	**2015**	**2016**	**2017**
Taizhou Xinming Peninsular Phase 2 Stage 1 (台州新明半島二期第一階段)...........................	51,029 sq.m.	46,169 sq.m.	—	—	—	—
Taizhou Xinming Peninsular Phase 2 Stage 2 (台州新明半島二期第二階段)...........................	88,522 sq.m.	57,997 sq.m.	—	—	—	—
Xinming Lijiang Garden (新明麗江苑).............................	—	73,846 sq.m.	137,142 sq.m.	—	—	—
Commercial Building Project (商務樓項目).....................................	—	—	—	23,871 sq.m.	44,333 sq.m.	—
Wenshang Times • Xinming Apartment (溫商時代 • 新明公館)...	—	14,709 sq.m.	25,189 sq.m.	—	—	—

	Years ended 31 December			Years ending 31 December		
	2012	2013	2014	2015	2016	2017
Wenshang Times • Xinming Household Decorations and Fittings City (温商時代 • 新明飾品城)	—	24,792 sq.m.	42,459 sq.m.	—	—	—
Wenshang Times • Red Star Macalline Household Products Market (温商時代•紅星美凱龍家居廣場)	—	24,788 sq.m.	42,451 sq.m.	—	—	—
Shanghai Xinming • Children's World (上海新明 • 兒童世界)	—	—	—	121,070 sq.m.	65,191 sq.m.	—
Chongqing Xinming • China South-western City Phase 1 (重慶新明 • 中國西南城一期)	—	—	—	160,089 sq.m.	47,854 sq.m.	72,244 sq.m.
Chongqing Xinming • China South-western City Phase 2 (重慶新明 • 中國西南城二期)	—	—	—	—	77,261 sq.m.	33,112 sq.m.
Chongqing Xinming • China South-western City Phase 3 (重慶新明 • 中國西南城三期)	—	—	—	—	77,562 sq.m.	33,241 sq.m.
Xingmeng International Commercial City (興盟國際商城)	—	—	—	70,934 sq.m.	78,021 sq.m.	21,573 sq.m.
Hangzhou Xinming • Children's World (杭州新明 • 兒童世界)	—	—	—	—	112,067 sq.m.	48,029 sq.m.
Total:	139,551 sq.m.	242,301 sq.m.	247,241 sq.m.	375,964 sq.m.	502,289 sq.m.	208,199 sq.m.

Basis of the annual caps

Such proposed cap amounts are determined based on (i) the historical amount of the purchase price paid by our Group during the Track Record Period; (ii) our expected demand for the construction raw materials; and (iii) our anticipated GFA of projects requiring the supply of construction raw materials from Zhejiang Shouchuang.

Reasons

Our Group has established a long term relationship with Zhejiang Shouchuang which supplies construction raw materials to our Group from time to time. During the Track Record Period, Zhejiang Shouchuang has been supplying us with quality construction raw materials. Our Directors consider that it is in our Group's interests to continue our relationship with Zhejiang Shouchuang and source the construction raw materials from Zhejiang Shouchuang upon the Listing.

Listing Rules implications

The proposed annual cap amounts of the transactions under the Kaijie Master Supply Agreement for the three years ending 31 December 2015, 2016 and 2017 are RMB12,000,000, RMB13,000,000 and RMB21,000,000 respectively. The proposed annual cap amounts of the transactions under the Shouchuang Master Supply Agreement for the three years ending 31 December 2015, 2016 and 2017 are RMB25,000,000, RMB34,000,000 and RMB15,000,000 respectively.

Pursuant to Rules 14A.81 and 14A.82 of the Listing Rules, the transactions under the Kaijie Master Supply Agreement and Shouchuang Master Supply Agreement (collectively the "**Master Supply Agreements**") have been aggregated. It is anticipated that on an annual basis, the aggregate annual cap under the Master Supply Agreements for each of the three years ending 31 December 2015, 2016 and 2017 are approximately RMB37,000,000, RMB47,000,000 and RMB36,000,000 respectively, and each of the percentage ratios (other than the profits ratio) under Chapter 14 of the Listing Rules, where applicable, in respect of the Master Supply Agreements is, on an annual basis, less than 5%. Therefore, the transactions under the Master Supply Agreements will be exempted from circular and independent shareholders' approval requirements but subject to report, annual review and announcement requirements under Chapter 14A of the Listing Rules.

4. Real Estate Agency Services Agreements

Background of the connected persons

Taoyuan Property is principally engaged in the property development in Hangzhou and is the project company of the Hangzhou Xinming Peninsular (杭州新明半島), which was owned as to 51% by XG Limited and 49% by 浙江正遠房地產代理有限公司 (Zhejiang Zhengyuan Property Agent Company Limited*) ("Zhejiang Zhengyuan"), as at the Latest Practicable Date. Zhejiang Zhengyuan was owned as to 20% by Ms. Gao, our non-executive Director and the spouse of Mr. Chen. The remaining 80% interests in Zhejiang Zhengyuan were owned by two Independent Third Parties. XG Limited was owned as to 99% by Mr. Chen, one of our Directors and Controlling Shareholders, and 1% by Ms. Gao, as at the Latest Practicable Date.

Dongtian Property is principally engaged in property development in Hangzhou and is the project company for Hangzhou Dongtian (杭州東田), which is owned as to 100% by Taoyuan Property.

Taoyuan Property and Dongtian Property are considered as connected persons of our Group under Rule 14A.07 of the Listing Rules.

Nature of transaction

On 15 May 2015, our Group entered into an exclusive real estate agency services agreement with Taoyuan Property and another exclusive real estate agency services agreement with Dongtian Property (together, the "**Real Estate Agency Services Agreements**"). Pursuant to the Real Estate Agency Services Agreements, each of Taoyuan Property and Dongtian Property appointed our Group as its exclusive sales agent of properties developed by Taoyuan Property and Dongtian Property in connection with the Hangzhou Xinming Peninsular (杭州新明半島) and Hangzhou Dongtian

(杭州東田) for a term ending on 31 December 2017. Our Group has the discretion (but not the obligation) to renew the Real Estate Agency Services Agreements on the same terms for a period of three years until all the properties in relation to the Hangzhou Xinming Peninsular (杭州新明半島) and Hangzhou Dongtian (杭州東田) are sold out.

When our Group renews the Real Estate Agency Services Agreements, we shall also comply with the Listing Rules and the requirements of the Stock Exchange in relation to non-exempt continuing connected transactions from time to time.

Under the Real Estate Agency Services Agreements, Taoyuan Property and Dongtian Property agreed to pay our Group a commission in respect of the value of the properties sold by our Group for each of the Hangzhou Xinming Peninsular (杭州新明半島) and Hangzhou Dongtian (杭州東田) at a rate of 8% or to be agreed between Taoyuan Property and Dongtian Property and our Group with reference to the prevailing market rate at the relevant time.

Historical transaction value

For the three years ended 31 December 2012, 2013 and 2014, Taoyuan Property and Dongtian Property did not pay any commission to our Group.

Proposed annual caps

The Directors estimate that the maximum aggregate annual sales commission payable to our Group for each of the three financial years ending 31 December 2015, 2016 and 2017 will be approximately RMB34,000,000, RMB32,000,000 and RMB37,000,000, respectively.

Basis of the annual caps

Such estimation was made by the Directors on the basis of the estimate of the price of properties and the number of properties to be sold by Taoyuan Property and Dongtian Property for the relevant year.

Reasons

Pursuant to the Reorganisation, Taoyuan Property and Dongtian Property were excluded from our Group because of the restriction for the change of ownership in the equity pledge contracts executed by XG Limited and Taoyuan Property, respectively, in favour of an Independent Third Party. In order to minimize any potential competition issue, our Group entered into the Real Estate Agency Services Agreement with Taoyuan Property and Dongtian Property, pursuant to which our Group shall, after consultation with them, have the discretion to determine the strategy, timing and selling price of the properties in the Hangzhou Xinming Peninsular (杭州新明半島) and the Hangzhou Dongtian (杭州東田). For further details, please refer to the section headed "Relationship with Controlling Shareholders — Retained Property Business of our Controlling Shareholders" in this prospectus.

Listing Rules implications

The proposed annual cap amounts of the transactions under the Real Estate Agency Services Agreements for the three years ending 31 December 2015, 2016 and 2017 are approximately RMB34,000,000, RMB32,000,000 and RMB37,000,000 respectively, and each of the percentage ratios (other than the profits ratio) under Chapter 14 of the Listing Rules, where applicable, in respect of the Real Estate Agency Services Agreements is, on an annual basis, less than 5%. Therefore, the transactions under the Real Estate Agency Services Agreements will be exempted from circular and independent shareholders' approval requirements but subject to report, annual review and announcement requirements under Chapter 14A of the Listing Rules.

Application for waivers

As the Non-exempt Continuing Connected Transactions will continue after the Listing on a recurring basis, the Directors consider that strict compliance with the announcement requirements under the Listing Rules would be burdensome and would add unnecessary administrative costs to the Company each time when such transactions arise. The transactions under respective agreements are subject to report, annual review and announcement requirements under Chapter 14A of the Listing Rules, and the Company has applied for waivers from compliance with the applicable requirements under Rule 14A.105 of the Listing Rules and the Stock Exchange has agreed to grant a waiver from strict compliance with the announcement requirements under the Listing Rules subject to the aggregate value of each of the Non-exempt Continuing Connected Transactions for each financial year not exceeding the relevant annual cap amount as stated above.

Confirmation from Directors

The Directors (including the independent non-executive Directors) confirm that the above Non-exempt Continuing Connected Transactions have been and will be entered into in or incidental to the ordinary and usual course of the business of our Group and are based on normal commercial terms that are fair and reasonable and in the interest of the Company and our Shareholders as a whole, and that the proposed annual caps for the transactions under the Non-exempt Continuing Connected Transactions are fair and reasonable and in the interests of the Company and our Shareholders as a whole.

Confirmation from the Sole Sponsor

The Sole Sponsor considers that the Non-exempt Continuing Connected Transactions have been and will be entered into in or incidental to the ordinary and usual course of business of our Group and are based on normal commercial terms that are fair and reasonable and in the interest of the Company and the Shareholders as a whole, and that the proposed annual caps for the transactions under the Non-exempt Continuing Connected Transactions are fair and reasonable and in the interests of the Company and Shareholders as a whole.

DIRECTORS

The Board consists of eight members, three of whom are independent non-executive Directors. The power and duties of the Board include convening shareholders' meetings and reporting the Board's work at shareholders' meeting, implementing resolutions passed at shareholders' meetings, determining our Group's business plans and investment plans, formulating our Group's annual budget and final accounts, formulating proposals for profit distributions and for the increase or reduction of share capital as well as exercising other powers, functions and duties as conferred by the Memorandum and Articles of Association. All the executive Directors have entered into service contracts with our Group.

The following table sets out the information regarding the current Directors of our Company.

Name	Age	Position	Appointment date	Date of joining our Group	Principal roles	Relationship with other Directors
Mr. Chen Chengshou (陳承守)	49	Chairman, executive Director and chief executive officer	16 January 2014	12 February 2007(1)	Primarily responsible for corporate strategic planning and overall business development of our Group and serving on the nomination committee	Spouse of Ms. Gao Qiaoqin
Ms. Quan Xiaolin (全筱琳)	43	Executive Director	10 June 2014	16 April 2010(2)	Primarily responsible for risk management and general secretarial matters of the Board	—
Mr. Zhou Yongkui (周永魁)	37	Executive Director	10 June 2014	1 February 2013(3)	Primarily responsible for the Listing Rules compliance and capital management of our Group and serving on the remuneration committee	—
Mr. Jin Zhanghai (金樟海)	36	Executive Director and financial controller	10 June 2014	4 March 2010(4)	Financial management of our Group	—
Ms. Gao Qiaoqin (高巧琴)	47	Non-executive Director	10 June 2014	28 November 2012(5)	Primarily responsible for advising on overall strategic planning of our Group but not participating in the day-to-day management of our Group's business operation	Spouse of Mr. Chen Chengshou

Name	Age	Position	Appointment date	Date of joining our Group	Principal roles	Relationship with other Directors
Mr. Gu Jiong (顧炯)	42	Independent non-executive Director	8 June 2015	8 June 2015	Serves on the audit, remuneration and nomination committees and primarily responsible for supervising and providing independent judgment to our Board	—
Mr. Lo Wa Kei, Roy (盧華基)	44	Independent non-executive Director	8 June 2015	8 June 2015	Serves on the audit committee and primarily responsible for supervising and providing independent judgment to our Board	—
Mr. Fong Wo, Felix (方和)	64	Independent non-executive Director	8 June 2015	8 June 2015	Serves on the audit, remuneration and nomination committees and primarily responsible for supervising and providing independent judgment to our Board	—

Notes:

(1) Mr. Chen was the director of XG Limited (the holding company of our Group's operating subsidiaries before the Reorganisation) from March 1999 to June 2014. Our first operating subsidiary, Taizhou Xinming, was established by XG Limited in February 2007.

(2) Ms. Quan Xiaolin worked in XG Limited (the holding company of our Group's operating subsidiaries before the Reorganisation) from April 2010 to June 2014.

(3) Mr. Zhou Yongkui worked in XG Limited (the holding company of our Group's operating subsidiaries before the Reorganisation) from February 2013 to June 2014.

(4) Mr. Jin Zhanghai worked in XG Limited (the holding company of our Group's operating subsidiaries before the Reorganisation) from March 2010 to June 2014.

(5) Ms. Gao was the director of XG Limited (the holding company of our Group's operating subsidiaries before the Reorganisation) from November 2012 to June 2014.

Executive Directors

Mr. Chen Chengshou (陳承守), aged 49, is our chairman, executive Director and chief executive officer. He is the founder of our Group and primarily responsible for corporate strategic planning and overall business development of our Group and serving on the nomination committee. Mr. Chen had approximately 29 years of experience in the real estate industry. He has been the chairman of the board of Taizhou Xinming since February 2007 and the director of our certain subsidiaries. Mr. Chen has been first participated in the management of the property development business in the PRC since June

2001 when he was appointed as chairman of Taoyuan Property. Mr. Chen was also the director of XG Limited (the holding company of our Group's operating subsidiaries before the Reorganisation) from March 1999 to June 2014. Taoyuan Property and XG Limited were excluded from our Group. For the details, please refer to the section headed "Relationship with Controlling Shareholders - Retained Property Business of our Controlling Shareholders" in this prospectus. From July 1985 to February 1999, he worked in 温州新城建設股份有限公司 (Wenzhou New City Construction Company Limited*), the principal activities of which were enterprise investment and development, transportation and logistics, investment and development of city infrastructure and facilities, real estate development and operation and investment services and he was responsible for sales and marketing and was promoted to the position of deputy general manager when he left the company.

Mr. Chen is the chairman of the 杭州市温州商會 (Hangzhou City Wenzhou Chamber of Commerce*), the chairman of the 全國泰順企業家聯誼會 (Nationwide Taishun Entrepreneurs Fellowship Association*), the vice-chairman of 杭州市總商會 (Hangzhou City Chamber of Commerce*), the vice-chairman of 杭州公共外交協會 (Hangzhou Public Diplomacy Association*), a member of the standing committee of 浙江省工商聯 (Federation of Industry & Commerce of Zhejiang Province*) and a member of the 中國人民政治協商會議第十屆杭州市委員會 (Tenth Hangzhou City Committee of the Chinese People's Political Consultative Conference*). He was appointed as the deputy director of the market committee of 中國商業聯合會 (Chinese General Chamber of Commerce*) in March 2013. He has also been a director of Wenzhou Bank since November 2012 and a part-time tutor of master degree in international business of Zhejiang University (浙江大學) since February 2014.

Mr. Chen was awarded "品質杭商 (Entrepreneur with Good Character of Hangzhou*)" jointly by 中共杭州市委 (Hangzhou Municipal Committee of the Communist Party of China*) and 杭州市人民政府 (The People's Government of Hangzhou*) in October 2013, "「誠信温商」傑出代表 (Outstanding Representative of Credible Entrepreneurs of Wenzhou*)" jointly by 温州市委宣傳部 (Promotion Department of Wenzhou Municipal Committee of the Communist Party of China *) and 温州市信用辦公室 (Wenzhou Credibility Office*) in August 2011, "優秀社會主義事業建設者 (Outstanding Builder of Socialist Undertaking*)" jointly by 中共杭州市委 (Hangzhou Municipal Committee of the Communist Party of China*) and 杭州市人民政府 (The People's Government of Hangzhou*) in September 2010 and "關愛員工優秀企業家 (Staff Caring Excellent Entrepreneur*)" jointly by 杭州市總工會 (Federation of Trade Union of Hangzhou*) and 杭州市工商聯合會 (Hangzhou Federation of Industry and Commerce) in December 2009.

Mr. Chen obtained a graduation certificate in Administrative Management (through online courses) from Huazhong University of Science and Technology (華中科技大學) in the PRC in July 2013. He is currently pursuing his Executive Master degree in Business Administration in Cheung Kong Graduate School of Business (長江商學院) in the PRC. Mr. Chen is the spouse of Ms. Gao.

Ms. Quan Xiaolin (全筱琳), aged 43, was appointed as our executive Director on 10 June 2014. She is mainly responsible for risk management and general secretarial matters of the Board. Ms. Quan has approximately 10 years of experience in the real estate industry. From October 2004 to April 2010, she worked in Taoyuan Property as the finance manager and she was responsible for the accounting and finance matters. She joined XG Limited in April 2010 which was the holding company of our Group's operating subsidiaries before the Reorganisation. She was the manager of finance and fund department of XG Limited from April 2010 to August 2010 and was responsible for financial and funding matters and the board secretary of XG Limited from August 2010 to June 2014 and responsible for, among others, overseeing the risk management of our property development projects. She gained access to and possessed knowledge and experience in the real estate industry from her aforesaid previous working experience. From July 1992 to May 1996, Ms. Quan worked as the finance manager in 景寧縣醫藥有限公司 (Jingning District Pharmaceutical Company Limited*), the principal activities of which were the production and sale of medicine and she was responsible for finance and accounting matters. From May 1996 to September 2004, she was the finance manager in 浙江康寧醫藥有限公司 (Zhejiang Kangning Pharmaceutical Limited*) (formerly known as 景寧縣醫藥有限公司 (Jingning District Pharmaceutical Company Limited*)), the principal activities of which were the production and sale of medicine and she was responsible for finance and accounting matters.

Ms. Quan obtained a graduation certificate in Financial Accounting from Zhejiang Radio & Television University (浙江廣播電視大學) in the PRC in January 2002.

Mr. Zhou Yongkui (周永魁), aged 37, was appointed as our executive Director on 10 June 2014. He is mainly responsible for the Listing Rules compliance and capital management of our Group and serving on the remuneration committee. Mr. Zhou has approximately 10 years of experience in the real estate industry. Mr. Zhou worked as the finance assistant of the chairman in XG Limited (the holding company of our operating subsidiaries before Reorganisation) from February 2013 to June 2014, responsible for, among others, capital management of our property development projects. From May 2011 to January 2013, he worked as finance director in 浙江六合盛房地產開發有限公司 (Zhejiang Liuhesheng Real Estate Development Company Limited*), the principal activities of which were property development and management and he was responsible for financial management and financing matters. From December 2007 to April 2011, he was finance manager in 保億置業集團股份有限公司 (Baoyi Real Estate Group Company Limited*), the principal activities of which were real estate development, property management, trade and real estate investment and he was responsible for financial management. From July 2007 to November 2007, he was finance manager of the Hangzhou office of 亞士漆(上海)有限公司杭州辦事處 (Asia Paint (Shanghai) Company Limited), the principal activities of which were development, manufacture and provision of building coatings, decorative thermal panels and fireproof panels and he was responsible for financial management. From August 2004 to June 2007, he was finance manager in 浙江華元建設置業有限公司 (Zhejiang Huayuan Development Real Estate Company Limited*), the principal activities of which were property operation, engineering service, property management, resource development and trading of materials and he was responsible for financial management. He gained access to and possessed knowledge and experience in the real estate industry from his aforesaid previous working experience.

Mr. Zhou obtained a Bachelor degree in Accounting from Zhengzhou University (鄭州大學) in the PRC in June 2004 and a Master of Science degree in International Real Estate from the Hong Kong Polytechnic University (香港理工大學) in Hong Kong in October 2013.

Mr. Jin Zhanghai (金樟海), age 36, was appointed as our executive Director on 10 June 2014. He is also our chief financial officer. He has approximately 13 years of experience in the real estate industry. He worked as the chief financial officer of XG Limited (the holding company of our operating subsidiaries before Reorganisation) from March 2010 to June 2014 and was responsible for, among other matters, the financial matters and overall supervision of our property development projects. From October 2004 to March 2010, Mr. Jin worked as the finance manager in 保億置業集團股份有限公司 (Baoyi Real Estate Group Company Limited*), the principal activities of which were real estate development, property management, trade and real estate investment and he was responsible for financial management and financing matters. From June 2002 to October 2004, he worked as the financial controller in 杭州興耀房地產開發有限公司 (Hangzhou Xingyao Real Estate Development Limited*), the principal activities of which were real estate development, including residential buildings, low-density resorts, office buildings, commercial and industrial buildings and he was responsible for financial management. He gained access to and possessed knowledge and experience in the real estate industry from his aforesaid previous working experience.

Mr. Jin obtained a Bachelor degree in Finance from Zhejiang Institute of Finance & Economics (浙江財經學院) (currently known as Zhejiang University of Finance & Economics (浙江財經大學) in the PRC in June 2002.

Non-executive Director

Ms. Gao Qiaoqin (高巧琴), aged 47, was appointed as our non-executive Director on 10 June 2014. She is responsible for advising on overall strategic planning of our Group but not participating in the day-to-day management of our Group's business operation. She has approximately 9 years of experience in the real estate industry. Ms. Gao was the director of XG Limited (the holding company of our operating subsidiaries before Reorganisation) from November 2012 to June 2014 and Taoyuan Property from August 2005 to June 2014. She gain access to and possessed knowledge and experience in the real estate industry from her aforesaid previous working experience.

Ms. Gao obtained a graduation certificate in computer information management (through online courses) from Huazhong University of Science and Technology (華中科技大學) in the PRC in June 2005. Ms. Gao is the spouse of Mr. Chen.

Independent non-executive Directors

Mr. Gu Jiong (顧炯), aged 42, was appointed as our independent non-executive Director on 8 June 2015. Mr. Gu has been the chief financial officer of CMC Capital Partners (華人文化基金), an investment fund specialized in media and entertainment investments in China and globally, from September 2013. He served as the chief financial officer in BesTV New Media Co., Ltd (stock code: 600637), whose shares are listed on Shanghai Stock Exchange and principally engaged in the provision of technical services, content services and marketing services for television terminals, computer terminals and mobile terminals through media source platforms, from January 2010 to September 2013. He worked in UTStarcom Inc. (stock code: UTSI), whose shares are listed on Nasdaq and is a global telecom infrastructure provider specialized in the provision of packet optical transport and broadband access products to network operators, from April 2004 to December 2009 and was the corporate controller when he left the company. He also worked in Ernst & Young Shanghai office from July 1995 to April 2004 and was the senior manager of audit department when he left the firm.

Mr. Gu has been a non-practising member of the Chinese Institute of Certified Public Accountants since April 2004. Mr. Gu obtained a bachelor degree in finance management from Fudan University in the PRC in July 1995.

Mr. Lo Wa Kei, Roy (盧華基), aged 44, was appointed as our independent non-executive Director on 8 June 2015. Mr. Lo has extensive experience in auditing, accounting and finance. Mr. Lo is a Managing Partner of SHINEWING (HK) CPA Limited, which is a full service accounting and consulting firm engaged in the provision of, among others, assurance and business advisory services.

He has been serving as an independent non-executive director of a number of companies listed on the Stock Exchange, including Sun Hing Vision Group Holdings Limited (stock code: 125), a company engaged in the design, manufacture and distribution of original design manufacturer eyewear, since May 1999; North Mining Shares Company Limited (previously known as “Sun Man Tai Holdings Company Limited”) (stock code: 433), a company engaged in mining operations (exploitation, exploration and trading of mineral resources) and property management operations, since September 2004; China Zhongwang Holdings Limited (stock code: 1333), an industrial aluminium extrusion product developer and manufacturer, since February 2009; Sheen Tai Holdings Group Company Limited (stock code: 1335), a packaging materials manufacturer and supplier principally engaged in developing, promoting and sales of imported films, self-manufactured films and cigarette paper boxes, since June 2012 and China Oceanwide Holdings Limited (previous known as “Hutchison Harbour Ring Limited”) (stock code: 715), a company principally engaged in business of property investments in the PRC, since November 2014. He also served as an independent non-executive director of United Photovoltaics Group Limited (previously known as Time Infrastructure Holdings Limited) (stock code: 686), a company engaged in investment and operations of photovoltaics power plants in China, from May 2004 to November 2010, CGN Mining Company Limited (formerly known as Vital BioTech Holdings Limited) (stock code: 1164), a company engaged in the trading of natural uranium, selling, distributing and manufacturing of pharmaceutical and food products and property investment, from September 2004 to October 2006 and Chinese Strategic Holdings Limited (stock code: 8089), a company principally engaged in business of properties investments, securities trading and loan financing, from July 2004 to April 2006.

Mr. Lo received a bachelor’s degree in business administration from the University of Hong Kong in November 1993 and a master’s degree in professional accounting from Hong Kong Polytechnic University in November 2000. He is a certified public accountant, a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of CPA Australia and an associate of the Institute of Chartered Accountants in England and Wales. With his extensive professional knowledge, Mr. Lo was also appointed as a Committee Member of Tianjin Youth Federation (Hong Kong and Macau Region) (天津市青聯港澳區特邀委員).

Mr. Fong Wo, Felix (方和), BBS, JP, aged 64, was appointed as our independent non-executive Director on 8 June 2015. He is a consultant of King & Wood Mallesons, a global law firm headquartered in Asia. Mr. Fong has practiced law for over 30 years and is a member of the law societies of Hong Kong, Upper Canada and England.

Mr. Fong has been serving as an independent non-executive director of a number of companies listed on the Stock Exchange, including Greenland Hong Kong Holdings Limited (formerly known as SPG Land (Holdings) Limited) (stock code: 337), a company engaged in the sales of properties, property leasing, property management, hotel and golf operations, and education business, since September 2006; Guangdong Land Holdings Limited (formerly known as Kingway Brewery Holdings Limited) (stock code: 124), a company principally engaged in property development and investment, since January 2007; Evergreen International Holdings Limited (stock code: 238), a company engaged in the manufacture and trading of high-end business formal and casual menswear, since October 2010; China Investment Development Limited (formerly known as Temujin International Investments Limited) (stock code: 204), a company engaged in investment holding for medium to long-term capital appreciation purposes and investment in listed and unlisted securities, since April 2011; Sheen Tai Holdings Group Company Limited (stock code: 1335), a packaging materials manufacturer and supplier principally engaged in developing, promoting and sales of imported films, self-manufactured films and cigarette paper boxes, since June 2012. He also served as an independent non-executive director of China Oilfield Services Limited (stock code: 2883:HK; 601808:SHA), an integrated oilfield service solution provider engaged in geophysical services, drilling services, well services and marine and transportation services, since May 2010, whose shares are listed on the Stock Exchange and the Shanghai Stock Exchange. Mr. Fong also served as a non-executive director of Cinda International Holdings Limited (stock code: 111), a financial institution engaged in corporate finance advisory, securities broking and asset management, from May 2000 to December 2008. Mr. Fong is the immediate past Chairman of the Hong Kong Advisory Council on Food and Environmental Hygiene and a member of the Hong Kong Communication Authority.

Mr. Fong was a director of a private company, Winful Asia Limited, which was incorporated in Hong Kong and was dissolved by striking off on 17 February 2006 for not filing annual return to the Companies Registry within the prescribed time. According to Mr. Fong, the said company was solvent and dormant at the time of it being struck off and the dissolution of the said company has not resulted in any liability or obligation imposed against him.

Mr. Fong received his engineering degree from McMaster University in Canada in June 1974 and his Juris Doctor degree from Osgoode Hall Law School in Toronto in June 1978. Mr. Fong was admitted as a barrister in Ontario, Canada in 1980, a solicitor in England and Wales in 1986 and in Hong Kong in 1987. Mr. Fong is appointed by the Ministry of Justice of China as one of the China-appointed Attesting Officers in Hong Kong.

Save as disclosed, each of the Directors has not been a director of any other publicly listed company in the three years prior to the Latest Practicable Date.

Save as disclosed herein, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, there were no other matters with respect of the appointment of the Directors that need to be brought to the attention of the Shareholders and there was no information relating to the Directors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

The following table sets out the information regarding the current senior management members of our Company.

Name	Age	Position	Appointment Date	Date of joining our Group	Principal roles	Relationship with the Directors
Mr. Zhu Bo (朱波)	39	Chief project officer	16 March 2011	1 July 2010[(1)]	Design of our Group's projects	—
Mr. Lou Guohuan (樓國歡)	37	Cost management department director	1 May 2012	5 December 2011[(2)]	Cost management of our Group	—

Notes:

(1) Mr. Zhu Bo worked in XG Limited (the holding company of our Group's operating subsidiaries before the Reorganisation) from July 2010 to May 2014.

(2) Mr. Lou Guohuan worked in XG Limited (the holding company of our Group's operating subsidiaries before the Reorganisation) from December 2011 to May 2014.

Mr. Zhu Bo (朱波), age 39, has been our chief project officer since May 2014 and is mainly responsible for the design of our Group's projects. Mr. Zhu has approximately 10 years of experience in the design of construction or property projects. He joined XG Limited as chief project officer in July 2010, which was the holding company of our Group's operating subsidiaries before the Reorganisation. He was responsible for, among others, the design of our property development projects carried on by our operating subsidiaries. For the purpose of the Reorganisation, Mr. Zhu was relocated from XG Limited to our Group in May 2014. From February 2007 to June 2010, he was the project manager in 奧中建築設計公司 (Aozhong Architectural Design Corporation*), a company principally engaged in architectural design and was responsible for operation, management and business development of the company. From March 2006 to January 2007, he was the manager of the construction department in 美國都市建設公司 (American Urban Construction Company*), a company principally engaged in architectural design and construction and was responsible for design of construction project. From July 2004 to March 2006, he was the architect in 中國聯合工程公司 (China United Engineering Corporation*), a scientific and technology company engaged in the business over industrial engineering, energy and environmental engineering, civil architecture, engineering construction, industrial equipment, urban planning and municipal engineering and he was responsible for design of construction project. He was the engineer in the science park of Southeast University (東南大學) from July 1998 to January 2001.

Mr. Zhu obtained a Master degree in Civil Engineering from Southeast University (東南大學) in the PRC in March 2004.

Mr. Lou Guohuan (樓國歡), age 37, has been the director of our cost management department since May 2014 and is mainly responsible for the cost management of our Group. He has approximately 14 years of experience in the cost management of the project development. He joined XG Limited as the head of the cost management department in December 2011, which was the holding company of our Group's operating subsidiaries before the Reorganisation. He was responsible for, among others, the cost management of our property development projects carried on by our operating subsidiaries. For the purpose of the Reorganisation, Mr. Lou was relocated from XG Limited to our Group in May 2014. From September 2009 to November 2011, he worked as the chief financial officer of 艾健醫療器械(杭州)有限公司 (AI Jian Medical Equipment (Hangzhou) Company Limited*), a company engaged in the research, development and manufacture of clinical analyzers, medical instruments for examination and analysis and general devices and he was responsible for project development. From September 2008 to August 2009, he was the manager of the construction management department in 浙江盈都集團有限公司 (Zhejiang Yingdu Group Co., Ltd.*), a diversified industrial group company engaged in metal trade, bridge steel structure, architectural steel structure, real estate, port logistics and information technology and he was responsible for project development. From August 2003 to July 2008, he was the manager of the cost department in 深圳市海王生物工程股份有限公司 (Shenzhen Neptunus Bioengineering Co., Ltd.*), a company listed on the Shenzhen Stock Exchange (stock code: 000078), a company engaged in the development, manufacture, distribution and retail of pharmaceuticals and he was responsible for cost management and project development. From July 2000 to August 2003, he was the deputy director of the project management department in 浙江宏達建設工程有限公司 (Zhejiang Hongda Construction Engineering Limited*), an integrated construction services company engaged in the construction of roads, flyovers, bridges, sewage treatment works, waterworks, water supply and sewage systems, landfills, river channel improvements, pumping stations, residential buildings and building decorations and he was responsible for project development.

Mr. Lou obtained a Bachelor degree in Urban Construction from Zhejiang University (浙江大學) in the PRC in June 2000.

Each of the senior management has not been a director of any other publicly listed company during the three years prior to the Latest Practicable Date.

COMPANY SECRETARY

Ms. Lam Yuen Ling, Eva (林婉玲), aged 48, was appointed as the company secretary of the Company on 1 March 2015. Ms. Lam is a director of BMI Listed Corporate Services Limited, a company providing company secretarial services. Ms. Lam has over 20 years of experience in company secretarial services. She is responsible for supervising the company secretarial teams to provide full range of listed and private company secretarial services to clients. Before joining BMI Listed Corporate Services Limited on 1 September 2014, she worked at Ho and Ho & Company, a certified public accounting firm, as a senior secretarial assistant from April 1993 to May 2005, at Premier Corporate Services Limited, an accounting and company secretarial services provider, as a senior secretarial assistant from May 2005 to August 2005 and at Norcola Company Limited, a corporate secretarial services provider, as an assistant manager from September 2005, and was promoted to manager in December 2010 and then to director in June 2011. Ms. Lam obtained a Higher

Certificate in Company Secretaryship and Administration from the Hong Kong Polytechnic University in 1993 and is currently attending a Master in Corporate Governance and Directorship programme at the Hong Kong Baptist University. Ms. Lam is a fellow of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.

As at the Latest Practicable Date, Ms. Lam was also the joint company secretary of China Suntien Green Energy Corporation Limited (Stock Code: 956), a company principally engaged in the investment of projects involving the exploration and utilisation of natural gas, LNG, CNG, coal gas and coalbed methane, as well as projects of renewable energy sources including wind power and solar power, etc., and the company secretary of Kate China Holdings Limited (Stock Code: 8125), a company principally engaged in provision of design and fitting-out services and design and procurement of furnishings and materials, and Bamboos Health Care Holdings Limited (Stock Code: 8216), a company principally engaged in the provision of healthcare staffing solution services, whose shares are listed on the Stock Exchange.

Ms. Lam has not been a director of any other publicly listed company in the three years prior to the Latest Practicable Date.

BOARD COMMITTEES

Audit Committee

The Company established an audit committee on 8 June 2015 with its written terms of reference in compliance with the Listing Rules. The primary duties of the audit committee are to review and supervise our financial reporting process and internal control system, nominate and monitor external auditors and to provide advice and comments to the Board.

Our audit committee consists of three members, being Mr. Lo Wa Kei, Roy, Mr. Gu Jiong and Mr. Fong Wo, Felix. Mr. Lo Wa Kei, Roy currently serves as the chairman of our audit committee.

Remuneration Committee

The Company established a remuneration committee on 8 June 2015 with its written terms of reference in compliance with the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to evaluate the performance and make recommendations on the remuneration of our Directors and senior management.

Our remuneration committee consists of three members, being Mr. Gu Jiong, Mr. Fong Wo, Felix and Mr. Zhou Yongkui. Mr. Gu Jiong currently serves as the chairman of our remuneration committee.

Nomination Committee

The Company established a nomination committee on 8 June 2015 with its written terms of reference by reference to the code provisions of the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to make recommendations to our Board regarding candidates to fill vacancies on our Board and/or in senior management.

Our nomination committee consists of three members, being Mr. Chen Chengshou, Mr. Fong Wo, Felix and Mr. Gu Jiong. Mr. Chen Chengshou currently serves as the chairman of our nomination committee.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management receive compensation from our Company in the form of fees, salaries, allowances and benefits-in-kind, discretionary bonuses and pension scheme contributions. The aggregate amount of remuneration of our Directors have received (including fees, salaries, allowances and benefits-in-kind, discretionary bonuses and pension scheme contributions) for the three years ended 31 December 2012, 2013 and 2014 were approximately nil, nil and RMB1,496,000 respectively. The aggregate amount of salaries, allowances and benefits-in-kind and pension scheme contributions to our five non-director highest paid employees for the three years ended 31 December 2012, 2013 and 2014 was approximately RMB2,069,000, RMB2,709,000 and RMB3,651,000 respectively.

During the Track Record Period, our Group agreed to pay management consulting service fee to XG Limited for rendering consulting services on corporate affairs by key management personnel of our Group. In this regard, the compensation of key management personnel of our Group for the three years ended 31 December 2012, 2013 and 2014 was undertaken by the then shareholder XG Limited, which amounted to approximately RMB1,750,000, RMB2,001,000 and RMB705,000, respectively. For details, please refer to the note 33 to the Accountants' Report.

Under the arrangements currently in force, the aggregate emoluments (excluding discretionary bonus) payable by our Group to and benefit-in-kind receivable by our Directors (including the independent non-executive Directors in their respective capacity as Directors) for the year ending 31 December 2015 are expected to be approximately RMB2,268,000.

Our Board will review and determine the remuneration and compensation packages of our Directors and senior management which, following the Listing, will receive recommendation from the remuneration committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of the Directors and senior management and performance of our Group.

SHARE OPTION SCHEME

We have also conditionally adopted the Share Option Scheme. A summary of the principal terms of the Share Option Scheme is set out in the section headed ''Other Information — Share Option Scheme" in Appendix V to this prospectus.

POSSIBLE TRANSFER OF SHARES TO MANAGEMENT MEMBERS

Immediately after completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted and issued upon any exercise of the Over-allotment Option or options which have been or may be granted under the Share Option Scheme), Xinxing Company will effectively hold 75% of the total issued share capital of our Company. Xinxing Company is held as to 100% by Mr. Chen.

Mr. Chen has the intention to transfer up to 56,400,000 Shares, representing up to approximately 3% of the issued share capital of the Company (without taking into account any Shares which may be allotted and issued upon any exercise of the Over-allotment Option or options which have been or may be granted under the Share Option Scheme) as at the Listing Date to his designated management members of our Group in the future. As at the Latest Practicable Date, Mr. Chen had not yet made up his final decision as to the allocation of interests in our Company held by Xinxing Company. Mr. Chen and Xinxing Company will comply with the restrictions on disposal of shares as set out in the Rule 10.07(1) of the Listing Rules and all other applicable laws and regulatory requirements.

CORPORATE GOVERNANCE CODE

Pursuant to code provision A.2.1 of the Corporate Governance Code, the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. However, we do not have a separate chairman and chief executive officer and Mr. Chen currently performs these two roles. Our Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within our Group and enables more effective and efficient overall strategic planning for our Group. Our Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively. Our Board will continue to review and consider splitting the roles of chairman of our Board and chief executive officer of our Company at a time when it is appropriate and suitable by taking into account the circumstances of our Group as a whole.

Save as disclosed above, our Company expects to comply with the Corporate Governance Code set out in Appendix 14 to the Listing Rules. Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year and comply with the ''comply or explain'' principle in our corporate governance report which will be included in our annual reports upon the Listing.

MANAGEMENT PRESENCE IN HONG KONG

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirement under Rule 8.12 of the Listing Rules in relation to the requirement of management presence in Hong Kong. For details of the waiver, please see the section headed ''Waivers from Strict Compliance with the Listing Rules — Management Presence" in this prospectus.

COMPLIANCE ADVISER

Our Company has engaged China Everbright Capital Limited as its compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser (when consulted) will advise our Company on the following matters:

(i) the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

(iii) where our Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where its business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and

(iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares of our Company.

The term of the appointment of our compliance adviser shall commence on the Listing Date and end on the date on which our Company distributes its annual report in respect of its financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors, immediately following completion of the Capitalisation Issue and Global Offering (without taking into account any Shares which may be taken up or acquired under the Global Offering and any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme), the following persons will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other members of our Group:

A. Interest in Company

Name of Shareholder	Capacity/Nature of interest	Number and class of securities[(1)]	Approximate percentage of interest in the Company
Xinxing Company [(2)]	Beneficial owner	1,410,000,000 Shares (L)	75%
Mr. Chen[(3)]................................	Interest in a controlled corporation[(2)]	1,410,000,000 Shares (L)	75%
Ms. Gao [(4)]................................	Interest of spouse	1,410,000,000 Shares (L)	75%

Notes:

(1) The letter "L" denotes the person's long position in the shares of the Company.

(2) Xinxing Company will be directly interested in approximately 75% in our Company (without taking into account any Shares which may be allotted and issued upon any exercise of the Over-allotment Option and the options which have been or may be granted under the Share Option Scheme).

(3) The Company will be held as to approximately 75% by Xinxing Company immediately following the completion of the Capitalisation Issue and Global Offering (without taking into account any Shares which may be allotted and issued upon exercise of the Over-allotment Option and the options which have been or may be granted under the Share Option Scheme). Xinxing Company is held as to 100% by Mr. Chen.

(4) 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.

(5) For details of the interests of the cornerstone investors in the Company, please refer to the section headed "Cornerstone Investors" in this prospectus.

B. Interest in other members of our Group

Name of shareholder	Name of subsidiary/ member of the Group	Registered capital	Approximate percentage of interest in other members of the Group
東莞市歐海實業有限公司 (Dongguan City Ouhai Shiye Company Limited*)	Chongqing Xinming	RMB50,000,000	20%
沈明 (Shen Ming*)	Chongqing Xinming	RMB25,000,000	10%
上海嘉碩裝潢廣告有限公司 (Shanghai Jiashuo Zhuanghuang Advertisement Company Limited*)	Shanghai Xinming	RMB10,500,000	21%
杭州高巛控股有限公司 (Hangzhou Gaochuan Holding Company Limited*)	Shandong Xingmeng	RMB22,500,000	45%

Save as disclosed herein, our Directors are not aware of any person (who are not Directors or chief executive of our Company) who will, immediately following completion of the Capitalisation Issue and Global Offering (without taking into account Shares which may be taken up or acquired under the Global Offering and any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme), have an interest or short position in the Shares and the underlying Shares which would fall to be disclosed to our Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or will be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other members of our Group.

AUTHORISED AND ISSUED SHARE CAPITAL

The following is a description of the authorised and issued share capital immediately following completion of the Capitalisation Issue and Global Offering:

		HK$
Authorised Share Capital:		
10,000,000,000	Shares of HK$0.01 each	100,000,000
Shares issued and to be issued, fully paid or credited as fully paid:		
99	Shares in issue at the date of this prospectus	0.99
1,409,999,901	Shares to be issued pursuant to the Capitalisation Issue	14,099,999.01
470,000,000	Shares to be issued pursuant to the Global Offering (excluding any Shares which may be issued under the Over-allotment Option and any Shares which may be issued pursuant to exercise of the options which may be granted under the Share Option Scheme)	4,700,000
1,880,000,000	Shares in total	18,800,000

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional.

The table takes no account of Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by our Company pursuant to the Issuing Mandate given to our Directors to allot and issue or repurchase Shares as described below.

RANKING

The Offer Shares and the Shares that may be issued pursuant to exercise of the Over-allotment Option will rank *pari passu* in all respects with all other existing Shares in issue as mentioned in this prospectus, and in particular, will be entitled to all dividends and other distributions hereafter declared, paid or made on the Shares after the date of this prospectus save for entitlements under the Capitalisation Issue.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 8 June 2015. Under the Share Option Scheme, the eligible participants of the scheme, including directors, full-time employees of and advisers and consultants to our Company or our subsidiaries may be granted options which entitle them to subscribe for Shares, when aggregated with options granted under any other scheme, representing initially not more than 10% of the Shares in issue on the Listing Date. Further details of the rules of the Share Option Scheme are set out in the section headed "Other Information — Share Option Scheme" in Appendix V to this prospectus.

ISSUING MANDATE

Our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value not exceeding the sum of (a) 20% of the aggregate nominal value of the share capital of our Company in issue as enlarged by the Capitalisation Issue and Global Offering (but excluding any Shares which may be issued pursuant to the Over-allotment Option); and (b) the aggregate nominal value of the share capital of our Company which may be repurchased by our Company under the Repurchase Mandate.

Our Directors may, in addition to the Shares which they are authorised to issue under the Issuing Mandate, allot, issue and deal in the Shares pursuant to a rights issue, an issue of Shares pursuant to the exercise of subscription rights attaching to any warrants or convertible securities of our Company, scrip dividends or similar arrangements or the exercise of options granted under the Share Option Scheme. The aggregate nominal value of the Shares which our Directors are authorised to allot and issue under this Issuing Mandate will not be reduced by the allotment and issue of such Shares.

This Issuing Mandate will expire:

(i) at the conclusion of our Company's next annual general meeting; or

(ii) upon the expiry of the period within which our Company is required by any applicable law or the Memorandum and Articles of Association to hold its next annual general meeting; or

(iii) when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting;

whichever occurs first.

For further details of the Issuing Mandate, see the section headed "Information about the Company — Resolutions in writing of the sole Shareholder passed on 8 June 2015" in Appendix V to this prospectus.

REPURCHASE MANDATE

Our Directors have been granted a general unconditional mandate to exercise all of the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal amount of the share capital of our Company in issue, as enlarged by the Capitalisation Issue and Global Offering (but excluding any Shares of the Company which may be issued pursuant to the Over-allotment Option).

This Repurchase Mandate relates only to repurchases made on the Stock Exchange or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and the requirements of the Listing Rules. Further information required by the Stock Exchange to be included in this prospectus regarding the repurchase of Shares is set out in the section headed "Information about the Company — Securities repurchase mandate" in Appendix V to this prospectus.

This Repurchase Mandate will expire:

(i) at the conclusion of our Company's next annual general meeting; or

(ii) upon the expiry of the period within which our Company is required by any applicable law or the Memorandum and Articles of Association to hold its next annual general meeting; or

(iii) when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting;

whichever occurs first.

For further information about this Repurchase Mandate, please see the section headed "Information about the Company — Resolutions in writing of the sole Shareholder passed on 8 June 2015" in Appendix V to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Under the Companies Law, an exempted company is not required by law to hold any general meetings or class meetings. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, the Company will hold general meetings as prescribed for under the Memorandum of Association and the Articles of Association, a summary of which is set out in ''Summary of the Constitution of the Company and the Cayman Islands Company Law'' in Appendix IV to this prospectus.

You should read the following discussion and analysis of our Group's financial condition and results of operations together with our consolidated financial statements as at and for each of the years ended 31 December 2012, 2013 and 2014, including the accompanying notes, set out in the accountants' report included as Appendix I to this prospectus. The accountants' report has been prepared in accordance with IFRS. Potential investors should read the whole of the accountants' report included as Appendix I to this prospectus and not rely merely on the information contained in this section. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. For additional information regarding these risks and uncertainties, please refer to the section headed "Risk Factors" in this prospectus.

OVERVIEW

We are an integrated residential and commercial property developer in the PRC. Since our inception of business in Taizhou, Zhejiang Province, we have expanded by developing sites in a number of cities, namely, Shanghai, Chongqing, Tengzhou and Hangzhou. Our business mainly comprises three areas: (i) property development, i.e., development of residential and commercial properties for sale, (ii) property leasing, i.e., the leasing of our commercial properties and leasing of properties owned by third party purchasers of our commercial properties, and (iii) property management, i.e., the provision of property management services to our residential customers.

During the Track Record Period, we derived our revenue primarily from the sale of residential and commercial properties and property leasing. In particular, we target first-time home buyers or customers with a need to upgrade their living environment. For the three years ended 31 December 2012, 2013 and 2014, our revenue was RMB1,045.8 million, RMB810.6 million and RMB2,135.6 million, respectively. For the same periods, our profit attributable to equity holders of the Company was RMB207.8 million, RMB262.3 million and RMB330.2 million, respectively. We anticipate that we will continue to derive our revenue primarily from the sale of residential and commercial properties and property leasing in the coming periods.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands with limited liability on 16 January 2014. In preparation for the Global Offering, our Group underwent the Reorganisation, which is described in more details in the section headed "History, Reorganisation and Corporate Structure" in this prospectus and in "Statutory and General Information" in Appendix V to this prospectus. Our Company became the holding company of the subsidiaries now comprising our Group on 1 August 2014.

The financial information included in the accountants' report set out in Appendix I in this prospectus has been prepared on a consolidation basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Track Record Period.

The consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of our Group for the Track Record Period include the results and cash flows of all companies now comprising our Group from the earliest date presented or since the date when the subsidiaries first came under the common control of the Controlling Shareholder, where this is a shorter period. The consolidated statements of financial position of our Group as at 31 December 2012, 2013 and 2014 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from the Controlling Shareholder's perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

All intra-group transactions and balances have been eliminated on consolidation.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, results of operations and financial position are affected by a number of factors, many of which are beyond our control, including, but not limited to, those described below.

Economic growth, the real estate market and urbanisation process in China

Economic growth, urbanization process and rising living standard have been the key drivers behind increasing market demand for the real estate in China. With the increase of purchasing power and disposable income of urban residents, the improved living standard and investment demands for both residential properties and commercial properties are unprecedentedly prosperous in China. The real estate industry in the PRC is significantly dependent on the PRC's overall economic growth, including the increase in the purchasing power and disposable income of the consumers in the PRC, the improved living standard and investment demands and the resulted demand for properties. As we focus on residential and commercial property development in the PRC, we believe that China's overall economic growth and the rate of urbanisation are especially important to the continued growth of our operations. The overall economic growth in the PRC and the rate of urbanisation will continue to be affected by a number of macroeconomic factors, including changes in the global economy as well as the macroeconomic, fiscal and monetary policies of the PRC Government. Any macro-economic downturn or downturn in the real estate market in China, will have material adverse affect to our business, results of operations and cash flows.

Government policies and regulations in the real estate industry in China

Policies and regulations have been, and will continue to be, the main measures of the PRC government to exert its influence on the property development and real estate industry, which will have a direct impact on our business and results of operation. From time to time, the PRC government adjusts its macro-economic control policies to encourage or restrict development in the real estate sector through regulating, among other things, land grants, pre-sales of properties, bank financing, mortgage interest rate and taxation. Macro-economic measures taken by the PRC government to control money supply, credit availability and fixed assets investment also have a material impact on property developers.

In recent years, facing the continuous rising property prices across the country, the PRC government has issued a series of restrictive policies, accompanied with increasing the supply of affordable residential properties, to prevent the overheating as well as to discourage speculation in the real estate market in China. These restrictive measures include, among other things, higher minimum down payment requirements for mortgage loans, imposing stricter requirements on the payment of land premium, limiting the number of residential properties a household can buy, increasing bank lending rates for mortgage financings, levying a 20% personal income tax on the sale of certain residential properties and potentially the issue of property tax. Several major metropolis across China, including Shanghai and Beijing, have also announced implementing local restrictive policies to suppress the speculated investment purchases to cool down the PRC property market.

Recently, a number of PRC cities have loosened certain measures on stabilizing housing price and restriction of property ownership. In Taizhou, relevant local authority had issued the "Notice of Further the Stable and Healthy Development of Property Market (《關於促進房地產市場平穩健康發展的通知》)" in August 2014 which lifted the requirement for the production of relevant proof for property registration (房屋登記信息查詢證明) for purchasing property in Taizhou, which in turn lifted the related purchase limits and credit restrictions. In Hangzhou, relevant local authority had published official statement in July 2014 to lift the requirement for the production of relevant proof for property registration for purchasing property of certain size in certain districts of Hangzhou, which in turn lifted the related purchase limits and credit restrictions of those properties in those districts.

For additional information, please refer to the sections headed "Business — Real estate-related austerity measures previously implemented by the PRC government and recent policy adjustment" and "Regulation Overview" in this prospectus. We expect PRC regulatory policies and measures in the real estate industry to exert continuous impact on our business and results of operations.

Ability to acquire land at commercially acceptable costs

The continuing growth of our business will largely depend on the ability to identify and acquire quality land at commercially acceptable cost. Land acquisition costs, which consist of land premium and, where necessary, the costs of demolishing existing buildings and relocating residents, are one of the major components of our cost of sales for property development. In recent years, land premium has increased significantly with the prosperity of real estate industry in China. The statutory means of public tender, auction and listing-for-sale practice in respect of the grant of state-owned land use rights have resulted in the increased competition for quality land for development and, consequently, increased land acquisition costs. Such increased land acquisition costs will increase our cost of sales and have a negative impact on our gross profit margin. Furthermore, in November 2009, the PRC government raised the minimum down payment of land premium to 50.0% and required that land premium be fully paid within one year after the signing of a land grant contract, subject to limited exceptions. In March 2010, the MLR further issued the Notice on Certain Issues on Strengthening Land Supply and Supervision of Real Estate (關於加強房地產用地供應和監管有關問題的通知). According to this notice, the lowest land grant price should not be less than 70% of the benchmark land price in which the granted land is located and the real estate developers' bid deposit should not be less than 20% of the lowest grant price. These and future changes of policy may have a material adverse effect on our cash flows and our ability to acquire suitable land for our growth. Please refer to section headed "Risk Factors — Risks Relating to Our Business — We may not be able to acquire land reserves of sufficient size in desirable locations and at a commercially acceptable cost in the future, and if that happens, our business, results of operations and financial conditions as well as prospects may be materially and adversely affected" in this prospectus.

Timing and length of property development

The development of our property projects may take months, or years before any pre-sales take place, and even longer for completion and delivery. The number of property development that a developer is able to undertake during a specific accounting period is limited due to the substantial amount of capital required to fund land acquisitions and to pay construction costs, as well as the supply of land and other factors. Furthermore, delays in construction, regulatory approval and other processes can adversely affect the timetable of our projects. According to the accounting policy for revenue recognition, no revenue is recognised with respect to a property project until it has been completed, sold and delivered to the customers. Thus the results of operations may vary significantly from period to period, depending on the property projects' progress we developed. Moreover, interim results may not be indicative of our annual results. Please refer to section headed "Risk Factors — Risks Relating to Our Business — Our results of operations may vary significantly from period to period as we derive our revenue principally from the sale of property and may therefore fluctuate significantly from period to period, and such fluctuations make it difficult to predict our future performance and the price of our Shares" in this prospectus and "Critical Accounting Policies — Revenue Recognition" in this section for more details.

Pre-sales

Selling properties before completion, known as the pre-sales of properties, constitutes one of the most important sources of our operating cash flows during our project development. PRC law allows us to pre-sell properties before completion upon the satisfaction of certain requirements, and requires us to use the proceeds to finance the development of properties that are pre-sold. The amount and timing of cash inflows from pre-sales are affected by a number of factors, including market demand for our properties subject to pre-sale and the number of properties available for pre-sale, timing and other restrictions on pre-sale imposed by the PRC government, availability and affordability of mortgage financings for our purchasers. Reduced cash flows from pre-sale of our properties may increase our reliance on external financing, which may increase our cost and impact our ability to finance our continuing property developments as well as profitability.

Access to and cost of financing

Substantial capital investments are required in our property development for land acquisition and construction, and it may take months or years before positive cash flows generated from a project. The capital investment can be funded by internally generated cash flows and external financing. External financing, particularly bank loans, have been, and will continue to be, an important source of funding for our property developments. Our access to capital and cost of financing are affected by restrictions imposed by the PRC government, including any regulations or measures adopted by the PBOC that restrict bank lending, particularly those that restrict the ability of real estate developers to obtain financing. Since commercial banks in the PRC link the interest rates on their loans to benchmark lending rates published by the PBOC, we expect that any increase in the benchmark lending rates will increase our borrowing costs generally.

As at 31 December 2012, 2013 and 2014, our total outstanding bank loans and other borrowings amounted to RMB1,180.8 million, RMB865.0 million and RMB1,400.0 million, respectively. The effect of increases in interest rates on our financing costs would be substantially recognised in cost of sales, once a property development project completed and delivered to customers, in our consolidated statements of profit or loss and other comprehensive income. Furthermore, any increase in interest rates will affect the costs of mortgage financing to potential purchasers of our properties, which in turn may affect demand for our properties. Please refer to section headed "Risk Factors — Risks Relating to Our Business — Our financing costs and therefore our profitability and results of operations may be affected by changes in interest rates" in this prospectus.

Product mix

Our revenue is substantially derived from sales of properties. The selling price per sq.m. and gross profit margins of our properties vary by the type of properties we developed and sold, taking into account several factors, including the market demand of the properties located, prevailing local market prices, the cost of properties constructed and sold, including construction materials and construction costs. In addition, due to the urbanization speed difference in China, the price of properties we sold in different cities can vary significantly. Therefore, our results of operations and cash flows may vary from period to period depending on the types, locations and total GFA of properties delivered as well as the ASPs of these properties. Meanwhile, we adjust our product mix from period to period according to government regulation and local market demand but may nonetheless be unable to maintain or increase our gross profit margin, which would materially and adversely affect our profitability. Please refer to section headed "Risk Factors — Risks Relating to Our Business — As we expand into new regions, we may not be able to replicate the success we have achieved in cities in which we currently operate and may adversely and materially affect our future growth" in this prospectus.

Price volatility of construction materials

Our results of operations can be significantly affected by the price volatility of construction materials, which comprised the major part of our cost of properties sold, such as steel and cement, and may have a direct effect on our gross profit margin. For the two years ended 31 December 2012 and 2013, the Steel Product Price Index was 3,800 and 3,600, respectively, and the China Producer Price Index — Manufacture of Cement was 92.2 and 99.7, respectively, according to Standard Commodity Trade Centre (西本新幹線電子商務有限公司), Bloomberg. See the section entitled "Industry Overview — Historical Price Trends of Major Construction Material and Land" in this prospectus. Furthermore, as we typically pre-sell our properties prior to their completion, and we will not be able to pass the increased costs to our customers if construction costs increase subsequent to the time of such pre-sale. If we cannot successfully pass an increase in the cost of materials to our customers, our profitability will be adversely affected.

Land appreciation tax ("LAT")

We are required to pay land appreciation tax, or LAT, on our property developments with respect to the appreciated value of the related land. For the three years ended 31 December 2012, 2013 and 2014, we made provisions for LAT of RMB196.2 million, RMB129.5 million and RMB146.3 million, respectively. As at the Latest Practicable Date, we had made prepayments and provisions for LAT in compliance with the relevant LAT laws and regulations. However, we cannot assure you that the relevant tax authorities will agree with the basis on which we have calculated our LAT liabilities for provision purposes or that such provisions will be sufficient to cover all LAT obligations that tax authorities may ultimately impose on us. Our financial position may be adversely affected if our LAT liabilities as calculated by the relevant tax authorities are substantially higher than our LAT provisions. See the section headed "Risk Factors — Risks Relating to Our Industry — The relevant PRC tax authorities may challenge the basis on which we calculate our LAT obligations which could have a material adverse effect on our result of operations" in this prospectus.

Changes in estimated fair value of our investment properties

The fair value of our investment properties amounted to RMB1,504.4 million, RMB1,815.8 million and RMB1,832.7 million, as at 31 December 2012, 2013 and 2014, respectively. For the three years ended 31 December 2012, 2013 and 2014, we had fair value gains on our investment properties of RMB180.5 million, RMB186.8 million and RMB16.9 million, which accounted for 32.4%, 39.7% and 2.9% of our profit before tax for the corresponding periods, respectively.

Our investment properties primarily include commercial properties held for rental. Our investment properties are stated at their fair value on our consolidated statements of financial position as non-current assets as the end of each reporting period on the basis of valuations by an independent property valuer. Gains or losses arising from changes in the fair value of our investment properties are accounted for as gains or losses upon revaluation in our consolidated statements of profit and loss and other comprehensive income, which may have a substantial effect on our profits. The property valuation involves the exercise of professional judgment and requires the use of certain bases and assumptions. The fair value of our investment properties, as so determined at a particular date, may have been higher or lower if the valuer used a different set of bases or assumptions or if the valuation was conducted by another qualified independent professional valuer using a different set of bases and assumptions. In addition, upward revaluation adjustments reflect unrealised capital gains on our investment properties as at the relevant balance sheet dates and do not generate any cash inflow available for our operations or potential dividend distribution to our shareholders. The amounts of fair value adjustments have been, and may continue to be, significantly affected by the prevailing property market conditions in China and may increase or decrease. We cannot assure you that similar levels of fair value gains can be sustained in the future.

CRITICAL ACCOUNTING POLICIES

We prepare our consolidated financial statements in accordance with IFRS and generally under the historical cost basis except for equity investment, measured at fair value through profit or loss and investment properties. These accounting policies require subjective or complex judgments, estimates and assumptions made by our management, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. The assumptions and estimates we used have been based on our industry experience and various factors including our management's expectations of future events which they believe to be reasonable. Actual results may differ from these estimates and assumptions. During the Track Record Period, there were no significant changes in our assumptions and estimates, and we will continuously assess our assumptions and estimates going forwards.

When reviewing our financial statements, you should consider: (i) our selection of critical accounting policies; (ii) the judgment and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. We believe the following accounting policies involve the most significant judgment and estimates used in the preparation of our consolidated financial statements:

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to our Group and when the revenue can be measured reliably, on the following bases:

(a) Sales of properties is recognised upon delivery of properties to property buyers, which is the earlier of the receipt of the signed delivery confirmation received from the property buyers or the expiry date stated on the notice of delivery sent to the property buyers;

(b) rental income, on a time proportion basis over the lease terms;

(c) from the rendering of services, when the services are rendered and the inflow of economic benefit is probable;

(d) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the profit or loss of the retirement or disposal.

Properties under development

Properties under development are intended to be held for sale after completion.

Properties under development are stated at the lower of cost comprising land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period and net realisable value.

Properties under development are classified as current assets unless those will not be realised in one normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Completed properties held for sale

Completed properties held for sale are stated in the statements of financial position at the lower of cost and net realisable value. Cost is determined by an apportionment of the total costs of land and buildings attributable to the unsold properties. Net realisable value takes into account the price ultimately expected to be realised, less estimated costs to be incurred in selling the properties.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where our Group is the lessor, assets leased by us under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the profit or loss on the straight-line basis over the lease terms. Where our Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

If a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value, any profit or loss shall be recognised immediately. If the sale price is below fair value, any profit or loss shall be recognised immediately except that, if the loss is compensated for by future lease payments at below market price, it shall be deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value shall be deferred and amortised over the period for which the asset is expected to be used.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of our financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Sales and leaseback transactions

We enter into a number of contracts or agreements in respect of sales and leaseback with certain property buyers for the purpose of leasing out such properties to third party tenants (the "Management Agreements"). Our Company is of the opinion that such arrangements constitute sales and leaseback transactions based on the following reasons:

- The Management Agreements were entered into separately from the sale and purchase agreements of the property;
- The effectiveness of the sale and purchase agreement was not conditional upon the entrance into the Management Agreements by the Property Buyers;

- The purpose of entering into the Management Agreements with Property Buyers was to ensure proper management of appropriate tenants which is especially important for the commercial development with a specific theme to maximise the benefits of all parties involved;

- The selling prices of the properties with Management Agreements were determined with reference to the local market price of the properties of similar type at the prevailing time;

- The agreed fees payable to the Property Buyers are comparable to the market rent of similar properties at the inception of the Management Agreements; and

- The selling prices represent the fair value of the properties at the time the transactions were entered into.

In assessing whether sales and leaseback transaction results in an operating lease or a finance lease, the Management considers many factors including the sales price of the properties, the lease terms and the length of the lease period. Based on the following reasons, our manager considers that the arrangements result in operating leases and should not be classified as finance lease:

(i) At the end of lease period, the ownership of the properties rests with the Property Buyers;

(ii) There is no option granted to our Group to purchase the properties from the Property Buyers at a price that is expected to be sufficiently lower than the fair value of the properties;

(iii) The Management Agreements are only valid for 5 or 10 years, which covers only a short period of the economic life of the properties;

(iv) Even without considering the time value of money, our Group is required to pay the agreed fees payable to the Property Buyers, amounting to 19.5% of the property prices in exchange for the right to use, management, lease and earn rent from the properties under the Management Agreement. In any event, the agreed fee payables would not be substantially comparable to the fair value of the leased assets; and

(v) The properties under the Management Agreements can be used for general commercial purposes rather than of a specialized nature that only our Group can use them without modifications.

According to IAS 17, an operating lease is a lease other than a finance lease.

Estimation on the fair value of investment properties

Investment properties, including completed investment properties and investment properties under construction carried at fair value, were revalued at each reporting date based on the appraised market value provided by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, our Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at each reporting date.

The principal assumptions for our Group's estimation of the fair value include those related to current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs. The carrying amounts of investment properties at 31 December 2012, 2013 and 2014 were RMB1,504 million, RMB1,815.8 million and RMB1,832.7 million, respectively.

Provisions

Our Group makes provisions for onerous contracts, which management estimates the related provisions based on existing contract terms, expected economic benefits, available knowledge and past experience. The carrying amount of the provisions as at 31 December 2014 was RMB24.3 million (2013: RMB46.1 million, 2012: RMB66.9 million).

DESCRIPTION OF CERTAIN KEY ITEMS OF THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

Our revenue is derived from (i) sales of properties, (ii) property leasing, and (iii) property management service, all of which are net of business tax and surcharges.

The following table sets out our revenue by operating segment for the periods indicated:

	Year ended 31 December					
	2012		2013		2014	
	RMB'000	%	RMB'000	%	RMB'000	%
Sales of properties	998,664	95.5	770,924	95.1	2,050,485	96.0
Rental income	37,478	3.6	28,856	3.6	66,546	3.1
Property management income	9,693	0.9	10,866	1.3	18,581	0.9
Total Revenue	1,045,835	100.0	810,646	100.0	2,135,612	100.0

Sales of Properties

Our major source of revenue is sales of properties, which accounted for over 95.0% of our total revenue throughout the Track Record Period. Revenue from sales of properties amounted to RMB998.7 million, RMB770.9 million and RMB2,050.5 million for the three years ended 31 December 2012, 2013 and 2014, respectively.

Consistent with industry practice, we generally enter into sales contract with our customers while our properties are still under construction, but after satisfying the condition for pre-sales in accordance with PRC laws and regulations. Before the properties are completed and delivered, payments received from purchasers are recorded as advance from customers, which is included in current liabilities in our consolidated statements of financial position.

As substantially all of our revenue is generated from sales of properties, our results of operations are principally affected by the price of the properties we developed at the time our properties are pre-sold, which largely depends on the properties location and disposable income of the local residents. Furthermore, the local market demand, the quality of properties we delivered and surrounding facilities are also the material factors that determine the price of the properties sold. Conditions of the properties market in which we operate change from time to time and are significantly affected by macro-economy and regulations development in the PRC to adjust the property market on consumption and price.

The table below sets out the revenue from the sales of properties, the aggregate GFA of properties we delivered, and the average selling prices per sq.m. for these properties by type of property for the periods indicated:

	Year ended 31 December								
	2012			**2013**			**2014**		
	Revenue	**GFA Delivered**	**Average Selling price per sq.m.**	**Revenue**	**GFA Delivered**	**Average Selling price per sq.m.**	**Revenue**	**GFA Delivered**	**Average Selling price per sq.m.**
	RMB'000	**sq.m.**	**RMB**	**RMB'000**	**sq.m.**	**RMB**	**RMB'000**	**sq.m.**	**RMB**
Residential(1)	955,011	69,197	13,801	756,960	54,746	13,827	1,895,551	207,241	9,147
Commercial	552	53	10,415	—	—	—	111,479	8,450	13,193
Car parking spaces(2)	43,101	17,969	2,399	13,964	6,120	2,282	43,455	16,225	2,678
Total	998,664	87,219	11,450	770,924	60,866	12,666	2,050,485	231,916	8,841

Notes:

(1) Including proceeds from sales of apartments, townhouses and retail shops on the street-level within residential properties.

(2) Representing proceeds from sales of car parking spaces only in residential properties. Car parking spaces in commercial properties are not saleable.

(1) Residential properties

Revenue derived from residential properties decreased to RMB757.0 million in 2013 from RMB955.0 million in 2012, and then increased significantly to RMB1,895.6 million in 2014, primarily reflecting the fluctuation of total GFA of residential properties we delivered. The total GFA of the residential properties we delivered was 69,197 sq.m., 54,746 sq.m. and 207,241 sq.m. in 2012, 2013 and 2014, respectively.

The fluctuation of the average selling price per sq.m. during the Track Record Period reflected the different types of residential properties as well as the different location of each project we delivered. Generally speaking, in a same project, the selling price of townhouses are higher than that of other properties, such as apartments and retail shops on the street-level, because townhouses have lower plot ratio than other types of properties. The average selling price remained relatively stable at around RMB13,800 in both 2012 and 2013, and then decreased to RMB9,147 in 2014, primarily due to the facts that: (i) part of properties of Taizhou Xinming Peninsular Phase 2 Stage 1 we delivered in 2012 and 2013 was townhouses, while all the residential properties we delivered in 2014 were apartments and retail shops on the street-level within Xinming Lijiang Garden, Taizhou Xinming Peninsular Stage 2 of Phase 2 and Wenshang Times • Xinming Apartment; and (ii) the average selling prices of the properties of Xinming Lijiang Garden and Wenshang Times • Xinming Apartment are lower than that of Taizhou Xinming Peninsular Phase 1 and Phase 2 primarily attributable to the less favorable geographic locations.

(2) Commercial properties

During the Track Record Period, revenue derived from commercial properties was substantially recognised in 2014, which was due to the delivery of properties within Wenshang Times • Xinming Household Decorations and Fittings City with a GFA of 8,450 sq.m.. In 2012, only one unit, within Construction Materials Trading Centre of Xinming International Household Products Mall with designated land use of "commercial/residential" was delivered and revenue of RMB0.6 million was recognised. No commercial property was delivered in 2013. As at 31 December 2014, four commercial property projects, including, Shanghai Xinming • Children's World, Xingmeng International Commercial City, Chongqing Xinming • China South-western City Phase 1 and Hangzhou Xinming • Children's World, were under construction, and are expected to be completed in December 2015, April 2015, April 2016, and December 2016, respectively.

We entered into Management Agreements with the third party purchasers of Construction Materials Trading Centre in Xinming International Household Products Mall and Wenshang Times • Xinming Household Decorations and Fittings City. Due to the unexpected introduction of austerity measures imposed by the PRC government to combat the overheating of the property market since 2010, we made provision for onerous contracts on these Management Agreements. Please refer to the paragraph headed "Provisions" in this section for details for the provision made on onerous contract. Relevant provisions have no impact on our revenue but have been realised against our cost of sales. See "Cost related to leasing properties" in this section for the amount deducted in cost of sales by the realisation of provision.

(3) Car parking spaces

The revenue derived from sales of car parking spaces decreased by RMB29.1 million, or 67.6%, in 2013 compared to that of 2012, and then increased by RMB29.5 million, or 211.2% in 2014 compared to that of 2013. Those fluctuation were generally in line with those for change in total GFA of the car parking spaces we delivered during the Track Record Period, while the average selling price of car parking spaces remained relatively stable in the same period.

Rental income

Rental income represents revenue generated from the leasing of our investment properties and the leasing of properties owned by third party purchasers of our commercial properties. Rental income is recognised on a straight-line basis over the relevant lease terms.

For the three years ended 31 December 2012, 2013 and 2014, our rental income derived from the leasing of our investment properties was RMB18.4 million, RMB20.8 million and RMB52.8 million, with total leasing areas of approximately 49,720 sq.m., 70,374 sq.m. and 112,643 sq.m., respectively. The increase in the total leasing areas in 2013 was primarily contributed by Xinming International Logistic Centre as a result of the improvement of its surrounding traffic conditions in 2013. Our total leasing areas further increased in 2014 was primarily due to the commencement of leasing of Wenshang Times • Red Star Macalline Household Products Market since the end of 2013.

For the three years ended 31 December 2012, 2013 and 2014, the rental income derived from leasing of properties owned by the third party purchasers of our commercial properties was RMB19.1 million, RMB8.1 million and RMB13.7 million, with total leasing areas of 68,416 sq.m., 54,919 sq.m. and 61,226 sq.m., respectively. For more details of our leasing of properties owned by third party purchasers, please refer to the section headed "Business — Property leasing — Leasing of properties owned by third party purchasers of our commercial properties" in this prospectus.

Property management income

Property management income represents revenue generated from property management services we provided to the owners of our sold residential properties. Our revenue from property management services increased throughout the Track Record Period, primarily due to the expansion of our Group's business and the resulted increase in delivered properties projects to which we provide property management services.

Cost of sales

Cost of sales mainly consists of the costs of properties sold, cost related to leasing properties and property management services. The table below sets out the cost of sales breakdown by operating segment for the periods indicated:

	Year ended 31 December					
	2012		2013		2014	
	RMB'000	%	RMB'000	%	RMB'000	%
Cost of properties sold	391,175	83.1	314,594	87.1	1,328,594	96.0
Cost related to leasing properties	66,742	14.2	31,674	8.8	37,082	2.7
Cost of properties management services provided	13,027	2.7	15,096	4.1	18,671	1.3
Total	470,944	100.0	361,364	100.0	1,384,347	100.0

Cost of properties sold

The table below sets out the cost of properties sold breakdown by cost category for the periods indicated:

	Year ended 31 December					
	2012		2013		2014	
	RMB'000	%	RMB'000	%	RMB'000	%
Cost of properties sold						
- Land acquisition costs	79,915	20.4	66,832	21.2	245,175	18.5
- Construction costs	298,118	76.2	235,868	75.0	965,929	72.7
- Capitalised borrowing costs	13,142	3.4	11,894	3.8	117,490	8.8
Total	391,175	100.0	314,594	100.0	1,328,594	100.0

(1) Land acquisition costs

Land acquisition costs relate to the acquisition of rights to occupy, use and develop land, and primarily include land premiums incurred in connection with land grants from the PRC government and corporate acquisition or otherwise. Land acquisition costs are generally affected by several factors, including the location of the property, the timing of the acquisition, the method of acquisition and changes in PRC regulations.

The percentage of our land acquisition costs over our total cost of properties sold increased slightly to 21.2% in 2013 from 20.4% in 2012, mainly attributable to the sales of residential townhouses within Taizhou Xinming Peninsular Phase 2 Stage 1 accounted for a greater proportion of the total sales of properties as compared to 2012. The percentage of our land acquisition costs over our total cost of properties sold then decreased to 18.5% in 2014, primarily because all of our revenue from sales of residential properties in 2014 was generated from the delivery of apartments and retail shops on street-level with a higher plot ratio, while in 2012 and 2013, certain residential townhouses within Taizhou Xinming Peninsular Phase 2 Stage 1 with a lower plot ratio was delivered in 2012 and 2013.

(2) Construction costs

Construction costs include all of the costs for the design and construction of a project, including payments to designers, third-party contractors and costs of construction materials. Construction costs constitute a substantial portion of our costs of sales and, historically, construction materials costs have been the primary driver of our construction costs. For the three years ended 31 December 2012, 2013 and 2014, our construction costs were RMB298.1 million, RMB235.9 million and RMB965.9 million, respectively, representing 76.2%, 75.0% and 72.7%, respectively, of our total cost of sales for these years.

(3) Capitalised borrowing costs

We capitalise a portion of our costs of bank loans and other borrowings to the extent that such costs are directly attributable to the acquisition and construction of a particular property project. The percentage of our capitalised borrowing costs over our total cost of properties sold remained relatively stable at 3.4% and 3.8% in 2012 and 2013, respectively, and then increased to 8.8% in 2014 mainly due to more interest-bearing loans obtained by us in 2014 to meet the financial need with our business expansion.

Cost related to leasing properties

Cost related to leasing properties represents primarily (i) the agreed fees we paid to the third party purchasers under the Management Agreements, net of realisation of provision made for onerous contracts, which were RMB46.6 million, RMB16.0 million and RMB12.2 million in 2012, 2013 and 2014, respectively; and (ii)other costs associated with the management of our investment properties and the properties owned by the third party purchasers we leased to third party tenants, primarily including the one-off promotion commission, annual management fee, performance bonus and reimbursements for actual operating expenses we paid to third parties for the marketing and day-to-day operation of such properties. For the details, please refer to the section headed "Business — Property leasing — Leasing of our investment properties/Leasing of properties owned by third party purchasers of our commercial properties — Exclusive management services agreements withRed Star Macalline and Shanghai Nanshuo Asset Operation and Management Co., Ltd" in this prospectus. The table below sets forth a breakdown of cost related to leasing properties for the periods indicated:

	Year ended 31 December		
	2012	2013	2014
		RMB'000	
Agreed fees we paid to the third party purchasers under the Management Agreements	46,613	46,613	46,908
Realisation of provision made for onerous contracts	—	(30,619)	(34,685)
Other costs	20,129	15,680	24,859
	66,742	31,674	37,082

Cost related to properties management services provided

Cost of property management services provided primarily includes staff costs associated with our property management companies and other costs associated with the management of the properties that we have delivered.

Gross profit

Our gross profit for the three years ended 31 December 2012, 2013 and 2014 was RMB574.9 million, RMB449.3 million and RMB751.3 million, respectively, and our gross profit margin was 55.0%, 55.4% and 35.2%, respectively, for the corresponding periods.

The table below sets forth a breakdown of the gross profit margin ("GP Margin") for the periods indicated:

	Year ended 31 December								
	2012			2013			2014		
	Revenue	Cost	GP Margin	Revenue	Cost	GP Margin	Revenue	Cost	GP Margin
	RMB'000		%	RMB'000		%	RMB'000		%
Sales of properties									
- Residential	955,011	363,079	62.0	756,960	304,942	59.7	1,895,551	1,200,513	36.7
- Commercial	552	306	44.6	—	—	N/A	111,479	97,669	12.4
- Car park	43,101	27,790	35.5	13,964	9,652	30.9	43,455	30,412	30.0
Subtotal	998,664	391,175	60.8	770,924	314,594	59.2	2,050,485	1,328,594	35.2
Rental	37,478	66,742	N/A	28,856	31,674	N/A	66,546	37,082	44.3
Property management	9,693	13,027	N/A	10,866	15,096	N/A	18,581	18,671	N/A
Total	1,045,835	470,944	55.0	810,646	361,364	55.4	2,135,612	1,384,347	35.2

Sales of properties

The gross profit margin of sale of residential properties was 62.0%, 59.7% and 36.7% for the three years ended 31 December 2012, 2013 and 2014, respectively. The gross profit margin decreased slightly from 62.0% in 2012 to 59.7% in 2013, primarily attributable to the delivery of part of small space units within Taizhou Xinming Peninsular Phase 2 Stage 2, with relatively unfavorable location and lower selling price as compared to those units at Taizhou Xinming Peninsular Phase 2 Stage 1 delivered in 2012. The gross profit margin further decreased to 36.7% in 2014 mainly due to the lower average selling prices and the higher unit construction costs and capitalised costs of properties within Xinming Lijiang Garden and Wenshang Times • Xinming Apartment, which was delivered in 2014, as compared to those of Taizhou Xinming Peninsular Phase 1 and Phase 2. Although the unit land premium of Xinming Lijiang Garden and Wenshang Times • Xinming Apartment were higher than those of Taizhou Xinming Peninsular Phase 1 and Phase 2 caused by the different timing of the land acquisitions and different locations, the plot ratios of Xinming Lijiang Garden and Wenshang Times • Xinming Apartment were also higher than that of Taizhou Xinming Peninsular Phase 1 and Phase 2. Accordingly, the unit land acquisition cost remained relatively stable between 2013 and 2014.

During the Track Record Period, the gross profit from sales of commercial properties was substantially derived from the delivery of commercial properties of Wenshang Times • Xinming Household Decorations and Fittings City in 2014. Due to the higher land acquisition cost and construction cost for commercial properties of Wenshang Times • Xinming Household Decorations and Fittings City, as well as the recent slowdown in the PRC real estate market, the gross profit margin of sales of commercial properties in 2014 decreased significantly.

During the Track Record Period, the gross profit margin of sales of car parking spaces demonstrated a declining trend reflecting the increases in the construction costs per sq.m. of car parking spaces.

Rental

In 2012 and 2013, we recorded gross losses from our rental business mainly because of the poor leasing performance of the Construction Materials Trading Centre in Xinming International Household Products Mall under the Management Agreements, which became onerous in 2012 due to the decline in occupancy rate. Please refer to the paragraph headed "Provisions" in this section for details of the provision made on onerous contracts. The costs of relevant properties not leased out during the financial year were deducted by the realisation of provision made for onerous contracts. The gross losses in 2012 and 2013 were therefore due to the unexpected introduction of austerity measures imposed by the PRC government to combat the overheating of the property market since 2010, which adversely affected our leasing performance and the level of our rental income. In 2014, our rental business recorded a gross profit margin of 44.3%, primarily due to (i) the commencement of the lease of one of our investment properties, namely Wenshang Times • Red Star Macalline Household Products Market, since the end of 2013; and (ii) the improvement of leasing performance in terms of both occupancy rates and the level of our rental income.

Property management

Our property management service recorded gross losses of RMB3.3 million, RMB4.2 million and RMB0.1 million, respectively, for the three years ended 31 December 2012, 2013 and 2014. The losses were mainly caused by our pricing strategy involved offering management services at high quality but with a relatively low price to enhance our competitiveness and facilitate the sale of our properties. The losses decreased in 2014 mainly due to the economies of scale with the number of properties we provided property management grew with the delivery of our residential properties.

Other income and gains

Other income and gains mainly consist of interest income arising from bank deposit, government grants and interest income arising from a trust product. We received grants from various government authorities, as incentives for our contribution to local economic growth.

The table below sets forth a breakdown of the other income and gains for the periods indicated:

	Year ended 31 December		
	2012	2013	2014
		RMB'000	
Bank interest income	1,529	910	385
Government grants	680	527	2,140
Interest income arising from available-for-sale financial investment(1)	345	345	—
Others	1,061(2)	214	272
	3,615	1,996	2,797

Notes:

(1) Interest income arising from available-for-sale financial investment represented investment income from a trust product which has expired in January 2014.

(2) Primarily representing the non-refundable deposits paid by our customers which were forfeited by us as a result of their failure to subsequently enter into formal sale and purchase agreement.

Selling and distribution costs

Selling and distribution costs mainly comprise employee benefit costs relating to our selling and marketing personnel, advertising and promotion expenses for our property projects on television, newspapers and magazines, sales commissions paid to independent property sales agents. Our selling and marketing expenses are generally affected by a number of factors, including the number of property projects we launched during a specific period and the market demand for the property project at the time of pre-sale.

The table below sets forth a breakdown of the selling and distribution costs for the periods indicated:

	Year ended 31 December		
	2012	2013	2014
		RMB'000	
Employee benefit costs	5,182	7,558	9,920
Advertising and promotion expenses	54,429	49,696	55,281
Sales commissions(1)	1,573	16,308	8,715
Renovation expenses	5,693	6,851	3,635
Others(2)	8,506	11,630	9,296
Total	75,383	92,043	86,847

Notes:

(1) Sales commissions represented the commission fees paid to independent sales agents for pre-sale and promotion of our properties (mainly for commercial properties).

(2) Others include office expenses, entertainment, depreciation and amortisation and rental and property management expenses.

Administrative expenses

Administrative expenses comprise primarily employee benefit costs, office and meeting expenses, travelling and vehicle expenses, entertainment expenses and professional fees. The overall fluctuation of administrative expenses during the Track Record Period is generally consistent with the overall expansion of our scale of operations.

The table below sets forth a breakdown of the administrative expenses for the periods indicated:

	Year ended 31 December		
	2012	2013	2014
		RMB'000	
Employee benefit costs	13,529	17,511	33,812
Office and meeting expenses	5,682	6,099	9,528
Travelling and vehicle expenses	2,167	3,443	7,326
Entertainment expenses	3,856	6,644	10,695
Professional fees	3,687	12,599	11,262
Depreciation and amortization	1,396	3,241	2,970
Others[(1)]	9,630	9,678	18,380
Total	39,947	59,215	93,973

Note:

(1) Others primarily include urban land use tax (城鎮土地使用稅), stamp tax, recruitment expenses, offices leasing expenses, property management fees and others.

Other expenses

Other expenses comprise primarily provision for loss contracts, penalties in relation to tax non-compliances and bad debt provision for trade receivables. The table below sets forth a breakdown of the administrative expenses for the periods indicated:

	Year ended 31 December		
	2012	2013	2014
		RMB'000	
Provision for loss contracts	66,866	5,610	9,838
Penalty	8,166	217	29
Bad debt for trade receivables	—	1,430	—
Others[(1)]	9,172	5,154	1,382
Total	84,204	12,411	11,249

Note:

(1) Others primarily include extraordinary expenses resulting from fire incidents, common problems of housing quality, labour tax and personal salary income tax we paid for former employees, losses on disposal of fixed assets, bank charge and donation.

According to the Management Agreements we entered into with the third party purchasers of commercial properties at the Construction Materials Trading Centre in Xinming International Household Products Mall and Wenshang Times • Xinming Household Decorations and Fittings City, we are required to pay agreed fees to the third party purchasers for certain years over the term of the Management Agreement as leasing expenses. The unavoidable costs of meeting the obligations have exceeded the economic benefits expected to be received as at 31 December 2012, 2013 and 2014. Provisions have been made for these onerous contracts based on the estimated minimum net cost of exiting from the contracts. For more details, please refer to the paragraph headed "Description of certain key items affecting our consolidated statements of financial position — Provisions" in this section.

In 2012, we paid penalties of RMB8.2 million to relevant government authorities for certain tax non-compliances. For more details, please see the section headed "Business — Regulatory Compliance — Non-Compliance Record — (B) Other historical non-compliance incidents" in this prospectus.

In 2013, considering the operating situations of certain tenants of the commercial properties within Construction Materials Trading Centre of Xinming International Household Products Mall and the recoverability of such outstanding rental receivables, we made provisions for potential losses of RMB1.4 million.

Change in fair value of investment properties

Change in fair value of investment properties represents unrealised capital gains in the estimated fair value of our investment properties at the relevant reporting date and do not constitute profit generated from our operations. We recognised changes in the fair value of our investment properties, including investment properties under construction and completed properties, on our consolidated statements of profit or loss and other comprehensive income, unless their fair value cannot be reliably determined at that time. The valuation of our investment properties was based on the valuation conducted by a third party professional valuer and the valuation report is set out in Appendix III to this prospectus. During the Track Record Period, the increase in the fair value of our investment properties accounted for 32.4%, 39.7% and 2.9%, respectively, of our profit before tax in 2012, 2013 and 2014.

The table below sets forth a breakdown of the net change in fair value of investment properties by projects for the periods indicated:

	Year ended 31 December		
	2012	2013	2014
		RMB'000	
Wenshang Times • Red Star Macalline Household Products Market	139,933	172,536	10,635
Red Star Macalline Household Products Mall	39,693	10,907	5,614
Xinming International Logistic Centre	833	3,359	615
	180,459	186,802	16,864

Finance costs

Finance costs primarily consist of interest expenses on borrowings less interest expenses capitalised relating to properties under development to the extent that such costs are directly attributable to the acquisition and construction of a project or project phase. The capitalisation of borrowing costs relating to property under development commences when the construction of a real estate property starts and ceases when the construction work is completed. Since the construction period of a property development project is not always consistent with the bank loan borrowing period, not all the interest expense related to a project can be capitalised. As a result, the finance costs fluctuate from period to period depending on the level of outstanding indebtedness and the interest rates on such indebtedness, as well as the amount of capitalised borrowing costs, and the timing of the capitalisation of such costs, within the reporting period.

The table below sets forth a breakdown of the finance costs for the periods indicated:

	Year ended 31 December		
	2012	2013	2014
		RMB'000	
Interest on bank loans and other borrowings	72,303	85,143	108,469
Notional interest	—	4,279	3,021
Less: Interest capitalised	(70,670)	(85,143)	(108,469)
	1,633	4,279	3,021

Income tax expense

Our income tax expense primarily consists of PRC corporate income tax expense and LAT arising from our PRC subsidiaries. For the three years ended 31 December 2012, 2013 and 2014, our effective income tax rate was 53.8%, 46.4% and 46.0%, respectively. As at the Latest Practicable Date, we made provisions for paying all relevant taxes and did not have any disputes or unresolved issues with the relevant tax authorities.

The table below sets forth a breakdown of the income tax expense for the periods indicated:

	Year ended 31 December		
	2012	2013	2014
		RMB'000	
Current tax:			
Income tax in the PRC for the year	119,527	96,809	93,412
LAT	196,165	129,478	146,347
Deferred tax	(15,422)	(7,980)	25,042
	300,270	218,307	264,801

We are subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of our Group are domiciled and operated.

Cayman and BVI Tax

Pursuant to the rules and regulations of the Cayman Islands and BVI, our Group is not subject to any income tax in the Cayman Islands and BVI.

Hong Kong Profits Tax

Our Group's subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at a rate of 16.5%, but our Group's subsidiary incorporated in Hong Kong is not liable for profits tax as it did not have any assessable income currently arising in Hong Kong during the Track Record Period.

PRC Corporate Income Tax

The provision for China current Corporate Income Tax is based on the statutory rate of 25% of the assessable profit of the PRC subsidiaries of our Group.

Land Appreciation Tax ("LAT")

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

Our Group has estimated and made tax provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated. We prepay 1.0% to 5.0% of the sales and pre-sale proceeds each year as required by the local tax authorities in accordance with prevailing market practice which varies with locality and property type. During the three years ended 31 December 2012, 2013 and 2014, we incurred LAT of RMB196.2 million, RMB129.5 million and RMB146.3 million, respectively.

RESULT OF OPERATIONS

Our consolidated statements of profit or loss and other comprehensive income for the years indicated is set out below:

	Year ended 31 December		
	2012	2013	2014
		RMB'000	
Revenue	1,045,835	810,646	2,135,612
Cost of sales	(470,944)	(361,364)	(1,384,347)
Gross profit	574,891	449,282	751,265
Other income and gains	3,615	1,996	2,797
Selling and distribution costs	(75,383)	(92,043)	(86,847)
Administrative expenses	(39,947)	(59,215)	(93,973)
Other expenses	(84,204)	(12,411)	(11,249)
Changes in fair value of investment properties	180,459	186,802	16,864
Finance costs	(1,633)	(4,279)	(3,021)
Profit before tax	557,798	470,132	575,836
Income tax expense	(300,270)	(218,307)	(264,801)
Profit after tax and total comprehensive income for the year	257,528	251,825	311,035
Attributable to:			
Owners of the parent	207,772	262,292	330,179
Non-controlling interests	49,756	(10,467)	(19,144)
	257,528	251,825	311,035

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATION

Year ended 31 December 2014 compared to year ended 31 December 2013

Revenue

Our revenue increased by RMB1,325.0 million, or 163.5%, to RMB2,135.6 million in 2014 from RMB810.6 million in 2013, which was mainly due to the increase in our sales of properties and rental income.

Revenue from the sales of residential properties increased by 150.4% to RMB1,895.6 million in 2014 from RMB757.0 million in 2013, primarily due to an increase in total GFA we delivered, partially offset by a decrease in the average selling price. A total areas of 207,241 sq.m. of residential properties in Taizhou Xinming Peninsular Phase 2 Stage 2, Xinming Lijiang Garden and Wenshang Times • Xinming Apartment were delivered in 2014, while a total areas of 54,746 sq.m. of residential properties in Taizhou Xinming Peninsular Phase 2 Stage 1 and Phase 2 Stage 2 were delivered in 2013. The average selling price of our residential properties decreased from RMB13,827 in 2013 to RMB9,147 in 2014, primarily due to the following two reasons: (i) part of residential properties of Taizhou Xinming Peninsular Phase 2 Stage 1 we delivered in 2013 was townhouses, while all the residential properties we delivered in 2014 were apartments and retail shops on the street-level; and (ii) the average selling prices of apartments and retail shops within Xinming Lijiang Garden and Wenshang Times • Xinming Apartment are lower than that of Taizhou Xinming Peninsular Phase 2 primarily attributable to the less favorable geographic locations.

The delivery of one of our commercial properties, namely Wenshang Times • Xinming Household Decorations and Fittings City, in 2014 contributed a revenue of RMB111.5 million to our Group, while no commercial property was delivered in 2013.

Rental income increased by RMB37.6 million, or 130.1%, to RMB66.5 million in 2014 from RMB28.9 million in 2013, mainly due to (i) the commencement of the lease of Wenshang Times • Red Star Macalline Household Products Market since the end of 2013, which contributed rental income of RMB30.1 million in 2014; and (ii) the increased occupancy rate of Construction Materials Trading Centre of Xinming International Household Product Mall.

Property management income increased by RMB7.7 million, or 70.6%, to RMB18.6 million in 2014 from RMB10.9 million in 2013, primarily due to the increase in the number of properties that we provided management service with the further delivery of Taizhou Xinming Peninsular Phase 2 Stage 2 and the completion and delivery of Xinming Lijiang Garden and Wenshang Times • Xinming Apartment in 2014.

Cost of sales

Our cost of sales increased by RMB1,022.9 million, or 283.0%, to RMB1,384.3 million in 2014 from RMB361.4 million in 2013, primarily due to the increase in the cost of properties sold as a result of the increased GFA we delivered in 2014.

Gross profit

As a result of the foregoing, our gross profit increased by RMB302.0 million, or 67.2%, to RMB751.3 million in 2014 from RMB449.3 million in 2013, while our gross profit margin decreased from 55.4% to 35.2% during the same period.

Other income and gains

Other income and gains increased by RMB0.8 million, or 40.0%, to RMB2.8 million in 2014 from RMB2.0 million in 2013, primarily due to an increase of government grants of RMB1.6 million for our tax contribution in 2013, partially offset by (i) a decrease in our bank interest income of RMB0.5 million; and (ii) a decrease in our interest income arising from a trust product of RMB0.3 million as a result of its expiration in January 2014.

Selling and distribution costs

Selling and distribution costs decreased by RMB5.2 million, or 5.7%, to RMB86.8 million in 2014 from RMB92.0 million in 2013. The decrease was primarily due to the decreases in sales commissions and renovation expenses of RMB10.8 million as less third parties sales agents were engaged to promote our projects and less projects exhibition hall were renovated in 2014, which was partially offset by (i) an increase in advertising and promotion expenses of RMB5.6 million mainly in relation to the promotion activities of Xingmeng International Commercial City and Shanghai Xinming • Children's World in 2014; and (ii) an increase in employee benefit costs.

Administrative expenses

Administrative expenses increased by RMB34.8 million, or 58.8%, to RMB94.0 million in 2014 from RMB59.2 million in 2013. The increase in administrative expenses was primarily due to (i) an increase in employee benefit costs of RMB16.3 million primarily driven by the increase in the number of management staff for the commencement of construction of Chongqing Xinming • China South-western City Phase 1 in October 2013 and the establishment of Hangzhou Xinming in March 2014 as well as the acquisition of Shandong Xingmeng in October 2013; (ii) a combined increase of RMB11.4 million in office and meeting expenses, travelling and vehicle expenses and entertainment expenses as a result of the expansion of our business; and (iii) an increase in others of RMB8.7 million primarily due to the increase in real estate tax caused by the lease of Wenshang Times • Red Star Macalline Household Products Market in 2014.

Other expenses

Other expenses decreased by RMB1.2 million, or 9.7%, to RMB11.2 million in 2014 from RMB12.4 million in 2013. The decrease was mainly due to the compensation of RMB3.7 million paid to customers for returned properties in 2013, which did not recur in 2014, partially offset by the increase in the provision made for these onerous contracts, which was primarily caused by the provision of RMB7.7 million made on the onerous contracts for Wenshang Times • Xinming Household Decorations and Fittings City as a result of the low occupancy rate as at 31 December 2014.

Change in fair value of investment properties

The change in fair value of investment properties amounted to RMB16.9 million in 2014 and RMB186.8 million in 2013, respectively.

Finance costs

In 2013 and 2014, all interest on bank loans and other borrowings was capitalised as part of our properties. Our finance costs decreased from RMB4.3 million in 2013 to RMB3.0 million in 2014 mainly due to the decrease in our notional interest.

Income tax expense

Income tax expense increased by RMB46.5 million, or 21.3%, to RMB264.8 million in 2014 from RMB218.3 million in 2013, which was mainly due to (i) a deferred tax expense of RMB25.0 million; and (ii) an increase in LAT of RMB16.9 million as a result of more GFA delivered in 2014 as compared to 2013.

The effective income tax rate remained relatively stable between 2013 and 2014 at 46.4% and 46.0%, respectively.

Profit for the year

As a result of the foregoing, our profit for the period increased by RMB59.2 million, or 23.5%, to RMB311.0 million in 2014 from RMB251.8 million in 2013.

Year ended 31 December 2013 compared to year ended 31 December 2012

Revenue

Our revenue decreased by RMB235.2 million, or 22.5%, to RMB810.6 million in 2013 from RMB1,045.8 million in 2012, which was primarily due to the decreases in our sales of properties and rental income.

Revenue from the sales of properties decreased by 22.8% to RMB770.9 million in 2013 from RMB998.7 million in 2012 mainly due to a decrease in total GFA of residential properties we delivered. In 2012, a substantial portion of residential properties within Taizhou Xinming Peninsular Phase 2 Stage 1 and part of the remaining units of Taizhou Xinming Peninsular Phase 1 were delivered with a total areas of 69,197 sq.m., while part of residential properties within Taizhou Xinming Peninsular Phase 2 Stage 2 and Taizhou Xinming Peninsular Phase 2 Stage 1 were delivered with a total areas of 54,746 sq.m. in 2013.

Rental income decreased by RMB8.6 million, or 23.0%, to RMB28.9 million in 2013 from RMB37.5 million in 2012 primarily due to a decrease in the occupancy rate of Construction Materials Trading Centre in Xinming International Household Products Mall in 2013.

Property management income increased by RMB1.2 million, or 12.1%, to RMB10.9 million in 2013 from RMB9.7 million in 2012, primarily due to an increase in the number of properties projects and project phases that we provided management service from 5 to 6 during the same period.

Cost of sales

Our cost of sales decreased by RMB109.5 million, or 23.3%, to RMB361.4 million in 2013 from RMB470.9 million in 2012, which was generally in line with the decrease in our revenue during the same period.

Gross profit

Gross profit decreased by RMB125.6 million, or 21.8%, to RMB449.3 million in 2013 from RMB574.9 million in 2012, and our gross profit margin remained stable around 55.0% in both 2012 and 2013.

Other income and gains

Other income and gains decreased by RMB1.6 million, or 44.8%, to RMB2.0 million in 2013 from RMB3.6 million in 2012 primarily due to (i) a decrease in our bank interest income of RMB0.6 million in 2013; and (ii) the non-refundable deposits paid by our customers forfeited by us of in 2012 due to their defaults in entering into formal sale and purchase agreement, which did not recur in 2013.

Selling and Distribution Costs

Selling and distribution costs increased by RMB16.7 million, or 22.1%, to RMB92.0 million in 2013 from RMB75.4 million in 2012. The increase in selling and distribution costs was primarily due to an increase in sales commissions as a result of the commencement of pre-sale of Wenshang Time • Xinming Household Decorations and Fittings City since October 2012, partially offset by the decrease in advertising and promotion expenses in 2013 following the higher advertising and marketing costs we incurred in 2012.

Administrative expenses

Administrative expenses increased by RMB19.3 million, or 48.4%, to RMB59.2 million in 2013 from RMB39.9 million in 2012. The increase in administrative expenses was primarily due to (i) an increase in professional fees of RMB8.9 million primarily as a result of preparation for the Listing; (ii) an increase in employee benefit costs of RMB4.0 million, or 29.4%, resulting from an increase in management performance bonus of RMB2.2 million, which was based on the pre-sale amount of each projects during the year; besides, an increase in the number of management staff for the commencement of construction and pre-sale of Chongqing Xinming • China South-western City Phase

1 in 2013 and the commencement of construction of Shanghai Xinming • Children's World in September 2013, also contributed to the overall increase of employee benefit costs; and (iii) an increase of RMB2.8 million in entertainment expenses resulting from our business expansion in 2013.

Other expenses

Other expenses decreased by RMB71.8 million, or 85.3%, to RMB12.4 million in 2013 from RMB84.2 million in 2012. The decrease was mainly due to the combined effects of (i) a significant decrease of RMB61.3 million in provision for onerous contracts; and (ii) a decrease in tax penalties of RMB7.9 million. For more details of the provision for onerous contracts, please refer to the section headed "Description of certain key items affecting our consolidated statement of financial position — Provision" in this prospectus.

Change in fair value of investment properties

The change in fair value of investment properties amounted to RMB180.5 million in 2012 and RMB186.8 million in 2013, primarily attributed to the additions in construction costs and completion of Wenshang Times • Red Star Macalline Household Products Market in November 2013.

Finance costs

Finance costs increased by RMB2.7 million, or 168.8%, to RMB4.3 million in 2013 from RMB1.6 million in 2012. The increase was primarily due to higher interest expenses as a result of an increase in borrowings to finance our property development activities as well as the notional interest, which was partially offset by an increase in interest capitalised for properties under development for sale.

Income tax expense

Income tax expense decreased by RMB82.0 million, or 27.3%, to RMB218.3 million in 2013 from RMB300.3 million in 2012, which was resulted from the combined effects of (i) a decrease in current PRC corporate income tax of RMB22.7 million which was in line with the decrease in revenue and profit before tax; and (ii) a decrease in LAT of RMB66.7 million as a result of less GFA delivered in 2013 compared to 2012.

The effective income tax rate decreased to 46.4% in 2013 from 53.8% in 2012, primarily due to more LAT was provided and prepaid in 2012 as a result of more delivery of our properties as well as a higher LAT rate applied.

Profit for the year

As a result of the foregoing, our profit for the year decreased by RMB5.7 million, or 2.2%, to RMB251.8 million in 2013 from RMB257.5 million in 2012.

CONSOLIDATED STATEMENTS OF OUR FINANCIAL POSITION

	As at 31 December		
	2012	2013	2014
		RMB'000	
Non-current Assets			
Property, plant and equipment	14,800	19,728	16,377
Investment properties	1,504,423	1,815,824	1,832,688
Deferred tax assets	32,595	66,801	110,022
Available-for-sale financial investments	3,000	—	—
	1,554,818	1,902,353	1,959,087
Current Assets			
Properties under development	1,877,546	2,466,339	1,664,186
Completed properties held for sale	182,048	500,009	1,079,644
Equity investments at fair value through profit or loss	894	—	—
Available-for-sale financial investments	—	3,000	—
Trade receivables	7,855	—	5,097
Due from the Controlling Shareholder	48,171	23,207	4,042
Due from other related parties	1,370,538	686,906	3,492
Prepayments, deposits and other receivables	182,363	546,305	725,967
Tax recoverable	121,189	111,907	52,338
Restricted deposits	28,976	10,584	18,401
Cash and cash equivalents	131,155	161,412	40,301
	3,950,735	4,509,669	3,593,468
Current Liabilities			
Trade payables	347,250	356,608	695,432
Other payables and accruals	327,212	467,100	324,700
Advances from customers	1,776,301	2,715,484	1,083,369
Due to other related parties	10,785	7,241	256,769
Interest-bearing bank loans and other borrowings	402,000	450,000	85,000
Provisions	28,778	31,867	21,149
Tax payable	506,928	505,859	598,671
	3,399,254	4,534,159	3,065,090
Net Current Assets / (Liabilities)	551,481	(24,490)	528,378
Total Assets less current liabilities	2,106,299	1,877,863	2,487,465

	As at 31 December		
	2012	2013	2014
		RMB'000	
Non-current Liabilities			
Interest-bearing bank loans and other borrowings	778,842	415,000	1,315,000
Provisions	38,088	14,269	3,161
Other liabilities	69,366	55,022	296
Deferred tax liabilities	133,779	159,845	228,108
	1,020,075	644,136	1,546,565
Net Assets	1,086,224	1,233,727	940,900
Equity			
Equity attributable to owners of the parent			
Issued capital	—	—	—
Reserves	1,043,297	1,169,699	896,016
	1,043,297	1,169,699	896,016
Non-controlling interests	42,927	64,028	44,884
Total Equity	1,086,224	1,233,727	940,900

DESCRIPTION OF CERTAIN KEY ITEMS AFFECTING OUR CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Investment properties

Our investment properties include (i) completed properties held to earn rental income and/or for capital appreciation, but not for our own occupation or sale in the ordinary course of business; and (ii) investment properties under development. As at 31 December 2012, 2013 and 2014, the fair value of our investment properties was RMB1,504.4 million, RMB1,815.8 million and RMB1,832.7 million, respectively. The tables below sets forth the fair value of our investment properties by project as at the dates indicated:

	As at 31 December					
	2012		2013		2014	
	GFA	Fair Value	GFA	Fair Value	GFA	Fair Value
	Sq.m.	RMB'000	Sq.m.	RMB'000	Sq.m.	RMB'000
Wenshang Times • Red Star Macalline Household Products Market[(1)(2)]	—	543,330	67,239	840,465	67,239	851,100
Red Star Macalline Household Products Mall[(2)]	101,163	916,653	101,163	927,560	101,163	933,174
Xinming International Logistic Centre[(2)]	20,862	44,440	20,862	47,799	20,862	48,414
	122,025	1,504,423	189,264	1,815,824	189,264	1,832,688

Notes:

(1) As at 31 December 2012, Wenshang Times • Red Star Macalline Household products was under development, for which, we adopted the direct comparison approach by making reference to comparable sales evidence as available in the relevant market and have also taken into account the accrued construction cost and professional fees relevant to the stage of construction as at the valuation date and the remainder of the cost and fees expected to be incurred for completing the development.

(2) Wenshang Times • Red Star Macalline Household Products Market was completed as at 31 December 2013 and 2014, and Red Star Macalline Household Products Mall and Xinming International Logistic Centre was completed as at three valuation dates (31 December 2012, 2013 and 2014). We adopted the income approach for the valuation of our completed investment properties by taking into account the net rental income of the property derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which has been then capitalised to determine the market value at an appropriate capitalisation rate.

The table below sets forth the movements in the fair value of our investment properties for the periods indicated:

	Construction completed	Under construction	Total
		RMB'000	
At 1 January 2012	920,567	293,000	1,213,567
- Additions	—	110,397	110,397
- Change in fair value of investment properties	40,526	139,933	180,459
At 31 December 2012 and 1 January 2013	961,093	543,330	1,504,423
- Additions	—	124,599	124,599
- Transfer	667,929	(667,929)	—
- Change in fair value of investment properties	186,802	—	186,802
At 31 December 2013 and 1 January 2014	1,815,824	—	1,815,824
- Change in fair value of investment properties	16,864	—	16,864
At 31 December 2014 and 1 January 2015	1,832,688	—	1,832,688

Our investment properties demonstrated a continuous increasing trend during the Track Record Period. Our investment properties increased by 20.7% to RMB1,815.8 million as at 31 December 2013 from RMB1,504.4 million as at 31 December 2012, which was primarily contributed by the additions of RMB124.6 million in construction costs and an increase in fair value of RMB172.5 million in relation to Wenshang Times • Red Star Macalline Household products Markets, which was completed construction and transferred to completed investment properties by the end of 2013. Our investment properties further increased to RMB1,832.7 million as at 31 December 2014 primarily due to the increase in the fair value of our investment properties in 2014.

As at 31 December 2012, 2013 and 2014, our investment properties with carrying values of RMB1,504.4 million, RMB1,768.0 million and RMB1,832.7 million, respectively, were pledged to secure interest-bearing bank loans and other borrowings granted to us.

Properties under development

As at 31 December 2012, 2013 and 2014, we had properties under development of RMB1,877.5 million, RMB2,466.3 million and RMB1,664.2 million, respectively. The following table sets forth a breakdown of the carrying amount of our properties under development by projects as at the dates indicated:

	As at 31 December		
	2012	2013	2014
		RMB'000	
Residential			
Taizhou Xinming Peninsula Phase 2 Stage 2	441,141	—	—
Xinming Lijiang Garden	489,885	763,031	—
Wenshang Times • Xinming Apartment	204,820	225,091	—
	1,135,846	988,122	—
Commercial			
Wenshang Times • Xinming Household Decorations and Fittings City	416,384	538,092	—
Shanghai Xinming • Children's World	325,205(1)	421,990	732,954
Chongqing Xinming • China South-western City Phase 1	111(2)	284,901	526,260
Xingmeng International Commercial City	—	233,234	336,007
Hangzhou Xinming • Children's World	—	—	37,608
Commercial Building Project	—	—	31,357(3)
	741,700	1,478,217	1,664,186
Total	1,877,546	2,466,339	1,664,186

Notes:

(1) Primarily representing land acquisition cost and design fee.

(2) Representing land trading service fee.

(3) Representing the remaining land acquisition costs for the parcel of land on which three of our projects, namely Xinming Lijiang Garden, Xinming International Household Products Mall and Commercial Building Project, were developed/or to be developed on, corresponding to the land acquisition of costs of Commercial Building Project as at 31 December 2014.

The carrying amount of our properties under development during the Track Record Period is affected by the timing of commencement of construction and project completion. Completed and undelivered properties are transferred from properties under development to completed properties held for sale.

Our properties under development increased from RMB1,877.5 million as at 31 December 2012 to RMB2,466.3 million as at 31 December 2013, primarily due to (i) the acquisition of Shandong Xingmeng, the project company of Xingmeng International Commercial City, which commenced the construction of Xingmeng International Commercial City in March 2013; (ii) the increase in the construction progress of our projects, including Xinming Lijiang Garden, Wenshang Times • Xinming Apartment and Wenshang Times • Xinming Household Decorations and Fittings City; and (iii) the commencement of the construction of Shanghai Xinming • Children's City in September 2013 and Chongqing Xinming • China South-western City Phase 1 in October 2013, partially offset by the completion and transfer of Taizhou Xinming Peninsula Phase 2 Stage 2 in December 2013. Our properties under development then decreased to RMB1,664.2 million as at 31 December 2014, primarily due to the completion and transfer of Xinming Lijiang Garden, Wenshang Times • Xinming Household Decorations and Fittings City and Wenshang Times • Xinming Apartment in November 2014, partially offset by the further construction of Shanghai Xinming • Children's City, Chongqing Xinming • China South-western City Phase 1 and Xingmeng International Commercial City.

Our properties under development with carrying values of RMB1,559.3 million, RMB1,181.8 million and RMB1,056.3 million as at 31 December 2012, 2013 and 2014, respectively, were pledged to secure interest-bearing bank loans and other borrowings granted to us.

Completed properties held for sale

Completed properties held for sale represent completed properties remaining unsold as at the end of each reporting period and are included in our consolidated statements of financial position as current assets. The following table sets forth a breakdown of the carrying amount of our completed properties held for sale by project as at the dates indicated:

	As at 31 December		
	2012	2013	2014
		RMB'000	
Residential			
Taizhou Xinming Peninsula Phase 1	11,748	10,921	10,483
Taizhou Xinming Peninsula Phase 2 Stage 1	153,284	3,002	2,787
Taizhou Xinming Peninsula Phase 2 Stage 2	—	469,070	25,688
Xinming Lijiang Garden	—	—	314,909
Wenshang Times • Xinming Apartment	—	—	142,897
Commercial			
Construction Material Trading Centre in Xinming International Household Products Mall	17,016	17,016	17,016
Wenshang Times • Xinming Household Decorations and Fittings City	—	—	565,864
	182,048	500,009	1,079,644

As at 31 December 2013, our completed properties for sale increased to RMB500.0 million from RMB182.0 million as at 31 December 2012 mainly caused by the transfer from properties under development to completed properties held for sale of Taizhou Xinming Peninsula Phase 2 Stage 2, partially offset by the delivery of completed properties of Taizhou Xinming Peninsula Phase 2 Stage 2 & Stage 1 and Taizhou Xinming Peninsula Phase 1. As at 31 December 2014, our completed properties for sale further increased significantly to RMB1,079.6 million, primarily due to the transfer from properties under development to completed properties held for sale of Xinming Lijiang Garden, Wenshang Times • Xinming Household Decorations and Fittings City and Wenshang Times • Xinming Apartment, partially offset by the partial delivery of completed properties of the above projects and Taizhou Xinming Peninsular Phase 2 Stage 2 in 2014.

Trade receivables

We had net trade receivables in the insignificant amounts of RMB7.9 million, nil and RMB5.1 million, respectively, as at 31 December 2012, 2013 and 2014. Our trade receivables primarily represent rentals receivable from tenants and service income receivables from customers. The following is the impairment analysis of our trade receivables as at the dates indicated:

	As at 31 December		
	2012	2013	2014
		RMB'000	
Trade Receivables	7,855	1,430	6,527
Less: Impairment	—	(1,430)	(1,430)
	7,855	—	5,097

As at 31 December 2013 and 2014, the balances of our impairment provision made for trade receivables were both RMB1.4 million, respectively, which was mainly related to irrecoverable amounts in respect of our lease of commercial properties owned by third parties in Construction Materials Trading Centre in Xinming International Household Products Mall.

Trade receivables turnover days were 71 days, 43 days and 17 days, respectively, for the three years ended 31 December 2012, 2013 and 2014. We calculate our trade receivables turnover days by averaging the trade receivables balance as at the beginning and as at the end of a particular year (which are affected by the scale of leasing business and property management services conducted during the relevant period), dividing such average by the revenue derived from rental income and property management income during the year, and multiplying by 365. The longer turnover days in 2012 were mainly due to the defaults in payment of rental fees by our tenants of Construction Materials Trading Centre. The turnover days decreased to 43 days in 2013 from 71 days in 2012 primarily due to our enhanced effort in collection of rental receivables in the second half of 2013 that resulted in a significant decrease in our trade receivables balance as at 31 December 2013. The turnover days of our trade receivables further decreased to 17 days primarily due to the commencement of the lease of Wenshang Times • Red Star Macalline Household Products Market since the end of 2013. In accordance to the terms of the agreement we entered into with the tenants of Wenshang Times • Red Star Macalline Household Products Market, the tenants are required to pay the rental fee in advance.

As at 31 December 2014, the balance of our gross trade receivables were RMB6.5 million, of which RMB5.5 million has been collected during the four months from 1 January 2015 to 30 April 2015.

Due from the Controlling Shareholder

As at 31 December 2012, 2013 and 2014, we had amount due from our Controlling Shareholder, Mr. Chen, of RMB48.2 million, RMB23.2 million and RMB4.0 million, respectively. Amounts due from the Controlling Shareholder represented cash advanced to Mr. Chen, which were non-trade in nature, non-interest bearing and will be fully settled before Listing.

Due from/to other related parties

As at 31 December 2012, 2013 and 2014, we had amounts due from other related parties of RMB1,370.5 million, RMB686.9 million and RMB3.5 million, and amounts due to other related parties of RMB10.8 million, RMB7.2 million and RMB256.8 million, respectively. The following tables set forth a breakdown of our balances with related parties as at the dates indicated:

	As at 31 December		
	2012	2013	2014
		RMB'000	
Due from other related parties			
XG Limited	1,351,908	643,453	—
Zhejiang Tianmao Landscape Engineering Co., Ltd. ("Zhejiang Tianmao")	—	34,490	—
Zhejiang Shunye Trading Co., Ltd. ("Zhejiang Shunye")	10,000	—	—
Hangzhou Taoyuan Shanzhuang Property Development Limited	8,630	8,963	3,492
	1,370,538	686,906	3,492

	As at 31 December		
	2012	2013	2014
		RMB'000	
Due to other related parties			
XG Limited	—	—	215,291
Zhejiang Tianmao.	8,689	—	12,053
Hangzhou Kaijie Decoration Co., Ltd. ("Hangzhou Kaijie")	2,051	7,196	18,452
Zhejiang Shouchuang Industry Co., Ltd. ("Zhejiang Shouchuang")	45	45	9,991
Shanghai Nanshuo Asset Operation and Management Co., Ltd.	—	—	982
	10,785	7,241	256,769

XG Limited

During the Track Record Period, from time to time, we made advances to/or received advances from and received repayments from/or made repayments to XG Limited, a company owned as to 99% by Mr. Chen, our controlling shareholder. In 2012 and 2013, we also received management consulting services from XG Limited of the amount of RMB6.0 million and RMB8.0 million, respectively. As at 31 December 2012 and 2013, the net outstanding balance of our amount due from XG Limited was RMB1,351.9 million and RMB643.5 million, respectively, and as at 31 December 2014, the net outstanding balance of our amount due to XG Limited was RMB215.3 million.

Zhejiang Tianmao

During the Track Record Period, from time to time, we made advances to/or received advances from and received repayments from/or made repayments to Zhejiang Tianmao, a company significantly influenced by Mr. Zheng Xiangtian (鄭翔天), a brother of Mr. Chen. In 2012, 2013 and 2014, we also purchased construction services from Zhejiang Tianmao of the amount of RMB14.8 million, RMB14.2 million and RMB17.2 million, respectively. As at 31 December 2013, the net outstanding balance of our amount due from Zhejiang Tianmao was RMB34.5 million, and as at 31 December 2012 and 2014, the net outstanding balance of our amount due to Zhejiang Tianmao was RMB8.7 million and RMB12.1 million, respectively.

Zhejiang Shouchuang

In 2012, 2013 and 2014, we purchased construction materials from Zhejiang Shouchuang, a company controlled by Mr. Zheng Xiangtian (鄭翔天), a brother of Mr. Chen, of the amount of RMB5.1 million, RMB8.7 million and RMB9.0 million, respectively and as at 31 December 2012, 2013 and 2014, the net outstanding balance of the amount due to Zhejiang Shouchuang was RMB0.05 million, RMB0.05 million and RMB10.0 million, respectively.

Other related parties

As at 31 December 2012, the amount of RMB10.0 million due from Zhejiang Shunye, a company controlled by Ms. Gao Qiaoqin, the spouse of Mr. Chen, was due to the advance we made to Zhejiang Shunye, which was fully settled in 2013. During the Track Record Period, the amounts due to Hangzhou Kaijie, a company significantly influenced by Mr. Zheng Xiangtian (鄭翔天), a brother of Mr. Chen, was primarily due to the construction services provided by Hangzhou Kaijie.

Such amounts due from/to related parties were interest-free, unsecured and had no fixed term of repayment. All such amounts due from/to related parties which were non-trade in nature are expected to be fully settled before the Listing. According to relevant PRC laws and regulations, such cash non-trade advances from/to related parties (inter-company loans) may be ruled to be invalid by the court of PRC. For the legal consequences, potential maximum penalties and other financial liabilities, rectification actions taken and current status of the inter-company loans, please refer to the section headed "Business — Regulatory Compliance — Non-Compliance Record — (B) Other historical non-compliance incidents" in this prospectus.

Prepayments, deposits and other receivables

We had total prepayments, deposits and other receivables of RMB182.4 million, RMB546.3 million and RMB726.0 million, respectively, as at 31 December 2012, 2013 and 2014. The table below sets out a breakdown of our prepayments, deposits and other receivables as at the dates indicated:

	As at 31 December		
	2012	2013	2014
		RMB'000	
Prepayments (Note)	4,548	7,190	11,047
Other tax recoverable	101,929	155,914	64,153
Deposits	21,543	293,752	4,496
Prepayment for land use right	—	16,458	598,851
Other receivables	54,343	72,991	47,420
	182,363	546,305	725,967

Note: Prepayments mainly represent prepaid projects construction costs.

Other tax recoverable primarily represents business tax and other relevant surcharges, including urban construction tax, education fee surcharges and water conservancy fund, prepaid to the tax authorities on pre-sale of our property projects. The fluctuation of the other tax recoverable was general in line with the fluctuation of the advances from customers in the Track Record Period.

Our deposits mainly comprise tender deposits for bidding of land use rights and deposit paid for construction. Our deposit increased significantly to RMB293.8 million as at 31 December 2013 from RMB21.5 million as at 31 December 2012, primarily due to the deposit of RMB210.0 million for bidding land use right in respect of a parcel of land with a site area of 30,449 sq.m. in Hangzhou Xinming • Children's World. We entered into the land grant contract in December 2013 and paid the land premium of RMB162.5 million in January 2014, which together with the tender deposit RMB210.0 million, accounted for 50% of the total land premium of RMB745.0 million. In August 2014, a further land premium of RMB149.0 million was paid for the parcel of land in Hangzhou Xinming • Children's World. As a result, the balance of our deposits decreased to RMB4.5 million and the balance of our prepayment for land use right increased significantly to RMB598.8 million as at 31 December 2014.

Other receivables mainly comprise advances to third parties and maintenance funds paid to relevant authorities when the construction of a property is completed, which will be received from the customers of our properties. During the Track Record Period, from time to time, we made advances to and received repayments from third parties. The increase in other receivables as at 31 December 2013 primarily due to the increase in maintenance funds we paid resulting from the completion of construction of Taizhou Xinming Peninsular Phase 2 Stage 2. Other receivables balance then decrease by RMB25.6 million from RMB73.0 million as at 31 December 2013 to RMB47.4 million as at 31 December 2014 primarily due to the receipt of the third parties advance in 2014.

All prepayments, deposits and other receivable are unsecured, interest-free and have no fixed term of repayment. According to relevant PRC laws and regulations, such cash advances to third parties (inter-company loans) may be ruled to be invalid by the court of PRC. For the legal consequences, potential maximum penalties and other financial liabilities, rectification actions taken and current status of the inter-company loans, please refer to the section headed "Business — Regulatory Compliance — Non-Compliance Record — (B) Other historical non-compliance incidents" in this prospectus.

Tax recoverable

Tax recoverable represents corporate income tax ("CIT") and LAT prepaid to the tax authorities on pre-sale of our property projects. CIT recoverable is relevant to the profit before tax of the specific period and LAT recoverable is correlated with the advances from customers received during the year. We had tax recoverable in the amount of RMB121.2 million, RMB111.9 million and RMB52.3 million, respectively, as at 31 December 2012, 2013 and 2014. The fluctuation is primarily relevant to the proceeds received from pre-sale of our properties in the Track Record Period.

Trade payables

Trade payables generally consist of construction costs payable to third parties, such as suppliers and contractors. We had trade payables of RMB347.3 million, RMB356.6 million and RMB695.4 million, respectively, as at 31 December 2012, 2013 and 2014. The increase in our trade payables was generally in line with the overall expansion of our property development operations during the Track Record Period.

The following is an aging analysis of our trade payables as at the dates indicated:

	As at 31 December		
	2012	2013	2014
		RMB'000	
Within one year	340,516	346,884	684,526
Over 1 year	6,734	9,724	10,906
	347,250	356,608	695,432

Our trade payables turnover days were 326 days, 545 days and 199 days in 2012, 2013 and 2014, respectively. We calculate our trade payables turnover days by averaging the trade payables balance as at the beginning and as at the end of a particular year (which are affected by the scale of and construction cost incurred for our property development activities conducted during the relevant period), dividing such average by our cost of sales, excluding land acquisition costs and capitalised borrowing costs, for the particular year (which is affected by our properties completed and delivered during the period), and multiplying by 365. Our trade payables turnover days are around one to two years, which was generally consistent with our property development period for a specific project.

In general, there is a time difference between our cost incurred and cost charged to the profit or loss. We do not recognise any cost of properties sold until such properties are completed and the possession of such properties have been delivered to the customers. Construction costs incurred for property development are recorded as "properties under development" before relevant costs are charged to the profit or loss. The timing of such delivery may affect the amount of our cost of properties sold, which would cause the fluctuation in our trade payables turnover days from period to period. Our trade payables turnover days increased from 326 days for the year ended 31 December 2012 to 545 days for the year ended 31 December 2013 primarily due to higher construction costs incurred as a result of the large scale of our development activities conducted during this year. Our trade payable days then decrease to 199 days for the year ended 31 December 2014, primarily attributable to the massive delivery of properties in 2014, which resulted in a significant increase in the recognition of our construction costs during the same period.

As at 31 December 2014, the balance of our trade payables were RMB695.4 million, of which RMB213.2 million has been paid during the four months from 1 January 2015 to 30 April 2015.

Other payables and accruals

We had total other payables and accruals of RMB327.2 million, RMB467.1 million and RMB324.7 million, respectively, as at 31 December 2012, 2013 and 2014. The table below sets out a breakdown of our other payables and accruals as at the dates indicated:

	As at 31 December		
	2012	2013	2014
		RMB'000	
Payables to third parties	181,570	134,346	86,731
Deposits related to construction	42,143	75,000	42,435
Deposits related to sales of properties	47,869	47,556	9,129
Rental payables	—	43,027	7,483
Payroll and welfare payable	18,956	25,895	32,994
Other payables and accruals	12,746	122,992	122,101
Business tax and surcharges	13,884	14,339	18,414
Others	10,044	3,945	5,413
	327,212	467,100	324,700

As at 31 December 2012, our payables to third parties primarily represented the cash advances we received from the non-controlling shareholders of Chongqing Xinming to support its properties development, which were fully settled in 2013. In 2013, we received cash advances of RMB37.3 million from non-controlling shareholders of Shandong Xingmeng to support its properties development. We also received advances of RMB97.0 million from other three third parties in 2013. As a result, our payables to third parties amounted to RMB134.3 million as at 31 December 2013. The balance of payables to third parties decreased to RMB86.7 million as at 31 December 2014 primarily due to the repayments we made to third parties in 2014.

For the legal consequences, potential maximum penalties and other financial liabilities, rectification actions taken and current status of the inter-company loans, please refer to the section headed "Business — Regulatory Compliance — Non-Compliance Record — (B) Other historical non-compliance incidents" in this prospectus.

Deposit related to construction represents the construction deposits paid by each project development contractors to our Group for the quality and safety warranty during the period of project construction, and reverted to contractors according to each stage of project was qualified acceptance. The amount of construction deposits for each project was specifically negotiated with each contractor. The fluctuation of the construction deposits balance during the Track Record Period was primarily relevant to the scale and number of projects under construction in the specific period as well as the construction progress of each project.

Deposits related to sales of properties represent deposit received from purchasers before formal sales contracts signed or mortgage loan approved. As at 31 December 2012, our deposits related to sales of properties amounted to RMB47.9 million, which was primarily resulted from the pre-sale of Xinming Lijiang Garden in the second half of 2012. As at December 2013, our deposits related to sales of properties primarily represented customer deposits received in relation to Chongqing Xinming • China South-western City Phase I. Our deposits related to sales of properties decreased significantly to RMB9.1 million as at 31 December 2014 mainly due to less commencement of pre-sale of our projects at the end of 2014.

Rental payables represented the agreed fees that are payable to the third party purchasers (the "Property Buyers") of the leasing commercial properties within the Construction Materials Trading Centre (建材中心) in Xinming International Household Products Mall and Wenshang Times • Xinming Household Decorations and Fittings City. We have entered into the Management Agreements with the Property Buyers to manage and control the leasing of such properties for a leasing period of five or ten years, under which we are required to pay the Property Buyers agreed fees during the contract period of the Management Agreements. Such payables were included in other payable under current liabilities and other liabilities under non-current liabilities in our consolidated statements of financial position. For further details of the terms of Management Agreements, please refer to the section headed "Business — Property leasing — Leasing of properties owned by third party purchasers of our commercial properties" in this prospectus. The significant decrease in rental payable of RMB35.5 million from RMB43.0 million as at 31 December 2013 to RMB7.5 million as at 31 December 2014, primarily due to the payment of agreed fees of the fourth year to the third party owners in relation to Construction Material Trading Centre (建材中心) in Xinming International Household Products Mall in 2014.

Payroll and welfare payable mainly represent our accrued salary and social security insurance for our staff. The fluctuation of payroll balance was primarily relevant to the increased number and average salary of our staff as well as the overall performance of our Group in the Track Record Period.

Other payables and accruals mainly consist of accrued advertisement expenses, professional fees related to the Global Offering incurred and others. We had other payables and accruals balance of RMB12.7 million, RMB123.0 million and RMB122.1 million, respectively, as at 31 December 2012, 2013 and 2014. The significant increase in other payables and accruals balance to RMB123.0 million as at 31 December 2013 from RMB12.7 million as at 31 December 2012, was primarily due to theamount of RMB90.0 million transferred from the People's government of Tengzhou to Shandong Xingmeng, which will be paid to the affected residents of the land parcels to be developed by us in Tengzhou for the construction of resettlement housing. Please refer to the section head "Business — Potential Development Projects — Parcels of land neighboring Xingmeng International Commercial City in Tengzhou" in this prospectus for further details.

All other payables and accruals are unsecured, interest-free and have no fixed term of repayment.

Advances from customers

We commence the sales of our properties and collection of proceeds from customers before the properties are completed for delivery, which is known as pre-sale. Such proceeds from customers are recorded as advances from customers before the relevant sales are recognised as revenue. Advances from customers are non-interest-bearing. We had our advances from customers of RMB1,776.3 million, RMB2,715.5 million and RMB1,083.4 million, respectively, as at 31 December 2012, 2013 and 2014.

Provisions

According to the Management Agreements, we are required to pay agreed fees for certain years of the Management Agreements to the third party purchasers as leasing expenses. We accrue provisions for such onerous contracts based on existing contract terms, expected economic benefits, available knowledge and past experience. The following table sets forth the movements in the provision we made for the Management Agreement as at the dates indicated:

	As at 31 December		
	2012	**2013**	**2014**
		RMB'000	
At 1 January	—	66,866	46,136
Additional provision	66,866	5,610	9,838
Realisation	—	(30,619)	(34,685)
Increase in discounted amounts arising from the passage of time	—	4,279	3,021
At 31 December	66,866	46,136	24,310
Analysed into:			
Current	28,778	31,867	21,149
Non-current	38,088	14,269	3,161

Our management would assess the Management Agreements and the relevant rental contracts entered into between our Group and the third party tenants of the properties owned by third party purchasers of our commercial properties on a regular basis. During which, our management would consider a number of factors including but not limited to (i) the current and expected occupancy rate; (ii) the rental income received and expected to be received in the remaining years of the Management Agreements; (iii) the arrangement of the Management Agreements; and (iv) the overall property market sentiment. When our Group's present value of the estimated future rental income is too low to cover the total agreed fees paid in the remaining periods of the Management Agreements, these Management Agreements would be accounted for as onerous contracts.

For the year ended 31 December 2011, no provision on onerous contracts was made after taking into accounting the followings: (i) satisfactory leasing performance with high occupancy rate at 92.9% in 2011; (ii) the rental income received from relevant rental contracts was more than sufficient to cover the agreed fees payable during the year ended 31 December 2011; (iii) the construction of Construction Materials Trading Centre was completed in 2011 and the development of Construction Materials Trading Centre was at a preliminary stage during the year ended 31 December 2011; (iv) we expected that it would take a period of time for the Construction Materials Trading Centre to establish its reputation and reach a scale in conducting business of a specific theme; and (v) no indicator in the market as at 31 December 2011 which suggested the potential deterioration of leasing performance.

When our Company started negotiating the renewal and the entering into new rental contracts with tenants at the expiry of the initial batch of rental contracts in 2012, our management noted the deterioration in the occupancy rate in the coming years to approximately 70%. Such deterioration was due to the imposition of a series of regulations and policies by the PRC and local governments to slow down the property market as well as to combat property speculation, which then resulted in downward pressure on the PRC property market and reduced transaction volumes in the first quarter of 2012. These measures had a direct adverse impact on the leasing performance of the Construction Materials Trading Centre because the trading business of construction materials was expected to significantly reduce with the slow down of property market. In view of the deterioration of leasing performance, our management decided to provide for the future expected losses for the remaining period of the Management Agreements. A total provision of approximately RMB66.9 million in 2012, which was made based on the difference between (i) the present value of the actual and expected rental income received and expected to be received in the remaining contract term based on the actual situation after the expiry of the initial batch of relevant rental contracts; and (ii) the agreed fees payable incurred and expected to be incurred during the remaining contract term. Since the indicator for the deterioration in the leasing performance was first appeared during the year ended 31 December 2012, most of the provision was recorded as other expenses in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2012.

Although the agreed fees payable under the Management Agreements are fixed, the rental income expected to be received varies because the initial rental contracts entered into with the third party were of one to two year period. Therefore, it would not be possible to quantify exactly the amount of provision to be made throughout the whole contract period of the Management Agreements. At the end of each reporting period, the Management would assess the arrangement according to the actual leasing performance including the occupancy rate and the rental income. Based on the actual loss during the reporting period, the previously estimated provision would be realised by using up the provision on the balance sheet and reflected as realisation of provision as at the end of the reporting period, while the cost of sales would be reduced in the year the provision was realised. Therefore, RMB30.6 million and RMB34.7 million during the year ended 31 December 2013 and 2014 were the expected loss previously made and realised during the year ended 31 December 2013 and 2014, respectively.

The additional provision of RMB5.6 million and RMB9.8 million were made for the year ended 31 December 2013 and 2014 was due to the changes in the part of the rental contracts with third parties such as (i) the expiry of rental contracts during the reporting period, which affected the overall occupancy rate, and (ii) the adjustment of rents at the renewal of rental contracts during the reporting period.

Our Directors are of the opinion that the above treatment and the provision for onerous contracts were not deducted from our revenue but realised against our cost of sales are in compliance with relevant accounting standards based on the following factors:

- the sale and purchase agreements of the relevant properties were not conditional on the execution of the Management Agreements;
- the Property Buyers have the option to choose whether to enter into the relevant Management Agreements;
- the selling prices of the properties sold were comparable to the market value of similar properties;
- the revenue from sales of properties was recorded according to the selling price agreed under the sale and purchase agreement; and
- the poor leasing performance was due to the unexpected introduction of austerity measures imposed by the PRC government to combat the overheating of the property market since 2010.

In the course of forming their opinion on the consolidated financial statements of the Group as a whole, our reporting accountants, Ernst & Young, have performed the necessary work and are of the view that the above accounting treatment are not unreasonable in the context of the consolidated financial statement.

Tax payable

Tax payable consists of CIT and LAT payable to tax authorities at the end of each reporting period. We had total tax payable of RMB506.9 million, RMB505.9 million and RMB598.7 million, respectively, as at 31 December 2012, 2013 and 2014. The table below sets out a breakdown of our tax payable as at the dates indicated:

	As at 31 December		
	2012	2013	2014
	(RMB'000)		
LAT	323,154	402,538	461,443
- related to current year	196,165	129,478	146,347
- related to prior years	126,989	273,060	315,096
CIT	183,774	103,321	137,228
- related to current year	119,527	96,809	93,412
- related to prior years	64,247	6,512	43,816
	506,928	505,859	598,671

During the Track Record Period, LAT payable constitutes a substantial portion of our tax payable. We estimate and make provision for the amount of applicable LAT at the time the relevant property sales revenue is recognised, but actual LAT payment will only be made at the time specified by the relevant PRC tax laws and regulations. LAT payable arises from the time difference between the time we make provision for LAT and the actual settlement of LAT. As at 31 December 2014, the LAT payable accrued in 2014 and prior years amounted to RMB146.3 million and RMB315.1 million, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Source of Liquidity

Substantial capital investments are required in our property development in land acquisition and construction, and it may take many months or years before positive cash flows generated from a project. Till now, we have funded our growth primarily through internally of cash generated from pre-sales of our properties and external financing of loans from bank as well as third parties financial institutions. Our access to capital and cost of financing vary from project to project and are affected by restrictions imposed by the PRC government through regulations and monetary policies. We expect to continue to fund our operations and growth through cash generated from operations and borrowings; furthermore, we intend proceeds from the Global Offering to be one of our primary sources to fund our capital expenditures in the coming periods. Following our Global Offering, we plan to further diversify our financing channels, such as through debt or equity offerings. We expect that more diversified sources of financing will strengthen our financial capability, enable us to consider a wider range of favorable land acquisition opportunities and thus enhance Shareholders' return.

During the Track Record Period, we primarily engaged in pre-sales of our property development projects before completion of construction of the relevant projects. Cash received in such pre-sales was a notable source of our cash inflow during the Track Record Period. Taking into account the financial resources available to our Group, including the internally generated funds, our available credit facilities and the estimated net proceeds from the Global Offering, our Directors are of the view that our working capital is sufficient for our present requirements, that is for at least the next 12 months from the date of this prospectus.

Cash Flows

The table below sets out a selected cash flow data from our consolidated statements of cash flows for the periods indicated:

	Year ended 31 December		
	2012	2013	2014
		RMB'000	
Net cash generated from/(used in) operating activities	206,878	127,695	(935,041)
Net cash (used in)/generated from investing activities	(105,072)	(131,982)	1,954
Net cash (used in)/generated from financing activities	(43,062)	34,544	811,976
Net increase/(decrease) in cash and cash equivalents	58,744	30,257	(121,111)
Cash and cash equivalents at beginning of year	72,411	131,155	161,412
Cash and cash equivalents at end of year	131,155	161,412	40,301

Cash flows from operating activities

Our cash used in operating activities principally comprises payments made in relation to our property development activities and land acquisitions. Our cash generated from operating activities is principally proceeds received from the sales of our properties, rental income, and income from the property management services we provided.

For the year ended 31 December 2014, we had net cash used in operating activities of RMB935.0 million, which primarily comprised (i) a profit for the year of RMB311.0 million adjusted by taxation of RMB264.8 million, (ii) an increase in trade payables of RMB338.8 million and (iv) a decrease in properties under development and completed properties held for sale of RMB331.0 million, partially offset by (i) a decrease in advances from customers of RMB1,632.1 million, (ii) an increase in prepayments, deposits and other receivables of RMB219.4 million, (iii) a decrease in other payables and accruals of RMB139.9 million, and (iv) tax paid of RMB87.4 million. Our net cash used in operating activities in 2014 was primarily due to (i) the construction costs paid to our contractors and suppliers for our projects, such as Taizhou Xinming Peninsular Phase 2 Stage 2, Xinming Lijiang Garden, Wenshang Times • Xinming Apartment and Wenshang Times • Red Star Macalline Household Products Market; and (ii) land acquisition costs paid to local authority for the parcel of land in Hangzhou Xinming • Children's World, partially offset by the pre-sales proceeds received from our projects in 2014.

For the year ended 31 December 2013, we had net cash generated from operating activities of RMB127.7 million, which primarily comprised (i) a profit for the year of RMB251.8 million as adjusted by taxation of RMB218.3 million, (ii) an increase in advances from customers of RMB939.2 million and (iii) an increase in other payables and accruals of RMB34.4 million, partially offset by (i) an increase in properties under development and completed properties held for sale of RMB588.4 million, (ii) an increase in prepayments, deposits and other receivables of RMB340.5 million, (iii) an increase in change in fair value of investment properties of RMB186.8 million, and (iv) tax paid of RMB218.1 million. Our net cash generated from operating activities in 2013 was primarily due to proceeds received from the pre-sales of Xinming Lijiang Garden and Wenshang Times • Xinming Household Decorations and Fittings City, partially offset by cash outflow related with construction costs paid to our contractors and suppliers, land acquisition costs and LAT and CIT paid to relevant tax authorities.

For the year ended 31 December 2012, we had net cash generated from operating activities of RMB206.9 million, which primarily comprised (i) a profit for the year of RMB257.5 million as adjusted by taxation of RMB300.3 million, (ii) an increase in advances from customers of RMB336.0 million, (iii) an increase in trade payables of RMB141.5 million, (iv) a decrease in restricted deposits of RMB130.5 million, and (v) a provision of RMB66.9 million made for onerous operating lease, partially offset by (i) an increase in properties under development and completed properties held for sale of RMB763.8 million, (ii) an increase in change in fair value of investment properties of RMB180.5 million, (iii) tax paid of RMB118.1 million. Our net cash generated from operating activities in 2012 was primarily due to proceeds received from the pre-sale of Taizhou Xinming Peninsular Phase 2 Stage 2 and Xinming Lijiang Garden, partially offset by cash outflow associated with construction costs paid to our contractors and suppliers.

Cash flows from investing activities

Our cash inflows generated from investing activities primarily reflects interest income received from cash at bank and proceeds received from disposal of available-for-sale financial investment. Our cash used in investing activities primarily reflects construction of investment properties, acquisition of subsidiaries and purchases of items of property, plant and equipment.

For the year ended 31 December 2014, we had net cash inflow from investing activities of RMB2.0 million, which primarily consisted of the proceeds received from disposal of available-for-sale investment of RMB3.0 million, partially offset by cash paid for acquisition of property, plant and equipment of RMB1.5 million.

For the year ended 31 December 2013, we had net cash used in investing activities of RMB132.0 million, which primarily consisted of an increase in investment properties of RMB144.6 million, and partially offset by proceed of RMB18.4 million from acquisition of a subsidiary by the then shareholders.

For the year ended 31 December 2012, we had net cash used in investing activities of RMB105.1 million, which primarily consisted of (i) an increase in investment properties of RMB90.4 million, and (ii) cash paid for acquisition of property, plant and equipment of RMB13.2 million.

Cash flows from financing activities

Our cash inflows from financing activities primarily reflect proceeds from new interest-bearing loans and other borrowings, advances from Controlling Shareholders, other related parties and third parties and capital contribution from the then shareholder and non-controlling interest. Our cash outflows from financing activities primarily reflect repayment of interest-bearing loans and other borrowings, interest paid and cash advanced to Controlling Shareholders, related parties and third parties.

For the year ended 31 December 2014, we had net cash generated from financing activities of RMB812.0 million, which primarily composed (i) the proceeds from new interest-bearing bank loans and other borrowings of RMB1,025.0 million, (ii) a decrease in amount due to other related parties of RMB249.5 million, (iii) a decrease in due from other related parties and Controlling Shareholders of RMB98.7 million, and (iv) a decrease in other receivables of RMB39.7 million, partially offset by (i) repayment of interest-bearing loans and other borrowings of RMB490.0 million, and (ii) interest paid of RMB108.5 million.

For the year ended 31 December 2013, we had net cash generated from financing activities of RMB34.5 million, which primarily comprised (i) proceeds from new interest-bearing loans and other borrowings of RMB285.0 million, (ii) the decrease in due from other related parties and Controlling Shareholders of RMB534.3 million, and (iii) capital contribution from non-controlling shareholders of subsidiaries of RMB20.0 million, partially offset by (i) repayment of interest-bearing loans and other borrowings of RMB600.8 million, (ii) a decrease in due to other related parties of RMB67.8 million, (iii) interest paid of RMB85.1 million, and (iv) a decrease in other payables of RMB47.2 million.

For the year ended 31 December 2012, we had net cash used in financing activities of RMB43.1 million, which primarily comprised (i) repayment of interest-bearing loans and other borrowings of RMB230.0 million, (ii) a decrease in due from other related parties of RMB879.1 million, and (iii) interest paid of RMB72.3 million, partially offset by (i) proceeds from new interest-bearing loans and other borrowings of RMB1,045.8 million; (ii) capital contribution from the then shareholder and non-controlling shareholders under common control of RMB50.0 million; (iii) capital contribution from non-controlling shareholders of a subsidiary of RMB20.0 million; and (iv) a decrease in other receivables of RMB13.1 million.

Net current assets/(liabilities)

Our current assets consist primarily of properties under development, completed properties held for sale, due from other related parties and prepayments, deposits and other receivables. Our current liabilities consist primarily of advances from customers, other payables and accruals, trade payables, interest-bearing bank loans and other borrowings and tax payable. Our net current assets/(liabilities) have been significantly affected by our properties development and their delivery schedules during the Track Record Period. We had net current assets of RMB551.5 million and RMB528.4 million as at 31 December 2012 and 2014, respectively, and net current liabilities of RMB24.5 million as at 31 December 2013.

The following table shows our current assets, current liabilities and net current assets/(liabilities) as at the dates indicated:

	As at 31 December			As at 30 April
	2012	2013	2014	2015
	RMB'000			
				(unaudited)
CURRENT ASSETS				
Properties under development	1,877,546	2,466,339	1,664,186	2,518,087
Completed properties held for sale	182,048	500,009	1,079,644	789,027
Equity investment at fair value through profit or loss	894	—	—	—
Available-for-sale financial investment	—	3,000	—	—
Trade receivable	7,855	—	5,097	6,580
Due from the Controlling Shareholder	48,171	23,207	4,042	3,738
Due from other related parties	1,370,538	686,906	3,492	6,548
Prepayments, deposits and other receivables	182,363	546,305	725,967	256,434
Tax recoverable	121,189	111,907	52,338	42,681
Restricted deposits	28,976	10,584	18,401	41,585
Cash and cash equivalents	131,155	161,412	40,301	45,044
	3,950,735	4,509,669	3,593,468	3,709,724
CURRENT LIABILITIES				
Trade payables	347,250	356,608	695,432	765,254
Other payables and accruals	327,212	467,100	324,700	381,257
Advances from customers	1,776,301	2,715,484	1,083,369	531,105
Due to other related parties	10,785	7,241	256,769	298,260
Interest-bearing bank loans and other borrowings	402,000	450,000	85,000	385,000
Provisions	28,778	31,867	21,149	16,814
Tax payable	506,928	505,859	598,671	595,793
	3,399,254	4,534,159	3,065,090	2,973,483
NET CURRENT ASSETS/(LIABILITIES)	551,481	(24,490)	528,378	736,241

We had net current liabilities of RMB24.5 million as at 31 December 2013 as compared to net current assets of RMB551.5 million as at 31 December 2012. This was primarily due to a RMB1,134.9 million increase in our current liabilities which was caused by a significant increase in our advances from customer from RMB1,776.3 million as at 31 December 2012 to RMB2,715.5 million as at 31 December 2013, partially offset by an increase in our current assets of RMB558.8 million resulting primarily from (i) an increase in properties under development of RMB588.9 million; (ii) an increase in completed properties held for sale of RMB318.0 million; (iii) an increase in prepayments, deposits and other receivables of RMB363.9 million; and (iv) a decrease in amounts due from other related parties of RMB683.6 million.

We had net current assets of RMB528.4 million as at 31 December 2014 as compared to net current liabilities of RMB24.5 million as at 31 December 2013. This was primarily attributable to (i) a decrease of RMB1,632.1 million in advances from customers due to the massive delivery of our properties in 2014; and (ii) an increase of RMB579.6 million in completed properties held for sale due to the completion and transfer of our projects, partially offset by the decreases in properties under development and the amount from other related parties.

INDEBTEDNESS AND CONTINGENT LIABILITIES

Borrowings

The table below sets out a breakdown of our outstanding borrowings as at the dates indicated:

	As at 31 December		
	2012	2013	2014
		RMB'000	
Current			
Bank loans - secured	402,000	450,000	40,000
Other borrowings - secured	—	—	45,000
Subtotal	402,000	450,000	85,000
Non-Current			
Bank loans - secured	468,000	415,000	560,000
Other borrowings - secured	310,842	—	755,000
Subtotal	778,842	415,000	1,315,000
Total	1,180,842	865,000	1,400,000

Our borrowings during the Track Record Period were all denominated in Renminbi. Our borrowings decreased to RMB865.0 million as at 31 December 2013 from RMB1,180.8 million as at 31 December 2012, primarily due to the repayment of the borrowings from third party financial institutions in 2013. Our borrowings then increased to RMB1,400 million as at 31 December 2014, primarily due to the additional other borrowings with an aggregate principal amount of RMB800.0 million from two trust companies, partially offset by a decrease in the balance of our bank loans of RMB265.0 million.

Our bank borrowings during the Track Record Period were secured by certain properties under development, investment properties, and 100% equity interest in certain subsidiaries of our Group and jointly guaranteed by our Controlling Shareholder, Mr. Chen, our Non-executive Director, Ms. Gao, our Group's related company, XG Limited and Mr. Gao Liku, Ms. Hao Fang and Hangzhou Gaochuan Co., Ltd, the non-controlling shareholders of Shandong Xingmeng, a subsidiary of the Company free of charge. All guarantees that are not due will be fully released before Listing by replacing such guarantees with corporate guarantee to be provided by our Company upon Listing.

The following table sets out the maturity profiles of our bank borrowings as at the dates indicated.

	As at 31 December		
	2012	2013	2014
		RMB'000	
Amounts of borrowings that are repayable:			
- within one year	402,000	450,000	85,000
- in the second year	408,842	—	295,000
- in the third to fifth years	—	85,000	930,000
- beyond five years	370,000	330,000	90,000
	1,180,842	865,000	1,400,000

During the Track Record Period, our bank loans are arranged at variable rates ranging from 6.06% to 10.3%. Our other borrowings borne interest rates at 15.5%, 15.5% and from 9.0% to 9.6% per year in 2012, 2013 and 2014, respectively.

Indebtedness

As at 30 April 2015, being the latest date for the purpose of liquidity disclosure in this prospectus, we had outstanding indebtedness of RMB1,850 million, among which RMB750.7 million were bank borrowings and the rest of our indebtedness were trust loans. As at 30 April 2015, the unused bank facilities and unused credit facility granted by a trust company were RMB146.0 million and RMB700.0 million, respectively.

In addition to the drawdown conditions already satisfied, the drawdown of such unused bank facility is subject to (1) the guarantees in relation thereto being continuing and effective; (2) no event of default or other potential events which would affect the debt owed to the lender have occurred; (3) relevant laws, regulations and authorities not prohibiting the drawdown; (4) the expected drawdown is proportionate to the amount invested in the project and the progress of the project matches the amount invested in the project; (5) attainment of certain benchmarks for certain financial ratios; (6) the provision of a plan to use the drawndown proceeds and other materials as required by the lender, or if the drawdown proceeds is for sole expenditure exceeding 5% of the total investment of the project or RMB5.0 million, the provision of relevant contract or invoice.

Save as disclosed herein, we did not have any outstanding debt securities issued and outstanding or authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages and charges. Our Directors confirm that there is no material change in our indebtedness position since 30 April 2015 up to the date of this prospectus. We intend to continue to finance portions of our property development projects with bank borrowings, as we deem appropriate. Except for such bank borrowings, we currently do not have plans for other material external debt financing.

Contingent Liabilities

Guarantees on mortgage facilities

During the Track Record period, we had arranged for bank financing for certain purchasers of our Group's properties and provided guarantees to secure obligations of such purchaser for repayments. Such guarantees will terminate upon the earlier of (i) the transfer of the building ownership certificate to the purchaser; or (ii) the satisfaction of mortgage loans by the purchasers of the properties.

Pursuant to the terms of the guarantees, upon default of mortgage payments by these purchasers, we would be responsible to repay the outstanding mortgage principal together with accrued interest and penalties owed by the defaulting purchasers to the banks and our Group is entitled to take over the legal title and possession of the related properties. Our Group's guarantee period starts from the date of grant of mortgage. Our Directors consider that the likelihood of default of payments by the purchasers is minimal and therefore the financial guarantee measured at fair value is immaterial. The following table shows our total mortgage guarantees as at the dates indicated.

	As at 31 December		
	2012	2013	2014
		(RMB'000)	
Guarantees in respect of mortgage facilities granted to purchasers of our Group's properties	594,584	955,664	190,970

Guarantee to a related party on bank facilities

As at 31 December 2012 and 2013, our Group had provided guarantee for a bank loan amounting to RMB30.0 million of Taizhou Shouchuang, free of charge. Pursuant to the terms of the guarantee, upon default of bank loan repayments by the related party, we would be responsible to repay the outstanding bank loan principal together with accrued interest owed by the Taizhou Shouchuang Construction Materials Co., Ltd. to the banks. The bank loan was repaid in December 2014.

Off-Balance Sheet Commitments and Arrangements

Except for the contingent liabilities disclosed above, as at 30 April 2015, we did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other contingent liabilities.

Capital Expenditure

In 2012, 2013 and 2014, we incurred capital expenditures (including capitalised interest) in the amounts of RMB123.6 million, RMB132.8 million and RMB1.5 million, respectively, comprising primarily expenditures for investment properties, motor vehicles, furniture and offices equipment.

OPERATING LEASE ARRANGEMENTS

As lessor

We lease out our investment properties under operating lease arrangements with leases negotiated from terms ranging from one to five years. The terms of leases generally require the tenants to pay security deposits.

At the end of each of the Relevant Periods, we had total future minimum lease receivables under non-cancellable operating leases with the tenants falling due as follows:

	As at 31 December		
	2012	2013	2014
		RMB'000	
Within one year	32,333	28,734	97,524
In the second to fifth years, inclusive	40,573	33,118	93,653
	72,906	61,852	191,177

As lessee

We lease certain of our commercial properties under operating lease arrangements, negotiated for terms of one to five years with an option for renewal after the end of lease terms, at which time all terms will be renegotiated.

At the end of each of the Relevant Periods, we had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December		
	2012	2013	2014
		RMB'000	
Within one year	17,943	89,791	56,554
In the second to fifth years, inclusive	194,081	104,292	46,969
	212,024	194,083	103,523

We have entered into a number of Management Agreements with our Group's commercial properties purchasers in respect of the leasing of certain of commercial properties owned by them. Pursuant to the payment term of these agreements, we should pay fixed rate of the selling prices of properties during the lease term. These leases are classified as operating leases and have remaining lease terms of twelve months to fifty-four months as at 31 December 2014. At 31 December 2012, 2013 and 2014, the operating lease payable on the straight-line basis over the term of five years and is included in other liabilities and other payables and accruals in the consolidated statements of financial position.

COMMITMENTS

In addition to the operating lease commitment, we had the following capital commitments at the dates indicated:

	As at 31 December		
	2012	2013	2014
		RMB'000	
Contracted, but not provided for:			
Properties under development	562,181	245,817	731,007

KEY FINANCIAL RATIOS

The following table sets out a summary of certain financial ratios for the periods or as at the dates indicated:

	As at 31 December		
	2012	2013	2014
Current ratio	1.2	1.0	1.2
Gearing ratio (%)	108.7	70.1	148.8
Net debt-to-equity ratio (%)	96.6	57.0	142.6

	For the year ended 31 December		
	2012	2013	2014
Return on equity (%)	23.7	20.4	33.1
Gross profit margin (%)	55.0	55.4	35.2
Net profit margin (%)	24.6	31.1	14.6

Current ratio

Current ratio is our current assets divided by our current liabilities at the end of each financial period.

As at 31 December 2012, 2013 and 2014, our current ratio remained relatively stable at 1.2, 1.0 and 1.2, respectively. This was primarily due to our prudent financial strategy maintained during the Track Record Period.

Gearing ratio

Gearing ratio is our total bank borrowings and other borrowings as a percentage of total equity at the end of each financial period.

Our gearing ratio decreased to 70.1% as at 31 December 2013 from 108.7% as at 31 December 2012 mainly due to the repayment of bank loans and other borrowings as well as the distribution of dividend in 2013. Our gearing ratio then increased to 148.8% as at 31 December 2014 primarily due to new loans from bank and other financial institutions borrowed in 2014 to support the expansion of our business.

Net debt-to-equity ratio

Net debt-to-equity ratio is our total bank borrowings and other borrowings less restricted deposits and cash and cash equivalent as a percentage of total equity at the end of each financial period.

The fluctuation trend of net debt-to-equity ratio as at the end of each year during the Track Record Period are generally in line with those of our gearing ratio as disclosed above.

Return on Equity

Our return on equity decreased to 20.4% in 2013 from 23.7% in 2012, primarily attributable to the fact that the net profit decreased by 2.2% from 2012 to 2013, while the equity increased by 13.6% during the same period. The increase in our equity in 2013 was primarily due to the net profit of RMB251.8 million in 2013, partially offset by the declaration of dividend of RMB174.3 million. Our return on equity then increased to 33.1% in 2014 from 20.4% in 2013, primarily due to the fact that the net profit increased by 23.5% from 2013 to 2014, while the equity decreased by 23.7% during the corresponding period. The decrease in our equity in 2014 was mainly due to the acquisition of subsidiaries from the then shareholder of RMB603.9 million in 2014.

Gross Profit Margin

Gross profit margin is our gross profit as a percentage of our revenue for each financial period.

For the reasons for fluctuations in our gross profit margin during the Track Record Period, please see the paragraph headed "Description of certain key items of the consolidated statement of profit or loss and other comprehensive income — Gross profit" in this section.

Net Profit Margin

Net profit margin is our net profit as a percentage of revenue at the end of each financial period.

In 2013, our net profit margin increased to 31.1% from 24.6% in 2012, primarily due to a decrease in the provision we made for the potential losses arising from onerous contracts from RMB66.9 million to RMB5.6 million. Our net profit margin then decreased from 31.1% in 2013 to 14.6% in 2014, primarily due to (i) a significant decreased in gross profit margin from 55.4% in 2013 to 35.2% in 2014; and (ii) a decrease in change in fair value of investment properties from RMB186.8 million in 2013 to RMB16.9 million in 2014.

Sensitivity analysis

The following analysis shows how changes in the two key assumptions, capitalization rate and market rent, in our valuation of investment properties will impact our Group's profit after tax during the Track Record Period.

(i) Sensitivity analysis of changes in capitalization rate

For the year ended 31 December 2012

Our base scenario is calculated using a historical audited profit after tax of RMB257.5 million:

Percentage increase/(decrease) in the capitalization rate applied for the valuation of investment properties	Profit after tax for the year ended 31 December 2012	Percentage increase/(decrease) in profit after tax for the year ended 31 December 2012
	RMB'000	
10%	256,081	(0.6%)
nil	257,528	nil
(10%)	259,036	0.6%

For the year ended 31 December 2013

Our base scenario is calculated using a historical audited profit after tax of RMB251.8 million:

Percentage increase/(decrease) in the capitalization rate applied for the valuation of investment properties	Profit after tax for the year ended 31 December 2013	Percentage increase/(decrease) in profit after tax for the year ended 31 December 2013
	RMB'000	
10%	205,098	(18.6%)
nil	251,825	nil
(10%)	304,354	20.9%

For the year ended 31 December 2014

Our base scenario is calculated using a historical audited profit after tax of RMB311.0 million:

Percentage increase/(decrease) in the capitalization rate applied for the valuation of investment properties	Profit after tax for the year ended 31 December 2014	Percentage increase/(decrease) in profit after tax for the year ended 31 December 2014
	RMB'000	
10%	229,110	(26.3%)
nil	311,035	nil
(10%)	429,909	38.2%

(ii) Sensitivity analysis of changes in market rent

For the year ended 31 December 2012

Our base scenario is calculated using a historical audited profit after tax of approximately RMB257.5 million:

Percentage increase/(decrease) in the market rent applied for the valuation of investment properties	Profit after tax for the year ended 31 December 2012	Percentage increase/(decrease) in profit after tax for the year ended 31 December 2012
	RMB'000	
10%	260,881	1.3%
nil	257,528	nil
(10%)	254,175	(1.3%)

For the year ended 31 December 2013

Our base scenario is calculated using a historical audited profit after tax of approximately RMB251.8 million:

Percentage increase/(decrease) in the market rent applied for the valuation of investment properties	Profit after tax for the year ended 31 December 2013	Percentage increase/(decrease) in profit after tax for the year ended 31 December 2013
	RMB'000	
10%	307,136	22.0%
nil	251,825	nil
(10%)	196,513	(22.0%)

For the year ended 31 December 2014

Our base scenario is calculated using a historical audited profit after tax of approximately RMB311.0 million:

Percentage increase/(decrease) in the market rent applied for the valuation of investment properties	Profit after tax for the year ended 31 December 2014	Percentage increase/(decrease) in profit after tax for the year ended 31 December 2014
	RMB'000	
10%	452,484	45.5%
nil	311,035	nil
(10%)	210,108	(32.4%)

QUANTITATIVE AND QUALITATIVE DISCLOSURE OF FINANCIAL RISKS

Our principal financial instruments mainly include cash and cash equivalents, restricted deposits, equity investment at fair value through profit or loss, trade receivables, and trade payables, which arise directly from our operations. We have other financial assets and liabilities such as interest-bearing bank loans and other borrowings, amounts due from the Controlling Shareholder, amounts due from and to other related parties, and deposits and other receivables, and other payables and accruals. The main purpose of these financial instruments is to raise finance for our operations.

The main risks arising from our financial instruments are interest rate risk, credit risk and liquidity risk. We do not hold or issue derivative financial instruments either for hedging or for trading purposes. The board of directors reviews and agrees policies for managing each of the risks which are summarised below:

Interest rate risk

We are exposed to market risk for changes in interest rates relates primarily to our interest-bearing bank loans and other borrowings. We do not use derivative financial instruments to hedge our interest rate risk. In the opinion of our Directors, the effect of interest rate risk to our profit and equity is not significant.

Credit risk

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its contractual obligations. Exposure to credit risk arises primarily from its financing activities to related parties. As at 31 December 2012, 2013 and 2014, the amounts due from other related parties, including the Controlling Shareholder, are RMB1,418.7 million, RMB710.1 million and RMB7.5 million, respectively. We do not record any significant bad debt losses during the Relevant Periods, respectively. The credit risk of our other financial assets, which mainly comprise cash and restricted deposits, other receivables, amounts due from shareholders, and amounts due from and to related companies, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Liquidity risk

Our objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank loans and other borrowings. Cash flows are being closely monitored on an ongoing basis.

The maturity profile of our financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, was as follows:

Group

	Within 1 year	Within 2 to 5 years	More than 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2012				
Trade payables	347,250	—	—	347,250
Other payables and accruals	294,372	—	—	294,372
Due to other related parties	10,785	—	—	10,785
Interest-bearing bank loans and other borrowings	513,262	580,518	505,211	1,598,991
	1,165,669	580,518	505,211	2,251,398
Financial guarantee issued:				
Maximum amount guaranteed	624,584	—	—	624,584

	Within 1 year	Within 2 to 5 years	More than 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2013				
Trade payables	356,608	—	—	356,608
Other payables and accruals	426,866	—	—	426,866
Due to other related parties	7,241	—	—	7,241
Interest-bearing bank loans and other borrowings	517,550	217,075	421,520	1,156,145
	1,308,265	217,075	421,520	1,946,860
Financial guarantee issued:				
Maximum amount guaranteed	985,664	—	—	985,664

	Within 1 year	Within 2 to 5 years	More than 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2014				
Trade payables	695,432	—	—	695,432
Other payables and accruals	277,492	—	—	277,492
Due to other related parties	256,769	—	—	256,769
Interest-bearing bank loans and other borrowings	204,609	1,531,357	105,745	1,841,711
	1,434,302	1,531,357	105,745	3,071,404
Financial guarantee issued:				
Maximum amount guaranteed	190,970	—	—	190,970

The amount included in above financial guarantee contracts are the maximum amounts we could be required to settle on demand under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the Relevant Periods, we consider that it is more likely than not that no amount will be payable under the arrangement.

DIVIDENDS

Subject to the Companies Law and our Articles of Association, we may declare dividends through a general meeting in any currency but no dividend shall be declared in excess of the amount recommended by our shareholder. Our Memorandum and Articles of Association provide that dividends may be declared and paid out of our profit, realised or unrealised, or from any reserve set aside from profits in our Directors' discretion. With the sanction of an ordinary resolution, dividends may also be declared and paid out of our share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law and our Memorandum and Articles of Association.

On 16 December 2013 and 31 December 2012, we declared dividends of RMB174.3 million and RMB235.7 million to XG Limited. Our Board will declare dividends, if any, in Hong Kong dollars with respect to our Shares on a per-Share basis and will pay such dividends in Hong Kong dollars. The amount of dividends actually distributed to our Shareholders will depend upon our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to the approval of our Shareholders.

Future dividend payments will also depend upon the availability of dividends received from our subsidiaries in China. PRC laws require that dividends be paid only out of net profit, calculated in accordance with PRC accounting principles, which differ in certain aspects from the generally accepted accounting principles in other jurisdictions, including IFRS. PRC laws also requireforeign-invested enterprises to set aside part of their net profits as statutory reserves, which are not available for distribution as cash dividends. Furthermore, distributions from our subsidiaries may be restricted if they incur debts or losses or as a result of any restrictive covenants in our bank credit facilities, or other agreements that we or our subsidiaries may enter into in the future.

DISTRIBUTABLE RESERVES

As at 31 December 2014, our Company had no distributable reserve available for distribution to the Shareholders of our Company.

NO MATERIAL ADVERSE CHANGE

Our financial results were and will continue to subject to fluctuations due to the different development cycle of our properties and property mix such as the proportion of properties for sale and rental income from investment properties. Other factors such as the timing of pre-sale, project completion, actual delivery of properties, changes in fair value gain upon transfer to investment properties and changes in fair value of investment properties may also affect our financial results from time to time. For details, please see the sections headed "Risk Factors — Our results of operations may vary significantly from period to period as we derive our revenue principally from the sale of property and may therefore fluctuate significantly from period to period, and such fluctuations make it difficult to predict our future performance and the price of our Shares" and "Financial Information — Key Factors Affecting Our Results of Operations" in this prospectus.

Our Directors are responsible for the preparation and fair presentation of our unaudited consolidated financial statements of our Group for the four months ended 30 April 2014 and 30 April 2015, which have been reviewed by our reporting accountants in accordance with the Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

Our unaudited net current assets increased to RMB736.2 million as at 30 April 2015 from RMB528.4 million as at 31 December 2014 mainly as a result of the increase in our properties under development consisting of Shanghai Xinming • Children's World, Chongqing Xinming • China South-western City Phase I, Xingmeng International Commercial City and Hangzhou Xinming • Children's World, among which part of Xingmeng International Commercial City has been delivered; and part of Shanghai Xinming • Children's World and part of the Chongqing Xinming • China South-western City Phase I are expected to be delivered in 2015.

The unaudited revenue for the four months ended 30 April 2015 decreased to approximately RMB688.8 million from RMB854.8 million for the four months ended 30 April 2014 due to the lower ASP recorded for the properties developed in 2015. We delivered mainly residential properties of Taizhou Xinming Peninsular Phase 2 — Stage 2 which was located at a prime location in Taizhou as compared to Xinming Lijiang Garden and Wenshang Times • Xinming Apartment, which were delivered in January 2015. During the four months ended 30 April 2014, we delivered Taizhou Peninsular Phase 2 — Stage 2 at ASP of RMB10,947 per sq.m. while we recognised revenue during the four months ended 30 April 2015 at ASP of RMB8,434 per sq.m. mainly from the delivery of Xinming Lijiang Garden and Wenshang Times • Xinming Apartment. The Directors consider that while the ASP of Shanghai Xinming • Children's World pre-sold as at 30 April 2015 is high at RMB16,878 per sq.m., the expected delivery of Shanghai Xinming • Children's World in the second half of 2015 will improve the Group's results of operations.

Our gross profit decreased from RMB452.3 million for the four months ended 30 April 2014 to RMB117.2 million for the four months ended 30 April 2015, while our gross profit margin also decreased from 52.9% during the four months ended 30 April 2014 to 17.0% during the four months ended 30 April 2015 mainly due to the higher land price of the Wenshang Times' projects in Taizhou at RMB6,990 per sq.m. as compared to RMB1,832 per sq.m. for Taizhou Xinming Peninsular.

Our Directors confirm that, except as otherwise disclosed in this prospectus, since 31 December 2014 and up to the date of this prospectus, there had been (i) no material adverse change in our financial or trading position or prospects and no event had occur that would materially and adversely affect the information shown in the Accountants' Report as set out in Appendix I to this prospectus; and (ii) no material adverse change in the general economic and market conditions in the PRC that had materially and adversely affected our business operations or financial condition.

RELATED PARTY TRANSACTIONS

In respect of the related-party transactions and balances set out Note 33 in the Accountants' Report in Appendix I to this prospectus, our Directors confirm that all related party transactions during the Track Record Period were conducted on normal commercial terms and/or on an arm's-length basis, and that their terms were fair, reasonable and in the interest of our Shareholders as a whole.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma financial information prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules is for illustrative purpose only, and is set out herein to provide the prospective investors with further financial information about how the proposed listing might have affected the consolidated net tangible assets of our Group after the completion of the Global Offering.

The accompanying unaudited pro forma financial information of our Group is based on currently available information along with a number of assumptions, estimates and uncertainties. As a result of these assumptions, estimates and uncertainties, the accompanying unaudited pro forma financial information of our Group does not purport to predict our Group's future financial position and results.

Although reasonable care has been exercised in preparing the said information, prospective investors who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a true picture of our Group's financial position.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The unaudited pro forma adjusted consolidated net tangible assets of our Group has been prepared, on the basis of the notes set forth below, for the purpose of illustrating the effect of the Global Offering as if it had taken place on 31 December 2014. It has been prepared for illustrative purpose only and, because of its hypothetical nature, may not give a true and fair picture of our financial position.

	Consolidated net tangible assets attributable to owners of our Company as at 31 December 2014(1)	Estimated net proceeds from the Global Offering(2)	Unaudited pro forma adjusted consolidated net tangible assets	Unaudited pro forma adjusted consolidated net tangible assets per Share(3)	Unaudited pro forma adjusted consolidated net tangible assets per Share
	RMB'000	RMB'000	RMB'000	RMB'000	(HK$ equivalent)
Based on an Offer Price of HK$1.1 per Share.....	896,016	383,479	1,279,495	0.68	0.86
Based on an Offer Price of HK$2.1 per Share.....	896,016	746,246	1,642,262	0.87	1.10

Notes:

(1) The consolidated net tangible assets attributable to owners of our Company as at 31 December 2014 is arrived at after deducting nil intangible assets from the audited consolidated equity attributable to owners of our Company of RMB896,016,000 as at 31 December 2014, as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

(2) The estimated net proceeds from the Global Offering are based on estimated offer prices of HK$1.10 or HK$2.10 per Share after deduction of the underwriting fees and other related expenses payable by our Company and take no account of any Shares which may be issued upon the exercise of the Over-allotment Option. The estimated net proceeds are converted into RMB at the rate of HK$1=RMB0.7917. No representation is made that the Renminbi amounts have been, could have been or could be converted to Hong Kong dollars, or vice versa, at the rate or at any other rates or at all.

(3) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that 1,880,000,000 Shares are in issue assuming that the Global Offering has been completed on 31 December 2014 and an Offer Price of HK$1.10 per Share, being the low end of the Offer Price range, and 1,880,000,000 Shares are in issue assuming that the Global Offering has been completed on 31 December 2014 and an Offer Price of HK$2.10 per Share, being the high end of the Offer Price range, excluding Shares which may be issued upon the exercise of the Over-allotment Option.

PROPERTY INTERESTS AND PROPERTY VALUATION

Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer, has valued our property interests as at 31 March 2015 and is of the opinion that the aggregate value of the property in which we had interest at such date was RMB5,568.5 million. The full text of the letter, summary of valuation and valuation certificates with regard to our property interests are set out in the section headed "Property Valuation Report" in Appendix III to this prospectus.

Property valuation reconciliation

The statement below shows the reconciliation of aggregate amounts of certain properties as reflected in the audited consolidated financial information as at 31 December 2014 as set out in Appendix I to this prospectus with the valuation of these properties as at 31 March 2015 as set out in Appendix III to this prospectus.

	RMB'000
Net book value of the following properties as at 31 December 2014	
— Properties under development	1,664,186
— Completed properties held for sale	1,079,644
— Investment properties	1,832,688
Add: Additions during the period from 31 December 2014 to 31 March 2015	173,557
Less: Disposal during the period from 31 December 2014 to 31 March 2015	(666,514)
Net book value of the properties as at 31 March 2015	4,083,561
Land acquisition costs and preliminary development costs of Hangzhou Xinming • Children's world	767,798(note)
Net valuation surplus	1,642,572
Market value of properties as at 31 March 2015 as set out in the Property Valuation Report in Appendix III to this prospectus	6,493,931

Note: Representing land acquisition costs for land which we had not yet obtained land use rights in the amount of RMB745.0 million and relevant tax of RMB22.8 million, which is included in prepayments, deposits and other receivables in our consolidated statement of financial position. We have obtained the relevant land use rights in March 2015.

LISTING EXPENSES

We will incur listing expenses in connection with the Listing, which include professional fees, underwriting commissions and other fees. Listing expenses to be borne by our Group are estimated to be RMB40.3 million (equivalent to HK$50.9 million) (based on the mid-point of our indicative price range for the Global Offering). During the Track Record Period, we incurred listing expenses of approximately RMB13.1 million, of which RMB9.8 million was charged to our consolidated statement of profit or loss and other comprehensive income and RMB3.3 million was capitalized as prepayments that would be charged against equity upon Listing. We expect to incur additional expenses of approximately RMB27.2 million, of which RMB17.5 million is expected to be charged to our consolidated statement of profit or loss and other comprehensive income and RMB9.7 million is expected to be capitalized as prepayments that would be charged against equity upon Listing. The listing expenses above are the latest practicable estimate for reference only and the actual amount may differ from the estimate. Our Directors do not expect such expenses to have a material adverse impact on our results of operations for the year ended 31 December 2014.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirmed that there are no circumstances which, had we been required to comply with Rules 13.13 to 13.19 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS

Please refer to the section headed "Business — Our Business Strategies" in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

Assuming that the Over-allotment Option is not exercised and an Offer Price of HK$1.6 per Share (being the mid-point of the estimated price range), our Directors estimate that the net proceeds to us from the Global Offering will be approximately HK$701 million, after deducting the underwriting commissions and other estimated expenses payable by us in relation to the Global Offering. Our Directors presently intend to use the net proceeds from the Global Offering as follows:

- approximately HK$491 million, or 70% of the net proceeds is expected to be used as the construction costs for the development of our existing projects, namely Commercial Building Project, Shanghai Xinming • Children's World, China South-Western City Phase 2 and Phase 3, Xingmeng International Commercial City and Hangzhou Xinming • Children's World (depending on the construction progress of these projects). For further details of our existing projects and the future development costs expect to be incurred, please refer to the section headed "Business — Description of our Property Development Projects" in this prospectus;

- approximately HK$140 million, or 20% of the net proceeds is expected to be used as the land acquisition and construction costs of our potential development projects and acquisition of land reserves by seeking and acquiring land parcels in cities in which we currently operating and target cities in the future. As at the Latest Practicable Date, our Directors confirm that, save as disclosed in the section headed "Business — Potential Development Projects" in this prospectus, we did not identify any target projects or land parcels for future development; and

- approximately HK$70 million, or 10% of the net proceeds, for working capital and other general corporate purposes.

To the extent the net proceeds are either more or less than expected, we will adjust our allocation of the net proceeds for the above purposes on a *pro rata* basis.

If the Offer Price is set at the high-end of the proposed Offer Price range, the net proceeds of the Global Offering (assuming the Over-allotment Option is not exercised) will increase by approximately HK$229 million. If the Offer Price is set at the low-end of the proposed Offer Price range, the net proceeds of the Global Offering (assuming the Over-allotment Option is not exercised) will decrease by approximately HK$229 million.

Should the Over-allotment Option be exercised in full (assuming an Offer Price of HK$1.6 per Offer Share, being the mid-point of the indicative range of Offer Price), we will receive additional net proceeds of approximately HK$109 million.

To the extent that the net proceeds of the Global Offering are not immediately required for the above purposes, we presently intend that such proceeds will be placed on short-term deposits with licensed banks or financial institutions in Hong Kong.

To the extent that our net proceeds are not sufficient to fund the purposes set out above, we intend to fund the balance through a variety of means, including cash generated from operations, and bank financing.

We will issue an announcement in Hong Kong in the event that there is any material change in the use of proceeds described above.

THE CORNERSTONE PLACING

We have entered into agreements with two cornerstone investors (the "**Cornerstone Investors**" and each a "**Cornerstone Investor**") who in aggregate have agreed to subscribe at the Offer Price such number of Offer Shares (rounded down to the nearest whole board lot of 2,000 Shares) that may be subscribed for with the Hong Kong dollars equivalent of RMB200 million in aggregate calculated at the basic exchange rate to be quoted by Deutche Bank AG on 26 June 2015 (collectively, the "**Cornerstone Placing**"). Assuming an Offer Price of HK$1.1, HK$1.6 and HK$2.1 (being the minimum, mid-point and maximum of the indicative Offer Price range set forth in this prospectus), the total number of Shares to be subscribed by the Cornerstone Investors in aggregate will be approximately 230,468,000, 158,448,000 and 120,720,000 Shares, respectively (the "**Cornerstone Investor's Shares**"), representing approximately 12.3%, 8.4% and 6.4% of our Shares in issue immediately after the completion of the Global Offering (assuming that (i) the Over-allotment Option is not exercised; (ii) no Shares will be issued pursuant to the exercise of options under the Share Option Scheme; and (iii) the exchange rate of HK$1.00:RMB0.7889 is used). Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the announcement of results of allocations to be issued by us on or about 3 July 2015.

To the best knowledge of our Directors, each of the Cornerstone Investors and their respective ultimate beneficial owners is an Independent Third Party, not an existing Shareholder of our Company and independent from each other. Immediately following the completion of the Global Offering, the Cornerstone Investors will not have any board representation in our Company, nor will any of the Cornerstone Investors become a substantial shareholder of our Company. No special rights have been granted to the Cornerstone Investors as part of the Cornerstone Placing. The Cornerstone Investors' Shares will rank pari passu with the fully paid Shares then in issue and will be counted towards the public float of our Shares under Rule 8.24 of the Listing Rules.

Subject to the fulfillment of the conditions precedent as disclosed below, the Cornerstone Investors shall subscribe the Cornerstone Investors' Shares pursuant to, and as part of, the International Placing. The Cornerstone Investors will not subscribe for any Shares under the Global Offering other than pursuant to the relevant cornerstone investment agreement. The Offer Shares to be subscribed for by the Cornerstone Investors will not be affected by any re-allocation of the Offer Shares between the International Placing and Hong Kong Public Offer in the event of over-subscription under the Hong Kong Public Offer as described in the section headed "Structure of Global Offering — The Hong Kong Public Offer".

Cornerstone Investors	Investment amount	Number of Offer Shares subscribed(1)	Approximate percentage of total number of Offer Shares initially offered under the Global Offering (%)	Approximate percentage of total number of Shares in issue following the completion of the Global Offering (%)(2)
	(RMB million)			
Shanghai Yihao Financial Services Company Limited* (上海益浩金融服務有限公司)..	100	79,224,000	16.9	4.2
Shanghai Huitong Zhineng Technological Company Limited* (上海慧瞳智能科技有限公司)	100	79,224,000	16.9	4.2

Notes:

(1) Based on the Offer Price of HK$1.6 (being the mid-point of the indicative Offer Price range), rounded down to the nearest whole board lot of 2,000 Shares and assuming the exchange rate of HK$1.00:RMB0.7889 is used.

(2) Assuming Over-allotment Option is not exercised and no Shares will be issued pursuant to the exercise of options under the Share Option Scheme.

OUR CORNERSTONE INVESTORS

We set out below a brief description of each of our Cornerstone Investors:

Shanghai Yihao Financial Services Company Limited (上海益浩金融服務有限公司) ("Shanghai Yihao") was a limited liability company established in the PRC on 30 October 2012 with registered capital of RMB50 million. Shanghai Yihao was ultimately owned by certain individuals who are Independent Third Parties. Shanghai Yihao principally engaged in the business of funds and assets management and provision of financial consultancy services.

Shanghai Huitong Zhineng Technological Company Limited (上海慧瞳智能科技有限公司) ("Shanghai Huitong") was a limited liability company established in the PRC on 13 December 2006 with registered capital of RMB40 million. Shanghai Huitong was ultimately owned by certain individuals who are Independent Third Parties. Shanghai Huitong principally engaged in the development, sales and provision of services in relation to computer software and hardware, electronics and telecommunications equipments.

CONDITIONS PRECEDENT

The subscription obligation of each Cornerstone Investor is subject to, among other things, the following conditions precedent:

(i) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become unconditional (in accordance with their respective terms or as subsequently varied by agreement of the relevant parties thereto) by no later than the time and the date specified therein;

(ii) neither the Hong Kong Underwriting Agreement nor the International Underwriting Agreement having been terminated;

(iii) the Listing Committee having granted the listing of, and permission to deal in, the Offer Shares and such approval or permission not having been revoked prior to the commencement of dealing in the Shares on the Stock Exchange; and

(iv) no statute, rule or regulation shall have been enacted or promulgated by any governmental authority of any relevant jurisdiction which prohibits the consummation of the investment and there shall be no order or injunction of a court of competent and relevant jurisdiction in effect precluding or prohibiting consummation of the investment.

RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTOR

Each of the Cornerstone Investors has agreed that, without the prior written consent of each of the Company and the Sole Bookrunner, it shall not, whether directly or indirectly, at any time during the period of six months following the Listing Date, (i) dispose of, or agree or contract to dispose of, either directly or indirectly, conditionally or unconditionally, any of its respective Cornerstone Investor's Shares or any interest therein or any voting right or any other right attaching thereto; or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities or interest therein or any voting right or any other right attaching thereto; or (iii) enter into any transaction directly with the same economic effect as any transaction described in paragraphs (i) or (ii) above; or (iv) agree or contract to, or publicly announce any intention to enter into, any transaction described in paragraphs (i), (ii) or (iii) above, whether any of the foregoing transactions described in paragraphs (i), (ii) or (iii) above is to be settled by delivery of share capital or such other securities, in cash or otherwise. Each Cornerstone Investor may transfer its respective Cornerstone Investor's Shares so subscribed for in certain limited circumstances, such as transfer to a wholly-owned subsidiary of such Cornerstone Investor and any such transfer can only be made when the transferee agrees to be subject to the restrictions on disposal imposed on such Cornerstone Investor.

After the expiry of the aforesaid lock-up period, each of the Cornerstone Investors will be free to dispose of any of its Shares and it shall not knowingly dispose of any of its Shares to create a disorderly or false market and is otherwise in compliance with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFO, the Listing Rules and such other applicable laws.

UNDERWRITERS FOR THE GLOBAL OFFERING

Hong Kong Underwriters

China Everbright Securities (HK) Limited
SBI China Capital Financial Services Limited

International Underwriters

China Everbright Securities (HK) Limited
Astrum Capital Management Limited
BMI Securities Limited
Innovax Capital Limited
Jun Yang Securities Company Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are offering our Hong Kong Offer Shares for subscription by members of the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

The Hong Kong Underwriting Agreement is conditional upon and subject to, amongst others, the International Underwriting Agreement becoming unconditional and not having been terminated. Subject to the listing of and permission to deal in our Shares in issue and to be issued as mentioned in this prospectus being granted by the Listing Committee of the Stock Exchange and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally agreed to subscribe or procure subscribers, for our Hong Kong Offer Shares.

Grounds for termination

The Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) is entitled by notice (orally or in writing) given to our Company to terminate the Hong Kong Underwriting Agreement with immediate effect if, at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date:—

(a) there shall develop, occur or come into force:—

(i) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the PRC, the British Virgin Islands, the Cayman Islands or any other jurisdiction(s) relevant to our Company and our subsidiaries or any other similar event which in the reasonable opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) has or is likely to have a material adverse effect on the business or financial conditions or prospects of our Group or which may be expected to adversely affect the business or financial condition or prospects of our Group in a material way; or

(ii) any change (whether or not permanent) in national, regional, international, financial, military, industrial or economic conditions or prospects, stock market, fiscal or political conditions, regulatory or market conditions and matters and/or disasters in Hong Kong, the PRC, the British Virgin Islands, the Cayman Islands or any other jurisdiction(s) relevant to our Company and our subsidiaries or any other similar event which in the reasonable opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) has or is likely to have a material adverse effect on the business or financial conditions or prospects of our Group or which may be expected to adversely affect the business or financial condition or prospects of our Group in a material way; or

(iii) without prejudice to sub-paragraph (i) of paragraph above, the imposition of any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or

(iv) any event, or series of events, beyond the control of the Hong Kong Underwriters (including, without limitation, acts of government, strikes, lockout, fire, explosion, flooding, civil commotion, acts of war or acts of God or accident) would or might have a material adverse effect on any member of our Group or its present or prospective shareholders in their capacity as such; or

(v) any change or development occurs involving a prospective change in taxation or in exchange control in Hong Kong, the PRC, the British Virgin Islands, the Cayman Islands or any other jurisdiction(s) to which any member of our Group is subject or the implementation of any exchange controls which in the reasonable opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) would or might have a material adverse effect on any member of our Group or our present or prospective shareholders in their capacity as such in a material way; or

(vi) any litigation or claim of material importance to the business, financial or operations of our Group being threatened or instituted against any member of our Group; or

(vii) the imposition of economic sanctions, in whatever form, directly or indirectly, in Hong Kong, the PRC, the British Virgin Islands, the Cayman Islands or any other jurisdiction(s) relevant to our Company and our subsidiaries; or

(viii) any governmental or regulatory commission, board, body, authority or agency, or any stock exchange, self-regulatory organisation or other non-government regulatory authority, or any court, tribunal or arbitrator, whether national, central, federal, provincial, state, regional, municipal, local, domestic or foreign, or a political body or organisation in any relevant jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any members of our Group or Director; or

(ix) order or petition for the winding up of any members of our Group or any composition or arrangement made by any members of our Group with its creditors or a scheme of arrangement entered into by any members of our Group or any resolution for the winding up of any members of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any members of our Group or anything analogous thereto occurring in respect of any members of our Group;

(x) and any such event, which, individually, or in the aggregate, in the reasonable opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters), (i) has or may have a material adverse effect on the success of the Global Offering, or the level of applications under the Hong Kong Public Offer or the level of interest under the International Placing; or (ii) has or will or may have a material adverse effect on the assets, liabilities, business, prospects, trading or financial position of our Group as a whole; or (iii) makes it inadvisable or impracticable to proceed with the Global Offering; or (iv) has or will or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof.

(b) there comes to the notice of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) any matter or event showing any of the representations and warranties contained in the Hong Kong Underwriting Agreement to be untrue or inaccurate or, if repeated immediately after the occurrence thereof, would be untrue or inaccurate in any respect considered by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) in its reasonable opinion to be material or showing any of the obligations or undertakings expressed to be assumed by or imposed on our Company or the covenantors under the Hong Kong Underwriting Agreement not to have been complied with in any respect considered by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters in its reasonable opinion to be material); or

(c) there comes to the notice of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) any breach on the part of our Company or any of the covenantors of any provisions of the Hong Kong Underwriting Agreement in any respect which is considered by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters in its reasonable opinion to be material); or

(d) any statement contained in this prospectus, notices, advertisements, announcements, application proof prospectus, post hearing information pack, the submissions, documents or information provided to the Sole Global Coordinator (for itself and on behalf of the Hong

Kong Underwriters), the Stock Exchange, the legal adviser to the Sole Global Coordinator and the Underwriters and any other parties involved in the Global Offering which in the reasonable opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) has become or been discovered to be untrue, incorrect, incomplete or misleading in any material respect; or

(e) matters have arisen or have been discovered which would, if this prospectus, notices, advertisements, announcements, application proof prospectus, post hearing information pack, was to be issued at that time, constitute, in the reasonable opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) a material omission of such information; or

(f) there is any material adverse change or prospective material adverse change in the business or in the financial or trading position or prospects of our Group which in the reasonable opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) is material; or

(g) the approval of the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares in issue, the Shares to be issued or sold under the Global Offering and the Shares to be issued pursuant to the Capitalisation Issue is refused or not granted, other than subject to customary conditions, on or before 8:00am. (Hong Kong time) on the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(h) any expert, who has given opinion or advice which are contained in this prospectus, has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters, opinions or advices and references to its name included in the form and context in which it respectively appears prior to the issue of this prospectus; or

(i) our Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or

(j) there comes to the notice of the Sole Global Coordinator or any of the Underwriters any information, matter or event which in the reasonable opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters):

    (i) is inconsistent in any material respect with any information contained in the Declaration and Undertaking with regard to Directors (Form B) given by any Directors pursuant to the Global Offering; or

    (ii) would cast any serious doubt on the integrity or reputation of any Director or the reputation of our Group.

Undertakings

Each of the Controlling Shareholders hereby jointly and severally undertakes to each of the Company, the Sole Global Coordinator, the Sole Sponsor and the Hong Kong Underwriters that, save for any lending of Shares by Xinxing Company pursuant to the Stock Borrowing Agreement, without the prior written consent of the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, none of the Controlling Shareholders will, and will procure that none of its close associates will:

(i) during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the "**First Six Month Period**"), (a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, as applicable) (the foregoing restriction is expressly agreed to include the Controlling Shareholders from engaging in any hedging or other transactions which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of any Shares even if such Shares would be disposed of by someone other than the Controlling Shareholders, respectively. Such prohibited hedging or other transactions would include without limitation any put or call option with respect to any Shares or with respect to any security that includes, relates to or derives any significant part of its value from such Shares), or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above, or (d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above, in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or such other securities of our Company or shares or other securities of such other members of our Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period);

(ii) he or it will not, during the period of six months commencing on the date on which the First Six month Period expires and including, the date that is six months after the end of the First Six month Period (the "**Second Six Month Period**"), enter into any of the transactions specified in (a), (b) or (c) under paragraph (i) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, he or it will cease to be a "controlling shareholder" (as the term is defined in the Listing Rules) of our Company or cease to hold, directly or indirectly, a controlling interest of over 30% or such lower amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer, in any of the companies controlled by him or it and/or any of his or its close associate which owns such Shares or interests as aforesaid; and

(iii) until the expiry of the Second Six Month period, in the event that he or it enters into any of the transactions specified in (a), (b) or (c) under paragraph (i) above or offers to or agrees to or announces any intention to effect any such transaction, he or it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

Except for the offer and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-allotment Option) and the issue and allotment of Shares pursuant to the Capitalisation Issue as disclosed in this prospectus, during the First Six Month Period, our Company hereby undertakes to each of the Sole Global Coordinator, the Sole Sponsor and the Hong Kong Underwriters not to, and to procure each member of our Group not to, without the prior written consent of the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any shares or other securities of such other members of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other members of our Group, as applicable); or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any shares or other securities of such other members of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such members of our Group, as applicable); or

(iii) enter into any transaction with the same economic effect as any transaction specified in paragraphs (i) and (ii) above; or

(iv) offer to or agree to or announce any intention to effect any transaction specified in paragraphs (i), (ii) or (iii) above, in each case, whether any of the transactions specified in paragraphs (i), (ii) or (iii) above is to be settled by delivery of Shares or such other securities of our Company or shares or other securities of such members of our Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period). In the event that, during the Second Six Month Period, our Company enters into any of the transactions specified in paragraphs (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company. Each of our Company, our Controlling Shareholders and our executive Directors undertakes to each of the Sole Global Coordinator, the Sole Sponsor and the Hong Kong Underwriters to procure our Company to comply with the undertakings in this paragraph.

Each of our Company, our Controlling Shareholders and our executive Directors under the Hong Kong Underwriting Agreement undertakes to and covenants with the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters that save with the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters), no company in the Group will during the First Six Month Period purchase any securities of our Company.

Without prejudice to the above, each of the Controlling Shareholders undertakes and covenants with our Company, the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters that:

(i) save with the prior written consent from the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and to the extent as allowed under the Listing Rules, during the period commencing on the date by reference to which disclosure of the shareholding of the Controlling Shareholders is made in this prospectus and ending on the date which is 12 months from the Listing Date, he or it shall not and shall procure that none of his or its close associates shall pledge or charge or create any other rights or encumbrances in any Shares or any interest therein owned by him or it or any of their close associates or in which he or it or any of their close associates is, directly or indirectly, interested immediately following completion of the Global Offering (or any other Shares or securities of or interest in our Company arising or deriving therefrom as a result of capitalisation issue or scrip dividend or otherwise) or any share or interest in any company controlled by him or it or any of their close associates which is the beneficial owner (directly or indirectly) of such Shares or interest therein as aforesaid (or any other shares or securities of or interest in the company arising or deriving therefrom as a result of capitalisation issue or scrip dividend or otherwise); and

(ii) in the event that notification is given to the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters), when he or it or any of their close associates shall pledge, charge or create any encumbrance or other right or any of the Shares or interests referred to in (i) above, he or it shall give prior written notice of not less than two business days to the Stock Exchange, our Company, the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) giving details of the number of Shares, shares in the company which is the beneficial owner of such Shares, or the interests as aforesaid, the identities of the pledgee or person (the "**Mortgagee**") in favour of whom the pledge, charge, encumbrance or interest is created and further if he or it or any of their close associates is aware of or receives indications or notice, either verbal or written, from the Mortgagee that the Mortgagee will dispose of or transfer any of the Shares or interests referred to in (i) above, he or it will immediately notify the Stock Exchange, our Company, the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) in writing of such indications and provide details of such disposal or transfer to the Stock Exchange, our Company, the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) as they may require.

Our Company undertakes and covenants with the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters that our Company shall forthwith inform the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and the Stock Exchange in writing immediately after it has been informed of the matters referred to in paragraph (b) above and our Company shall, if so required by the Stock Exchange or the Listing Rules, disclose such matters by way of an announcement and shall comply with all requirements of the Stock Exchange.

The International Placing

In connection with the International Placing, it is expected that our Company and the International Underwriters will enter into the International Underwriting Agreement. Under the International Underwriting Agreement, our Company will offer our International Placing Shares for subscription and purchase by professional, institutional and other investors at the Offer Price payable in full on subscription and purchase in Hong Kong dollars, on and subject to the terms and conditions set out in the International Underwriting Agreement and the placing documents. It is expected that the International Underwriters will agree to severally underwrite for our International Placing Shares.

Commission

The Hong Kong Underwriters will receive a commission of 2.5% of the aggregate Offer Price of our Hong Kong Offer Shares underwritten by the Hong Kong Underwriters and the International Underwriters will receive a commission of 2.5% of the aggregate of the Offer Price of our International Placing Shares underwritten by the International Underwriters, out of which they will pay any sub-underwriting commissions.

The Sole Sponsor will in addition receive sponsorship and documentation fees. The underwriting commission, financial advisory and documentation fees, listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees together with printing and other expenses relating to the Global Offering, assuming an Offer Price of HK$1.6 (being the mid-point of Offer Price range between HK$1.1 per Offer Share and HK$2.1 per Offer Share), are estimated to amount to approximately HK$50.9 million in total (assuming that the Over-allotment Option is not being exercised).

Hong Kong Underwriters' interests in our Company

China Everbright Capital Limited has been appointed as the compliance adviser of our Company with effect from the Listing Date until the despatch of our audited consolidated financial results for the first full financial year after the Listing Date, and we will pay an agreed fee to China Everbright Capital Limited for its provision of services with the scope required under the Listing Rules.

Save for their interests and obligations under the Underwriting Agreements, none of the Sole Sponsor, the Sole Global Coordinator or the Underwriters is interested beneficially or non-beneficially in any shares in any member of our Group or has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.

Minimum public float

Our Directors will ensure that there will be a minimum of 25% of the total Shares in issue in public hands in accordance with Rule 8.08 of the Listing Rules after completion of the Capitalisation Issue and the Global Offering.

DETERMINATION OF THE OFFER PRICE

The Offer Price is expected to be fixed by the Price Determination Agreement to be entered into between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on or before the Price Determination Date, when the market demand for the Offer Shares will be ascertained. The Price Determination Date is currently expected to be Monday, 29 June 2015, and in any event, not later than Tuesday, 30 June 2015.

Prospective investors should be aware that the Offer Price to be determined on or before the Price Determination Date may be, but not expected to be, lower than indicative Offer Price range as stated in this prospectus. The Offer Price will not be more than HK$2.1 per Offer Share and is expected to be not less than HK$1.1 per Offer Share. The Offer Price will fall within the Offer Price range as stated in this prospectus unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offer.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, where it considers appropriate, based on the level of interest expressed by prospective professional, institutional and private investors during a book-building process, and with the consent of our Company, reduce the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offer, cause there to be published on the Company's website at **www.xinm.com.cn** and the Stock Exchange's website at **www.hkexnews.hk** notice of reduction in the indicative Offer Price range. Upon issue of such a notice, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon with our Company, will be fixed within such revised Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the Global Offering statistics as currently set out in "Summary" in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any notice being published in South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) of a reduction in the indicative Offer Price range as stated in this prospectus on or before the morning of the last day for lodging applications under the Hong Kong Public Offer, the Offer Price, if agreed upon with our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

If, for any reason, the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company are unable to enter into the Price Determination Agreement by the Price Determination Date, the Global Offering will not become unconditional and will not proceed and will lapse.

Announcement of the final Offer Price, together with the level of indications of interests in the International Placing and the results of application under the Hong Kong Public Offer and basis of allocation of the Hong Kong Offer Shares is expected to be published on Friday, 3 July 2015.

PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK$2.1 per Offer Share and is expected to be not less than HK$1.1 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Hong Kong Public Offer as set out above. Prospective investors should be aware that the Offer Price as determined on the Price Determination Date may be lower than the indicative Offer Price as stated in this prospectus.

Applicants under the Hong Kong Public Offer should pay, on application, the maximum price of HK$2.1 per Offer Share plus brokerage of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.0027%. That means a maximum of HK$4,242.32 is payable for every board lot of 2,000 Shares. The Application Forms have tables showing the exact amount payable for certain multiples of Hong Kong Offer Shares. If the Offer Price, as finally determined in the manner as described above, is lower than the maximum price of HK$2.1 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application money) will be made to applicants, without interest. Further details are set out in "How to Apply for Hong Kong Offer Shares" in this prospectus.

CONDITIONS OF THE HONG KONG PUBLIC OFFER

Acceptance of the application for the Offer Shares pursuant to the Hong Kong Public Offer is conditional upon:

1. Listing

The Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on the Stock Exchange and such approval not subsequently having been revoked prior to the commencement of dealings in the Shares.

2. Underwriting Agreements

(i) The obligations of the Underwriters under the Underwriting Agreements becoming unconditional, and not being terminated in accordance with the terms thereof; and

(ii) the execution and delivery of the International Underwriting Agreement prior to or on the Price Determination Date.

3. Price determination

The Offer Price having been determined and the execution of the Price Determination Agreement on or around the Price Determination Date.

If any of the conditions is not fulfilled or waived on or before the times specified above, the Global Offering will lapse and the application money will be returned to the applicants, without interest. The terms on which the application money will be returned to the applicants are set out in the paragraph headed "Refund of your monies" in the relevant Application Forms.

In the meantime, the application money will be held in one or more separate bank accounts with the receiving banker or other bank(s) in Hong Kong, licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

THE GLOBAL OFFERING

The Global Offering comprises the International Placing and the Hong Kong Public Offer. A total of initially 470,000,000 Offer Shares will be made available under the Global Offering. Among these Offer Shares, 423,000,000 International Placing Shares (subject to re-allocation and the Over-allotment Option), representing 90% of the Offer Shares, will initially be conditionally placed with selected professional, institutional and private investors under the International Placing. The remaining 47,000,000 Hong Kong Offer Shares (subject to re-allocation), representing 10% of the Offer Shares, will initially be offered to the public in Hong Kong under the Hong Kong Public Offer.

The Hong Kong Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. The Hong Kong Underwriters have severally agreed to underwrite the Hong Kong Offer Shares under the terms of the Hong Kong Underwriting Agreement. The International Underwriter will underwrite the International Placing Shares pursuant to the terms of the International Underwriting Agreement. Further details of the underwriting are set out in "Underwriting" in this prospectus.

Investors may apply for the Offers Shares under the Hong Kong Public Offer or indicate an interest for Offer Shares under the International Placing, but may not do both.

International Placing

Our Company is expected to offer initially 423,000,000 International Placing Shares (subject to re-allocation and the Over-allotment Option) at the Offer Price under the International Placing. The number of International Placing Shares expected to be initially available for application under the International Placing represents 90% of the total number of Offer Shares being initially offered under the Global Offering. The International Placing is expected to be fully underwritten by the International Underwriter. Investors subscribing for the International Placing Shares are also required to pay the maximum Offer Price of HK$2.1 per Share plus a brokerage of 1%, a Stock Exchange trading fee of 0.005% and a SFC transaction levy of 0.0027% of the Offer Price.

It is expected that the International Underwriter, or selling agents nominated by it, on behalf of our Company, will conditionally place the International Placing Shares at the Offer Price with selected professional, institutional and private investors. Professional and institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Private investors applying through banks or other institutions who sought the International Placing Shares in the International Placing may also be allocated the International Placing Shares.

Allocation of the International Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to acquire further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the International Placing Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of the Company and its shareholders as a whole. Investors to whom International Placing Shares are offered will be required to undertake and confirm in the Application Form that he/she has not applied for Shares under the Hong Kong Public Offer.

Our Company, our Directors, the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Underwriters) are required to take reasonable steps to identify and reject applications under the Hong Kong Public Offer from investors who receive Shares under the International Placing, and to identify and reject indications of interest in the International Placing from investors who receive Shares under the Hong Kong Public Offer.

The International Placing is expected to be subject to the conditions as stated in “Conditions of the Hong Kong Public Offer” in this section.

Hong Kong Public Offer

Our Company is initially offering 47,000,000 Hong Kong Offer Shares for subscription (subject to re-allocation) by the public in Hong Kong under the Hong Kong Public Offer, representing 10% of the total number of Offer Shares offered under the Global Offering. The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters. Applicants for the Hong Kong Offer Shares are required on application to pay the maximum Offer Price of HK$2.1 per Share plus a brokerage of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.0027%.

The Hong Kong Public Offer is open to all members of the public in Hong Kong. An applicant for Shares under the Hong Kong Public Offer will be required to give an undertaking and confirmation in the Application Form submitted by him/her that he/she has not applied for nor taken up any Shares under the International Placing nor otherwise participated in the International Placing. Applicants should note that if such undertaking and/or confirmation given by an applicant is breached and/or is untrue (as the case may be), such applicant’s application under the Hong Kong Public Offer is liable to be rejected.

For allocation purposes only, the number of the Hong Kong Offer Shares will be divided equally into two pools: 23,500,000 Shares in pool A and 23,500,000 Shares in pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares in the value of HK$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy thereon) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares in the value of more than HK$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy) and up to the value of pool B.

Investors should be aware that the allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pool is under-subscribed, the surplus Hong Kong Offer Shares will be transferred to satisfy demand in the other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Offer Shares from any one pool but not from both pools and can only make applications to either pool A or pool B. Any application made for more than 100% of the Hong Kong Offer Shares initially available under pool A or pool B will be rejected.

Allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offer will be based solely on the level of valid applications received under the Hong Kong Public Offer. When there is over-subscription under the Hong Kong Public Offer, allocation of the Hong Kong Offer Shares may involve balloting, which would mean that some applicants may be allotted more Hong Kong Offer Shares than others who have applied for the same number of the Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

BASIS OF ALLOCATION OF THE OFFER SHARES

The allocation of the Offer Shares between the International Placing and the Hong Kong Public Offer is subject to re-allocation on the following basis:

(a) if the number of Shares validly applied for under the Hong Kong Public Offer represents 15 times or more but less than 50 times the number of Shares initially available for subscription under the Hong Kong Public Offer, then Shares will be allocated to the Hong Kong Public Offer from the International Placing, so that the total number of Shares available for subscription under the Hong Kong Public Offer will be increased to 141,000,000 Shares, representing 30% of the Offer Shares;

(b) if the number of Shares validly applied for under the Hong Kong Public Offer represents 50 times or more but less than 100 times the number of Shares initially available for subscription under the Hong Kong Public Offer, then Shares will be reallocated to the Hong Kong Public Offer from the International Placing, so that the number of Shares available for subscription under the Hong Kong Public Offer will be increased to 188,000,000 Shares, representing 40% of the Offer Shares; and

(c) if the number of Shares validly applied for under the Hong Kong Public Offer represents 100 times or more the number of Shares initially available for subscription under the Hong Kong Public Offer, then Shares will be reallocated to the Hong Kong Public Offer from the International Placing, so that the number of Shares available for subscription under the Hong Kong Public Offer will be increased to 235,000,000 Shares, representing 50% of the Offer Shares.

In all cases, the additional Shares reallocated to the Hong Kong Public Offer will be allocated equally between pool A and pool B and the number of Offer Shares allocated to the International Placing will be correspondingly reduced.

If the Hong Kong Public Offer is not fully subscribed, the Sole Global Coordinator have the authority to reallocate all or any of the unsubscribed Hong Kong Offer Shares originally included in the Hong Kong Public Offer to the International Placing in such proportions as it deems appropriate.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, our Company is expected to grant to the Sole Global Coordinator the Over-allotment Option which will expire on a date which is 30 days from the date of the last day of lodging application under the Hong Kong Public Offer. Pursuant to the Over-allotment Option, our Company may be required by the Sole Global Coordinator to allot and issue up to and not more than 70,500,000 additional new Shares (representing 15% of the total number of the Offer Shares initially available under the Global Offering) at the Offer Price to cover over-allocations in the International Placing. The Sole Global Coordinator may also cover such over-allocations by, among other means, purchasing Shares in the secondary market or through stock borrowing arrangements with Xinxing Company or by a combination of these means or otherwise as may be permitted under the applicable laws and regulatory requirements. Any such secondary market purchases will be made in compliance with all application laws, rules and regulations. If the Over-allotment Option is exercised in full, the additional 70,500,000 new Shares will represent approximately 3.6% of our Company's enlarged issued share capital immediately after completion of the Capitalisation Issue, the Global Offering and the exercise of the Over-allotment Option in full. In the event that the Over-allotment Option is exercised, an announcement will be made.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the market price of the securities below the Offer Price. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Sole Global Coordinator, as the stabilizing manager, or its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions which stabilize or maintain the market price of the Shares at levels above those which might otherwise prevail for a limited period after the Listing Date. The number of Shares that may be over-allocated will be up to, but not more than, an aggregate of 70,500,000 additional Shares, being the number of the Shares that may be issued under the Over-allotment Option. Such stabilizing actions may include over-allocating International Placing Shares and covering such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market or through stock borrowing arrangement with Xinxing Company or through a combination of these means or otherwise. However, there is no obligation on the Sole Global Coordinator to do this. Such stabilization action, if commenced, may be discontinued at any time, and is required to be brought to an end after a limited period. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements.

Subject to and under the Securities and Futures (Price Stabilizing) Rules of the SFO, the Sole Global Coordinator (for itself and on behalf of the Underwriters) may take all or any of the following actions ("**primary stabilizing action**") with respect to any Shares during the stabilization period, which should end on Saturday, 25 July 2015:

(1) purchase, or agree to purchase, any of the Shares;

(2) offer or attempt to do anything as described in paragraph (1), for the sole purpose of preventing or minimising any reduction in the market price of the Shares. The Sole Global Coordinator (for itself and on behalf of the Underwriters) may also, in connection with any primary stabilizing action, take all or any of the following actions:

  (a) for the purpose of preventing or minimising any reduction in the market price of the Shares;

    (i) allocate a greater number of Shares than the number that is initially offered under the Global Offering; or

    (ii) sell or agree to sell Shares so as to establish a short position in them;

  (b) pursuant to an option or other right to purchase or subscribe for Shares, purchase or subscribe for or agree to purchase or subscribe for Shares in order to close out any position established under paragraph (a);

  (c) sell or agree to sell any Shares acquired by it in the course of the primary stabilizing action in order to liquidate any position that has been established by such action; and/or

  (d) offer or attempt to do anything as described in paragraphs (a)(ii), (b) or (c).

Investors should be aware that:

- the Sole Global Coordinator (for itself and on behalf of the Underwriters) may, in connection with the stabilizing action, maintain a long position in the Shares;

- there is no certainty regarding the extent to which and the time period for which the Sole Global Coordinator will maintain such a long position;

- liquidation of such a long position by the Sole Global Coordinator may have an adverse impact on the market price of our Shares;

- stabilizing action cannot be taken to support the price of our Shares for longer than the stabilizing period which begins on the Listing Date and ends on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offer, that the stabilizing period is expected to expire on Saturday, 25 July 2015, and that after this date, when no further stabilizing action may be taken, demand for our Shares, and therefore its price could fall; and

- the price of our Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and that stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price the investor has paid for our Shares.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of SFO will be made within seven days of the expiration of the stabilization period.

STOCK BORROWING ARRANGEMENT

In connection with the Global Offering, the Sole Global Coordinator may over-allocate up to and not more than an aggregate of 70,500,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means. In particular, for the purpose of covering such over-allocations, the Sole Global Coordinator may borrow up to 70,500,000 Shares from Xinxing Company, equivalent to the maximum number of Shares to be issued on a full exercise of the Over-allotment Option, under the Stock Borrowing Agreement. Stock borrowing arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are complied with. The principal terms of the Stock Borrowing Agreement are:

- the stock borrowing arrangement will only be effected by the borrower for settlement of over-allocations in connection with the International Placing;

- the maximum number of Shares borrowed from Xinxing Company will be limited to the maximum number of Shares which may be issued upon exercise of the Over-allotment Option;

- the same number of Shares so borrowed must be returned to Xinxing Company or its nominees on no later than three business days following the earlier of (i) the last day for exercising the Over-allotment Option; and (ii) the day on which the Over-allotment Option is exercised in full;

- the stock borrowing arrangement will be effected in compliance with all applicable Listing Rules, laws and other regulatory requirements; and

- no payments will be made to Xinxing Company by the Sole Global Coordinator in relation to the stock borrowing arrangement.

DEALING ARRANGEMENTS

Assuming the Hong Kong Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, 6 July 2015, it is expected that dealings in the Shares on the Stock Exchange will commence on Monday, 6 July 2015.

The Shares will be traded in board lots of 2,000 Shares each. The stock code of the Company is 2699.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application. Our Company, the Sole Global Coordinator and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his or her representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at its discretion, and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any of its subsidiaries;

- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Placing Shares or otherwise participate in the International Placing.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 23 June 2015 until 12:00 noon on Friday, 26 June 2015 from:

(1) the following office of the Sole Bookrunner:

China Everbright Securities (HK) Limited
36/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

(2) any of the following sub-branches of Bank of Communications Co., Ltd. Hong Kong Branch:

	Sub-Branch Name	Address
Hong Kong Island	Hennessy Road Sub-Branch	G/F., Bank of Communications Building, 368 Hennessy Road
	Chai Wan Sub-Branch	G/F., 121-121A Wan Tsui Road, Chai Wan
	Aberdeen Sub-Branch	Shop 3, G/F, 2/4 & 14/16 Nam Ning Street, Aberdeen Centre (Site 4), Aberdeen
Kowloon	Hunghom Sub-Branch	Flat/Rm A6, G/F., Wing Kwai Building, 1-3 Tak Man Street, Whampoa Estate
New Territories	Sheung Shui Sub-Branch	Shops 1010-1014, G/F., Sheung Shui Centre Shopping Arcade, Sheung Shui

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 23 June 2015 until 12:00 noon on Friday, 26 June 2015 from:

- the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or

- your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Bank of Communications (Nominee) Co. Ltd. — Xinming China Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the sub-branches of the receiving bank listed above, at the following times:

Tuesday, 23 June 2015 — 9:00 a.m. to 5:00 p.m.
Wednesday, 24 June 2015 — 9:00 a.m. to 5:00 p.m.
Thursday, 25 June 2015 — 9:00 a.m. to 5:00 p.m.
Friday, 26 June 2015 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 26 June 2015, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Applications Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole Global Coordinator (or its agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of our Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor participated in the International Placing;

(viii) agree to disclose to our Company, our Hong Kong Share Registrar, receiving bank, the Sole Global Coordinator, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Global Coordinator and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you would have to collect the Share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that our Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the Yellow Application Form for details.

5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are **not a CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;

- (if the electronic application instructions are given for your benefit) declare that only one set of electronic application instructions has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorised to give those instructions as their agent;

- confirm that you understand that our Company, our Directors, the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of our Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to our Company, our Hong Kong Share Registrar, the receiving bank, the Sole Global Coordinator, the Underwriters and/or its respective advisers and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offer results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving electronic application instructions to apply for Hong Kong Offer Shares;

- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, and the Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 2,000 Hong Kong Offer Shares. Instructions for more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

Tuesday, 23 June 2015 — 9:00 a.m. to 8:30 p.m.[(1)]
Wednesday, 24 June 2015 — 8:00 a.m. to 8:30 p.m.[(1)]
Thursday, 25 June 2015 — 8:00 a.m. to 8:30 p.m.[(1)]
Friday, 26 June 2015 — 8:00 a.m.[(1)] to 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Tuesday, 23 June 2015 until 12:00 noon on Friday, 26 June 2015 (24 hours daily, except on the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Friday, 26 June 2015, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bank, the Sole Global Coordinator, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

6. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Such facility is subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Friday, 26 June 2015.

7. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

8. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form in respect of a minimum of 2,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed "Structure of the Global Offering — Pricing and Allocation" in this prospectus.

9. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 26 June 2015. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, 26 June 2015 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable" in this prospectus, an announcement will be made in such event.

10. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indications of interest in the International Placing, the level of applications in the Hong Kong Public Offer and the basis of allocation of the Hong Kong Offer Shares on Friday, 3 July 2015 in South China Morning Post (in English) and The Hong Kong Economic Times (in Chinese), on our Company's website at **www.xinm.com.cn** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at **www.xinm.com.cn** and the Stock Exchange's website at **www.hkexnews.hk** by no later than Friday, 3 July 2015;
- from the designated results of allocations website at **www.tricor.com.hk/ipo/result** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Friday, 3 July 2015 to 12:00 midnight on Thursday, 9 July 2015;
- by telephone enquiry line by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Friday, 3 July 2015 to Wednesday, 8 July 2015 (excluding Saturday, Sunday and Public Holiday); and
- in the special allocation results booklets which will be available for inspection during opening hours from Friday, 3 July 2015 to Tuesday, 7 July 2015 at all the receiving bank's designated sub-branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

11. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) **If your application is revoked:**

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) **If our Company or its agents exercise their discretion to reject your application:**

Our Company, the Sole Global Coordinator and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) **If the allotment of Hong Kong Offer Shares is void:**

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) **If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your payment is not made correctly or the cheque or banker ’s cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Global Coordinator believe that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or

- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offer.

12. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$2.1 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offer are not fulfilled in accordance with "Structure of the Global Offering — Conditions of the Hong Kong Public Offer" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker 's cashier order will not be cleared.

Any refund of your application monies will be made on Friday, 3 July 2015.

13. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** application Forms, Share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/ passport number, provided by you or the first named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or around Friday, 3 July 2015. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier 's order(s).

Share certificates will only become valid at 8:00 a.m. on Monday, 6 July 2015 provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) ***If you apply using a WHITE Application Form***

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from the Hong Kong Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Friday, 3 July 2015 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on Friday, 3 July 2015, by ordinary post and at your own risk.

(ii) ***If you apply using a YELLOW Application Form***

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Friday, 3 July 2015, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Friday, 3 July 2015, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offer in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 3 July 2015 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) ***If you apply via Electronic Application Instructions to HKSCC***

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Friday, 3 July 2015, or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offer in the manner specified in "Publication of Results" above on Friday, 3 July 2015. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 3 July 2015 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Friday, 3 July 2015. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Friday, 3 July 2015.

14. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

23 June 2015

The Directors
Xinming China Holdings Limited
China Everbright Capital Limited

Dear Sirs,

We set out below our report on the financial information of Xinming China Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") comprising the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2012, 2013 and 2014 (the "Relevant Periods"), and the consolidated statements of financial position of the Group as at 31 December 2012, 2013 and 2014 and the statement of financial position of the Company as at 31 December 2014, together with the notes thereto (the "Financial Information"), prepared on the basis of presentation set out in note 2 of Section II below, for inclusion in the prospectus of the Company dated 23 June 2015 (the "Prospectus") in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 16 January 2014. Pursuant to a group reorganisation (the "Reorganisation") as set out in note 2 of Section II below, which was completed on 1 August 2014, the Company became the holding company of the other subsidiaries comprising the Group. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, no statutory financial statements have been prepared for the Company, as it is not subject to statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in note 1 of Section II below. All companies now comprising the Group have adopted 31 December as their financial year end date. The statutory financial statements of the companies now comprising the Group were prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were incorporated and/or established. Details of their statutory auditors during the Relevant Periods are set out in note 1 of Section II below.

For the purpose of this report, the directors of the Company (the "Directors") have prepared the consolidated financial statements of the Group (the "Underlying Financial Statements") in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"). The Underlying Financial Statements for each of the years ended 31 December 2012, 2013 and 2014 were audited by us in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

DIRECTORS' RESPONSIBILITY

The Directors are responsible for the preparation of the Underlying Financial Statements and the Financial Information that give a true and fair view in accordance with IFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements and the Financial Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion on the Financial Information, and to report our opinion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by HKICPA.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report and on the basis of presentation set out in note 2 of Section II below, the Financial Information gives a true and fair view of the state of affairs of the Group as at 31 December 2012, 2013 and 2014 and of the company as at 31 December 2014 and of the consolidated results and cash flows of the Group for each of the Relevant Periods.

I. FINANCIAL INFORMATION

Consolidated Statements of Profit or Loss and Other Comprehensive Income

		Year ended 31 December		
		2012	2013	2014
	Notes	RMB'000	RMB'000	RMB'000
REVENUE	7	1,045,835	810,646	2,135,612
Cost of sales		(470,944)	(361,364)	(1,384,347)
Gross profit		574,891	449,282	751,265
Other income and gains	7	3,615	1,996	2,797
Selling and distribution costs		(75,383)	(92,043)	(86,847)
Administrative expenses		(39,947)	(59,215)	(93,973)
Other expenses		(84,204)	(12,411)	(11,249)
Changes in fair value of investment properties		180,459	186,802	16,864
Finance costs	8	(1,633)	(4,279)	(3,021)
PROFIT BEFORE TAX	9	557,798	470,132	575,836
Income tax expense	11	(300,270)	(218,307)	(264,801)
PROFIT AFTER TAX AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		257,528	251,825	311,035
ATTRIBUTABLE TO:				
Owners of the parent	13	207,772	262,292	330,179
Non-controlling interests		49,756	(10,467)	(19,144)
		257,528	251,825	311,035
Earnings per share attributable to ordinary equity holders of the parent*		N/A	N/A	N/A

* No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the basis of presentation of the results for the Relevant Periods as disclosed in Note 2.

Consolidated Statements of Financial Position

	Notes	As at 31 December 2012 RMB'000	2013 RMB'000	2014 RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	15	14,800	19,728	16,377
Investment properties	16	1,504,423	1,815,824	1,832,688
Deferred tax assets	17	32,595	66,801	110,022
Available-for-sale financial investment		3,000	—	—
		1,554,818	1,902,353	1,959,087
CURRENT ASSETS				
Properties under development	18	1,877,546	2,466,339	1,664,186
Completed properties held for sale	19	182,048	500,009	1,079,644
Equity investment at fair value through profit or loss	20	894	—	—
Available-for-sale financial investment		—	3,000	—
Trade receivables	21	7,855	—	5,097
Due from the Controlling Shareholder	33	48,171	23,207	4,042
Due from other related parties	33	1,370,538	686,906	3,492
Prepayments, deposits and other receivables	22	182,363	546,305	725,967
Tax recoverable		121,189	111,907	52,338
Restricted deposits	23	28,976	10,584	18,401
Cash and cash equivalents	23	131,155	161,412	40,301
		3,950,735	4,509,669	3,593,468
CURRENT LIABILITIES				
Trade payables	24	347,250	356,608	695,432
Other payables and accruals	25	327,212	467,100	324,700
Advances from customers	26	1,776,301	2,715,484	1,083,369
Due to other related parties	33	10,785	7,241	256,769
Interest-bearing bank loans and other borrowings	27	402,000	450,000	85,000
Provisions	28	28,778	31,867	21,149
Tax payable	29	506,928	505,859	598,671
		3,399,254	4,534,159	3,065,090
NET CURRENT ASSETS/(LIABILITIES)		551,481	(24,490)	528,378
TOTAL ASSETS LESS CURRENT LIABILITIES		2,106,299	1,877,863	2,487,465

		As at 31 December		
		2012	2013	2014
	Notes	RMB'000	RMB'000	RMB'000
NON-CURRENT LIABILITIES				
Interest-bearing bank loans and other borrowings.	27	778,842	415,000	1,315,000
Provisions	28	38,088	14,269	3,161
Other liabilities	30	69,366	55,022	296
Deferred tax liabilities	17	133,779	159,845	228,108
		1,020,075	644,136	1,546,565
NET ASSETS		1,086,224	1,233,727	940,900
EQUITY				
Equity attributable to owners of the parent				
Issued capital	31	—	—	—
Reserves	31	1,043,297	1,169,699	896,016
Non-controlling interests		42,927	64,028	44,884
TOTAL EQUITY		1,086,224	1,233,727	940,900

Consolidated Statements of Changes in Equity

	Attributable to owners of the parent					
	Share capital	Merger reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2012	—	436,456	424,282	860,738	133,636	994,374
Profit and total other comprehensive income for the year	—	—	207,772	207,772	49,756	257,528
Acquisition of non-controlling interests	—	176,715	—	176,715	(176,715)	—
Partial disposal of equity interest in a subsidiary without loss of control	—	(4,500)	—	(4,500)	4,500	—
Capital contribution from non-controlling shareholders of subsidiaries	—	—	—	—	20,000	20,000
Capital contribution from the then shareholder and non-controlling shareholders under common control	—	38,250	—	38,250	11,750	50,000
Dividends declared to the then shareholder	—	—	(235,678)	(235,678)	—	(235,678)
At 31 December 2012 and 1 January 2013	—	646,921	396,376	1,043,297	42,927	1,086,224
Profit and total other comprehensive income for the year	—	—	262,292	262,292	(10,467)	251,825
Acquisition of non-controlling interests	—	10,932	—	10,932	(10,932)	—
Capital contribution from non-controlling shareholders of subsidiaries	—	—	—	—	20,000	20,000
Acquisition of subsidiaries by the then shareholder	—	27,500	—	27,500	22,500	50,000
Dividends declared to the then shareholder	—	—	(174,322)	(174,322)	—	(174,322)
At 31 December 2013 and 1 January 2014	—	685,353	484,346	1,169,699	64,028	1,233,727
Profit and total other comprehensive income for the year	—	—	330,179	330,179	(19,144)	311,035
Acquisition of subsidiaries from the then shareholder	—	(603,862)	—	(603,862)	—	(603,862)
At 31 December 2014	—	81,491	814,525	896,016	44,884	940,900

* These reserve accounts comprise the consolidated reserves of RMB1,043,297,000, RMB1,169,699,000 and RMB896,016,000 as at 31 December 2012, 2013 and 2014, respectively.

Consolidated Statements of Cash Flows

		Year ended 31 December		
		2012	2013	2014
	Notes	RMB'000	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		557,798	470,132	575,836
Adjustments for:				
Depreciation	9	2,783	4,412	4,781
Changes in fair value of investment properties	9	(180,459)	(186,802)	(16,864)
Bank interest income	7	(1,529)	(910)	(385)
Change in fair value of equity investment at fair value through profit or loss	9	(67)	—	—
Gain on disposal of equity investment at fair value through profit or loss	9	—	(195)	—
Provision/(realisation) for onerous operating lease		66,866	(25,009)	(24,847)
Provision for impairment of trade receivables	9	—	1,430	—
Interest income arising from available-for-sale financial investment	9	(345)	(345)	—
Finance costs	8	1,633	4,279	3,021
Decrease/(increase) in trade receivables		2,725	6,425	(5,097)
Increase in prepayments, deposits and other receivables		(32,587)	(340,528)	(219,350)
Increase/(decrease) in advances from customers		336,000	939,183	(1,632,115)
Increase in trade payables		141,544	23,634	338,824
Increase/(decrease) in other liabilities		34,661	(14,344)	(54,726)
Increase/(decrease) in other payables and accruals		29,120	34,392	(139,911)
(Increase)/decrease in properties under development and completed properties held for sale		(763,758)	(588,377)	330,987
Decrease/(increase) in restricted deposits	23	130,546	18,392	(7,817)
Cash generated from/(used in) operations		324,931	345,769	(847,663)
Tax paid		(118,053)	(218,074)	(87,378)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		206,878	127,695	(935,041)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment		(13,204)	(8,165)	(1,462)
Proceeds from disposal of property, plant and equipment		—	—	31
Addition to investment properties		(90,397)	(144,599)	—
Proceeds from disposal of equity investment at fair value through profit or loss		—	1,089	—

	Notes	Year ended 31 December 2012 RMB'000	2013 RMB'000	2014 RMB'000
Acquisition of a subsidiary by the then shareholder	32	—	18,438	—
Purchase of available-for-sale financial investment		(3,000)	—	—
Bank interest income	7	1,529	910	385
Interest income received from available-for-sale financial investment		—	345	—
Proceeds from disposal of available-for-sale investment		—	—	3,000
NET CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES		(105,072)	(131,982)	1,954
CASH FLOWS FROM FINANCING ACTIVITIES				
Capital contribution from non-controlling shareholders of subsidiaries		20,000	20,000	—
Capital contribution from the then shareholder and non-controlling shareholders under common control		50,000	—	—
Interest paid	8	(72,303)	(85,143)	(108,469)
New interest-bearing bank loans and other borrowings		1,045,842	285,000	1,025,000
Decrease/(increase) in other receivables		13,128	(3,728)	39,690
Decrease in other payables		(2,165)	(47,223)	(2,490)
(Increase)/decrease in due from other related parties		(879,074)	509,310	79,552
Decrease in due from the Controlling Shareholder		1,961	24,964	19,165
Increase/(decrease) in due to other related parties		9,549	(67,794)	249,528
Repayment of interest-bearing loans and other borrowings		(230,000)	(600,842)	(490,000)
NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES		(43,062)	34,544	811,976
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		58,744	30,257	(121,111)
Cash and cash equivalents at beginning of year	23	72,411	131,155	161,412
CASH AND CASH EQUIVALENTS AT END OF YEAR		131,155	161,412	40,301

Statement of Financial Position of the Company

	Notes	As at 31 December 2014 RMB'000
NON-CURRENT ASSETS		
Investment in a subsidiary		1
		1
CURRENT ASSETS		
Cash and cash equivalents	23	8
		8
CURRENT LIABILITIES		
Due to inter-company	33	(661)
		(661)
NET CURRENT LIABILITIES		(653)
TOTAL ASSETS LESS CURRENT LIABILITIES		(652)
NET LIABILITIES		(652)
EQUITY		
Issued capital	31	—
Accumulated losses	31	(652)
TOTAL DEFICIT		(652)

II. NOTES TO FINANCIAL INFORMATION

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. During the Relevant Periods, the subsidiaries now comprising the Group were mainly involved in property development, property leasing and the provision of property management services. 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 Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in the paragraph "Reorganisation" in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus.

As at the date of this report, the Company has direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name of company	Date and place of incorporation/ registration and business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Xinming Capital Limited[1] ("Xinming Capital")	17 January 2014 The British Virgin Islands	USD 50,000	100%	—	Investment holding
Xinming China Investment Limited[1] ("Xinming Hong Kong")	4 February 2014 Hong Kong	HKD1,000,000	—	100%	Investment holding
Hangzhou Times Enterprise Management Consulting Limited[1] ("Hangzhou Times")	9 April 2014 Mainland China	RMB30,000,000	—	100%	Investment holding
Xinming Group Holding Limited[2] ("Xinming Group")	5 November 2012 Mainland China	RMB50,000,000	—	100%	Investment holding
Taizhou City Xinming Real Estate Development Company Limited[3] ("Taizhou Xinming")	12 February 2007 Mainland China	RMB71,800,000	—	100%	Property development

Name of company	Date and place of incorporation/ registration and business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Taizhou Xinming Property Investment Limited(4) ("Taizhou Investment")	12 September 2008 Mainland China	RMB160,000,000	—	100%	Property development, property investment
Taizhou Wenshang Times Property Limited(5) ("Wenshang Times")	13 January 2010 Mainland China	RMB50,000,000	—	100%	Property development, properties investment
Shanghai Xinming Global Property Limited(6) ("Shanghai Xinming")	29 April 2011 Mainland China	RMB50,000,000	—	79%	Property development, infrastructure construction, provision of property management service
Chongqing Xinming Property Company Limited(7) ("Chongqing Xinming")	16 November 2012 Mainland China	RMB100,000,000	—	60%	Property development
Zhejiang Xinming Property Services Limited(8) ("Xinming Property")	14 November 2005 Mainland China	RMB5,000,000	—	100%	Provision of property management service
Shandong Xingmeng Property Limited(9) ("Shandong Xingmeng")	24 October 2011 Mainland China	RMB50,000,000	—	55%	Property development; Property management
Hangzhou Xinming Property Investment Limited(10) ("Hangzhou Xinming")	28 March 2014 Mainland China	RMB50,000,000	—	100%	Property development; Property management

Notes:

The English names of the subsidiaries registered in the People's Republic of China ("PRC") represents the best efforts made by management of the Company to translate their Chinese names as they do not have official English names.

(1) No audited financial statements have been prepared for the entity since the date of incorporation/establishment as the entity is not subject to any statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

(2) The statutory financial statements of Xinming Group for the period from 5 November 2012 (date of establishment) to 31 December 2012 and the year ended 31 December 2014 prepared in accordance with PRC accounting principles and regulations have been audited by Zhonghui Certified Public Accountants Co., Ltd., a certified public accounting firm registered in the PRC. The statutory financial statements of Xinming Group for the year ended 31 December 2013 prepared in accordance with PRC accounting principles and regulations have been audited by Zhejiang Nanfang Certified Public Accountants Co., Ltd., a certified public accounting firm registered in the PRC.

(3) The statutory financial statements of Taizhou Xinming for the years ended 31 December 2012 and 2014 prepared in accordance with PRC accounting principles and regulations have been audited by Zhonghui Certified Public Accountants Co., Ltd., a certified public accounting firm registered in the PRC. The statutory financial statements of Taizhou Xinming for the year ended 31 December 2013 prepared in accordance with PRC accounting principles and regulations have been audited by Zhejiang Nanfang Certified Public Accountants Co., Ltd., a certified public accounting firm registered in the PRC.

(4) The statutory financial statements of Taizhou Investment for the years ended 31 December 2012 and 2014 prepared in accordance with PRC accounting principles and regulations have been audited by Zhonghui Certified Public Accountants Co., Ltd., a certified public accounting firm registered in the PRC. The statutory financial statements of Taizhou Investment for the year ended 31 December 2013 prepared in accordance with PRC accounting principles and regulations have been audited by Zhejiang Nanfang Certified Public Accountants Co., Ltd., a certified public accounting firm registered in the PRC.

(5) The statutory financial statements of Wenshang Times for the years ended 31 December 2012 and 2014 prepared in accordance with PRC accounting principles and regulations have been audited by Zhonghui Certified Public Accountants Co., Ltd., a certified public accounting firm registered in the PRC. The statutory financial statements of Wenshang Times for the year ended 31 December 2013 prepared in accordance with PRC accounting principles and regulations have been audited by Zhejiang Nanfang Certified Public Accountants Co., Ltd., a certified public accounting firm registered in the PRC.

(6) The statutory financial statements of Shanghai Xinming for the year ended 31 December 2012 and 2014 prepared in accordance with PRC accounting principles and regulations have been audited by Zhonghui Certified Public Accountants Co., Ltd., a certified public accounting firm registered in the PRC. The statutory financial statements of Shanghai Xinming for the year ended 31 December 2013 prepared in accordance with PRC accounting principles and regulations have been audited by Zhejiang Nanfang Certified Public Accountants Co., Ltd., a certified public accounting firm registered in the PRC.

(7) The statutory financial statements of Chongqing Xinming for the period from 16 November 2012 (date of establishment) to 31 December 2012 and the year ended 31 December 2014 prepared in accordance with PRC accounting principles and regulations have been audited by Chongqing Yuzheng Certified Public Accountants Co., Ltd., a certified public accounting firm registered in the PRC. The statutory financial statements of Chongqing Xinming for the year ended 31 December 2013 prepared in accordance with PRC accounting principles and regulations have been audited by Zhejiang Nanfang Certified Public Accountants Co., Ltd., a certified public accounting firm registered in the PRC.

(8) The statutory financial statements of Xinming Property for the years ended 31 December 2012 and 2014 prepared in accordance with PRC accounting principles and regulations have been audited by Zhonghui Certified Public Accountants Co., Ltd., a certified public accounting firm registered in the PRC. The statutory financial statements of Xinming Property for the year ended 31 December 2013 prepared in accordance with PRC accounting principles and regulations have been audited by Zhejiang Nanfang Certified Public Accountants Co., Ltd., a certified public accounting firm registered in the PRC.

(9) The statutory financial statements of Shandong Xingmeng for the year ended 31 December 2012 and 2014 prepared in accordance with PRC accounting principles and regulations have been audited by Zhejiang Zhengda Certified Public Accountants Co., Ltd., a certified public accounting firm registered in the PRC. The statutory financial statements of Shandong Xingmeng for the year ended 31 December 2013 prepared in accordance with PRC accounting principles and regulations have been audited by Zhejiang Nanfang Certified Public Accountants Co., Ltd., a certified public accounting firm registered in the PRC.

(10) The statutory financial statements of Hangzhou Xinming for the period from 28 March 2014 (date of establishment) to 31 December 2014 prepared in accordance with PRC accounting principles and regulations have been audited by Zhonghui Certified Public Accountants Co., Ltd., a certified public accounting firm registered in the PRC.

2. BASIS OF PRESENTATION AND PREPARATION

Pursuant to the Reorganisation as more fully explained in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus, the Company was incorporated on 16 January 2014 and became the holding company of the companies now comprising the Group on 1 August 2014. These companies were under the common control of the Controlling Shareholder before and after the Reorganisation. Accordingly, for the purpose of this report, the Financial Information has been prepared on a consolidation basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Relevant Periods.

The consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries first came under the common control of the Controlling Shareholder, where this is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2012, 2013 and 2014 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from the Controlling Shareholder's perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

Equity interests in subsidiaries and/or businesses held by parties other than the Controlling Shareholder, and changes therein, prior to the Reorganisation are presented as non-controlling interests in equity in applying the principles of merger accounting.

All intra-group transactions and balances have been eliminated on consolidation.

The Financial Information has been prepared in accordance with IFRSs, which include all standards and interpretations approved by the IASB, and International Accounting Standards (the"IASs") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect. All IFRSs effective for the accounting periods commencing from 1 January 2015 have been early adopted by the Group in the preparation of the Financial Information throughout the Relevant Periods.

The Financial Information has been prepared under the historical cost convention except for equity investments measured at fair value through profit or loss and investment properties. The Financial Information is presented in Renminbi ("RMB"), which is the same functional currency of the Company and its subsidiaries, and all values are rounded to the nearest thousand except when otherwise indicated.

3. NEW AND REVISED IFRSs NOT YET ADOPTED

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective, in the Financial Information:

Amendments to IAS 1	*Disclosure initiative*[2]
IFRS 9	*Financial Instruments*[4]
Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*[2]
Amendments to IFRS 10 and IAS 28	*Sale or contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
IFRS 14	*Regulatory Deferral Accounts*[2]
IFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptance Methods of Depreciation and Amortisation*[2]
Amendments to IAS 16 and IAS 41	*Bearer Plants*[2]
Amendments to IAS 27	*Equity Method in Separate Financial Statements*[2]
Amendment to IAS 19	*Defined Benefit plans: Employee Contributions*[1]
Annual Improvements 2010-2012 Cycles	Amendments to a number of IFRSs[1]
Annual Improvements 2011-2013 Cycles	Amendments to a number of IFRSs[1]
Annual Improvements 2012-2014 Cycles	Amendments to a number of IFRSs[2]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018

Other than as further explained below regarding the impact of IFRS 15, the Group expects that the adoption of the new and revised IFRSs will have no significant financial effect on the Group's results of operations and financial position.

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

This Financial Information incorporates the financial statements of the Company and its subsidiaries for the Relevant Periods. As explained in note 2 above, the acquisition of subsidiaries under common control has been accounted for using the merger accounting. The acquisition of subsidiaries not under common control is accounted for using the acquisition method is explained below under "business combination not under common control".

The merger method of accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the Controlling Shareholder. No amount is recognised in respect of goodwill or the excess of the acquirers' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over the cost of investment at the time of common control combination. The consolidated statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of the common control combination.

All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on combination.

Non-controlling interests represent the equity in a subsidiary not attributable, directly or indirectly, to a parent. Total comprehensive income is attributed to the non-controlling interest even if that results in a deficit balance.

Business combinations under common control

Business combinations other than under common control are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination not under common control, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination not under common control is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in statements of profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of Financial Instruments: Recognition and Measurement ("IAS39") is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with IFRS 5 are stated at cost less any impairment losses.

Fair value measurement

The Group measures its investment properties, and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than deferred tax assets, properties under development, completed properties held for sale, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the profit or loss in the period in which it arises unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or close member of that person's family and that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a holding company of the Group.

or:

(b) the party is an entity where any of the following conditions apply:

(i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) both entities are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) The entity is controlled or jointly controlled by a person identified in (a);

(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognised such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful life used for this purpose is as follows:

Plant and machinery	7 years
Furniture and office equipment	4 years
Motor vehicles	4 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the profit or loss in the year of the retirement or disposal.

Properties under development

Properties under development are intended to be held for sale after completion.

Properties under development are stated at the lower of cost comprising land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period and net realisable value.

Properties under development are classified as current assets unless those will not be realised in one normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Completed properties held for sale

Completed properties held for sale are stated in the statements of financial position at the lower of cost and net realisable value. Cost is determined by an apportionment of the total costs of land and buildings attributable to the unsold properties. Net realisable value takes into account the price ultimately expected to be realised, less estimated costs to be incurred in selling the properties.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

If a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value, any profit or loss shall be recognised immediately. If the sale price is below fair value, any profit or loss shall be recognised immediately except that, if the loss is compensated for by future lease payments at below market price, it shall be deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value shall be deferred and amortised over the period for which the asset is expected to be used.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When all financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as other expenses in the profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to the profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the impairment loss is recognised in the profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the profit or loss, is removed from other comprehensive income and recognised in the profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the profit or loss is removed from other comprehensive income and recognised in the profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, or loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and accruals, interest-bearing bank borrowings and amounts due to other related parties.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Amortisation is included in finance costs in the profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the consolidated cash flow statements, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statements of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognized, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income to match the grant on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sales of properties, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the properties sold;

(b) Rental income, on a time proportion basis over the lease terms;

(c) from the rendering of services, when the services are rendered and the inflow of economic benefit is probable;

(d) Interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Employee benefits

Pension schemes

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute 12% to 22% of its payroll costs to the central pension scheme. The contributions are charged to the profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the consolidated statements of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Renminbi ("RMB"), which is the Company's presentation and functional currency because the Group's principal operations are carried out in Mainland China. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their profit or loss are translated into RMB at the weighted average exchange rates for the year.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

Sales and leaseback transactions

The Group enters into a number of contracts or agreements in respect of sales and leaseback with certain property buyers for the purpose of leasing such properties to third party tenants. In assessing whether sales and leaseback transaction results in an operating lease or a finance lease, the management of the group considers many factors including the sales price of the properties, the lease terms and the length of the lease period. Based on the assessment, the Group considers that the arrangements result in operating leases. The determination is subject to judgment on the factors and circumstances.

Classification between investment properties and completed properties held for sale

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property. Completed properties held for sale comprise properties that are held for sale in the ordinary course of business. Principally, this is residential property that the Group develops and intends to sell before or on completion of construction.

Withholding tax arising from the distribution of dividends

The Group's determination, as to whether to accrue withholding taxes arising from the distributions of dividends by certain subsidiaries according to the relevant tax rules enacted in the jurisdictions, is subject to judgement on the plan of the distribution of dividends.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are disclosed below:

Provision of properties under development and completed properties held for sale

The Group's properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Based on the Group's historical experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion of properties under development, and the costs to be incurred in selling the properties based on prevailing market conditions.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in a provision for properties under development and completed properties held for sale. Such a provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which the estimate is changed will be adjusted accordingly.

PRC land appreciation tax ("LAT")

The Group is subject to LAT in the PRC. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT calculation and payments with the tax authorities for all its property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences will impact on the LAT expenses and the related provision in the period in which the differences realise.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Estimation on the fair value of investment properties

Investment properties, including completed investment properties and investment properties under construction carried at fair value, were revalued at each reporting date based on the appraised market value provided by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at each reporting date.

The principal assumptions for the Group's estimation of the fair value include those related to current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs. The carrying amounts of investment properties at 31 December 2012, 2013 and 2014 were RMB1,504,423,000, RMB1,815,824,000 and RMB1,832,688,000, respectively.

Provisions

The Group makes provisions for onerous contracts, which management estimates the related provisions based on existing contract terms, expected economic benefits, available knowledge and past experience.

The carrying amount of the provisions at 31 December 2014 was RMB24,310,000 (2013: RMB46,136,000, 2012: RMB66,866,000). More details are given in note 28 to the financial information.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying values of deferred tax assets relating to recognised tax losses at 31 December 2012, 2013 and 2014 were RMB20,114,000, RMB56,911,000 and RMB38,184,000, respectively. Further details are contained in note 17 to the financial information.

6. SEGMENT INFORMATION

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

(a) the property development segment engages in the development and sale of properties;

(b) the property leasing segment engages in properties for their rental income potential and/or for capital appreciation;

(c) the property management segment engages in the management of the Group's developed; and;

(d) the other segment engages in investment holding

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax from continuing operations.

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

No geographical information is presented as the Group's revenue from the external customers is derived solely from its operation in Mainland China and no non-current assets of the Group are located outside Mainland China.

No information about major customers is presented as no single customer individually contributed to over 10% of the Group's revenue for the years ended 31 December 2012, 2013 and 2014.

Year ended 31 December 2012

	Property development	Property leasing	Property management	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue:					
Sales to external customers	998,664	37,478	9,693	—	1,045,835
Revenue					1,045,835
Segment results:	487,914	75,423	(5,436)	(103)	557,798
Profit before tax					557,798
Segment assets	4,872,410	1,533,928	16,282	49,926	6,472,546
Reconciliation:					
Elimination of intersegment receivables					(966,993)
Total assets					5,505,553
Segment liabilities	4,932,704	329,780	27,100	29	5,289,613
Reconciliation:					
Elimination of intersegment payables					(870,284)
Total liabilities					4,419,329
Other segment information:					
Depreciation	2,593	122	68	—	2,783
Bank interest income	(1,468)	(21)	(34)	(6)	(1,529)
Finance costs	—	1,633	—	—	1,633
Fair value gains on investment properties	—	(180,459)	—	—	(180,459)
Interest income arising from available-for-sale financial investments	(345)	—	—	—	(345)
Capital expenditure	13,162	110,397	42	—	123,601

Year ended 31 December 2013

	Property development	Property leasing	Property management	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue:					
Sales to external customers	770,924	28,856	10,866	—	810,646
Revenue					810,646
Segment results:	287,221	191,760	(8,607)	(242)	470,132
Profit before tax					470,132
Segment assets	6,276,553	1,858,700	29,031	60,015	8,224,299
Reconciliation:					
Elimination of intersegment receivables					(1,812,277)
Total assets					6,412,022
Segment liabilities	6,522,293	363,832	88,632	10,359	6,985,116
Reconciliation:					
Elimination of intersegment payables					(1,806,821)
Total liabilities					5,178,295
Other segment information:					
Depreciation	4,235	128	49	—	4,412
Bank interest income	(832)	(10)	(64)	(4)	(910)
Finance costs	—	4,279	—	—	4,279
Fair value gains on investment properties	—	(186,802)	—	—	(186,802)
Provision for impairment of trade receivables	—	1,430	—	—	1,430
Interest income arising from available-for-sale financial investment	(345)	—	—	—	(345)
Capital Expenditure	8,116	124,599	49	—	132,764

Year ended 31 December 2014

	Property development	Property leasing	Property management	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue:					
Sales to external customers	2,050,485	66,546	18,581	—	2,135,612
Revenue					2,135,612
Segment results:	575,482	20,573	(5,154)	(15,065)	575,836
Profit before tax					575,836
Segment assets	4,840,370	1,896,097	21,893	747,777	7,506,137
Reconciliation:					
Elimination of intersegment receivables					1,953,582
Total assets					5,552,555
Segment liabilities	5,720,046	650,328	62,614	1,422,951	7,855,939
Reconciliation:					
Elimination of intersegment payables					(3,244,284)
Total liabilities					4,611,655
Other segment information:					
Depreciation	4,166	577	38	—	4,781
Bank interest income	(308)	(7)	(61)	(9)	(385)
Finance costs	—	3,021	—	—	3,021
Fair value gains on investment properties	—	(16,864)	—	—	(16,864)
Capital Expenditure	998	303	151	10	1,462

7. REVENUE, OTHER INCOME AND GAINS

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

Group

	Year ended 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Revenue			
Sales of properties	1,059,028	817,522	2,174,447
Rental income	39,710	30,525	70,527
Property management service income	10,251	11,512	19,635
	1,108,989	859,559	2,264,609
Less: Government surcharges	(63,154)	(48,913)	(128,997)
	1,045,835	810,646	2,135,612

	Year ended 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Other income and gains			
Bank interest income	1,529	910	385
Government grants	680	527	2,140
Interest income arising from available-for-sale financial investment	345	345	—
Change in fair value of equity investment at fair value through profit or loss	67	—	—
Gain on disposal of equity investment at fair value through profit or loss	—	195	—
Others	994	19	272
	3,615	1,996	2,797

Government grants represent the subsidies received from local governments of RMB680,000, RMB527,000 and RMB2,140,000 for the years ended 31 December 2012, 2013 and 2014 to reward the Group's contributions to the development of Taizhou City and Chongqing City and the tax administration matters.

8. FINANCE COSTS

An analysis of finance costs is as follows:

Group

	Year ended 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Finance costs			
Interest on interest-bearing bank loans and other borrowings wholly repayable within five years	41,237	46,166	50,892
Interest on interest-bearing bank loans not wholly repayable within five years	31,066	38,977	57,577
Notional interest	—	4,279	3,021
Total interest expense on financial liabilities not at fair value through profit or loss	72,303	89,422	111,490
Less: Interest capitalised	(70,670)	(85,143)	(108,469)
	1,633	4,279	3,021

9. PROFIT BEFORE TAX

The Group's profit for the Relevant Periods is arrived at after charging/(crediting):

Group

	Year ended 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Cost of properties sold	391,175	314,594	1,328,594
Cost of property management service provided	13,027	15,096	18,671
Cost of leasing properties	66,742	31,674	37,082
Auditor's remuneration	610	3,285	2,392
Depreciation (note 15)	2,783	4,412	4,781
Changes in fair value of investment properties (note 16)	(180,459)	(186,802)	(16,864)
Change in fair value of equity investment at fair value through profit or loss	(67)	—	—
Interest income arising from available-for-sale financial investment (note 7)	(345)	(345)	—
Gain on disposal of equity investment at fair value through profit or loss (note 7)	—	(195)	—
Provision for onerous operating lease (note 28)	66,866	5,610	9,838
Provision for impairment of trade receivables (note 21)	—	1,430	—
Employee benefit expense(excluding directors' remuneration as set out in note 10):			
Wages and salaries	11,921	14,498	26,395
Pension scheme and social welfare	4,086	5,124	12,451

10. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange is as follows:

Group

	Year ended 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Fees	—	—	—
Other emoluments:			
Salaries, allowances and benefits-in-kind	—	—	1,311
Discretionary bonuses	—	—	—
Pension scheme contributions	—	—	185
	—	—	1,496

(a) Independent non-executive directors

There were no other emoluments payable to the independent non-executive directors during the Relevant Periods.

(b) Executive directors and a non-executive director

	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Pension scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2012					
Executive directors:					
— Mr. Chen Chengshou	—	—	—	—	—
— Ms. Quan Xiaolin	—	—	—	—	—
— Mr. Zhou Yongkui	—	—	—	—	—
— Mr. Jin Zhanghai	—	—	—	—	—
	—	—	—	—	—
Non-executive director:					
— Ms. Gao Qiaoqin	—	—	—	—	—
	—	—	—	—	—

	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Pension scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2013					
Executive directors:					
— Mr. Chen Chengshou	—	—	—	—	—
— Ms. Quan Xiaolin	—	—	—	—	—
— Mr. Zhou Yongkui	—	—	—	—	—
— Mr. Jin Zhanghai	—	—	—	—	—
	—	—	—	—	—
Non-executive director:					
— Ms. Gao Qiaoqin	—	—	—	—	—
	—	—	—	—	—
Year ended 31 December 2014					
Executive directors:					
— Mr. Chen Chengshou	—	358	—	37	395
— Ms. Quan Xiaolin	—	227	—	37	264
— Mr. Zhou Yongkui	—	269	—	37	306
— Mr. Jin Zhanghai	—	301	—	37	338
Non-executive director:					
— Ms. Gao Qiaoqin	—	156	—	37	193
	—	1,311	—	185	1,496

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

The Company did not have any chief executive, executive directors, non-executive directors and independent non-executive directors until the date of incorporation, 16 January 2014. As disclosed in note 33, above directors does not received any remunerations from the subsidiaries now comprising the Group during the Relevant Periods, except for the period from May to December 2014 of RMB1,496,000 as disclosed above.

(c) Five highest paid employees

The five highest paid individuals for the years ended 31 December 2012, 2013 and 2014 do not include any director. Details of the remuneration of the five non-director highest paid employees for the years ended 31 December 2012, 2013 and 2014, are as follows:

	Year ended 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Salaries, allowances and benefits-in-kind	1,806	2,410	3,341
Pension scheme contributions............................	263	299	310
	2,069	2,709	3,651

During the years ended 31 December 2012, 2013 and 2014, the remuneration of the non-director, highest paid employees fell within the band of nil to RMB1 million.

11. 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. Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group's subsidiaries incorporated in the Cayman Islands and British Virgin Islands are not subject to any income tax. The Group's subsidiaries incorporated in Hong Kong are not liable for income tax as they did not have any assessable income arising in Hong Kong during the Relevant Periods.

The provision for Mainland China current income tax is based on the statutory rate of 25% of the assessable profit of the PRC subsidiaries of the Group as determined in accordance with the PRC Corporation Income Tax Law which was approved and became effective on 1 January 2008 (the "New Corporate Income Tax Law").

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

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

The major components of income tax expense are as follows:

Group

	Year ended 31 December		
	2012	**2013**	**2014**
	RMB'000	**RMB'000**	**RMB'000**
Current tax:			
Income tax in the PRC for the year	119,527	96,809	93,412
LAT	196,165	129,478	146,347
Deferred tax (note 17)	(15,422)	(7,980)	25,042
Total tax charge for the year	300,270	218,307	264,801

A reconciliation of income tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and its subsidiaries are domiciled to the income tax expense at the effective income tax rate for each of the Relevant Periods as follows:

	Year ended 31 December		
	2012	**2013**	**2014**
	RMB'000	**RMB'000**	**RMB'000**
Profit before tax	557,798	470,132	575,836
Tax at the statutory tax rate	139,450	117,533	143,959
Expenses not deductible for tax	4,640	1,158	2,031
Effect of unrecognised tax losses	9,056	2,508	9,051
Subtotal	153,146	121,199	155,041
LAT provision for the year	130,248	107,284	42,519
Prepaid LAT for the year	65,917	22,194	103,828
Deferred tax effect of LAT provision (note 17)	(32,562)	(26,821)	(10,630)
Tax effect of prepaid LAT	(16,479)	(5,549)	(25,957)
Total tax charge at group's effective rate	300,270	218,307	264,801

Deferred tax assets have not been recognised in respect of tax losses for the years ended 31 December 2012, 2013 and 2014 amounting to RMB36,224,000, RMB10,032,000 and RMB36,204,000 respectively, as it is not considered probable that taxable profits will be available against which the above tax losses can be utilised.

12. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the preparation of the results of the Group for the Relevant Periods as disclosed in note 2 above.

13. LOSS ATTRIBUTE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the Relevant Periods includes a loss of RMB652,000 from the date of incorporation to 31 December 2014, which has been dealt with in the financial statements of the Company.

14. DIVIDEND

No dividend has been paid or declared by the Company since its date of incorporation.

The dividend declared by the Company's subsidiary to its then shareholders during the Relevant Periods was as follows:

	Year ended 31 December		
	2012	**2013**	**2014**
	RMB'000	**RMB'000**	**RMB'000**
Special dividend	235,678	174,322	—

As part of the Reorganisation, a special dividend of RMB235,678,000 and RMB174,322,000 proposed by the Board of Directors of the Group to its then shareholders was approved on 31 December 2012 and 16 December 2013, respectively.

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Plant and machinery	Furniture and office equipment	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Cost:				
At 1 January 2012	2,662	3,055	3,980	9,697
Additions	—	646	12,558	13,204
At 31 December 2012 and 1 January 2013	2,662	3,701	16,538	22,901
Acquisition of a subsidiary by the then shareholder	—	669	555	1,224
Additions	—	2,169	5,996	8,165
At 31 December 2013 and 1 January 2014	2,662	6,539	23,089	32,290
Additions	—	889	573	1,462
Disposal	—	(121)	(8)	(129)
At 31 December 2014	2,662	7,307	23,654	33,623
Accumulated depreciation:				
At 1 January 2012	1,948	1,971	1,399	5,318
Charge for the year	581	604	1,598	2,783
At 31 December 2012 and 1 January 2013	2,529	2,575	2,997	8,101
Acquisition of a subsidiary by the then shareholder	—	3	46	49
Charge for the year	—	988	3,424	4,412
At 31 December 2013 and 1 January 2014	2,529	3,566	6,467	12,562
Charge for the year	—	1,385	3,396	4,781
Disposal	—	(92)	(5)	(97)
At 31 December 2014	2,529	4,859	9,858	17,246
Net carrying amount:				
At 31 December 2012	133	1,126	13,541	14,800
At 31 December 2013	133	2,973	16,622	19,728
At 31 December 2014	133	2,448	13,796	16,377

None of the Group's property, plant and equipment at 31 December 2012, 2013 and 2014 have been pledged to secure bank loans granted to the Group.

16. INVESTMENT PROPERTIES

	Completed	Under construction	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2012	920,567	293,000	1,213,567
Additions	—	110,397	110,397
Change in fair value of investment properties	40,526	139,933	180,459
At 31 December 2012 and 1 January 2013	961,093	543,330	1,504,423
Additions	—	124,599	124,599
Transfer	667,929	(667,929)	—
Change in fair value of investment properties	186,802	—	186,802
At 31 December 2013 and 1 January 2014	1,815,824	—	1,815,824
Change in fair value of investment properties	16,864	—	16,864
At 31 December 2014	1,832,688	—	1,832,688

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Carrying amount	697,039	821,638	821,638
Investment properties:			
At fair value	1,504,423	1,815,824	1,832,688

The Group's investment properties are situated in Mainland China and are held under medium term leases.

In 2012, the Group's investment properties consist of commercial properties completed and under construction in Mainland China. The fair value of the Group's investment properties were revalued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent professionally qualified valuer. The investment properties are leased to third parties under operating leases, further details of which are included in note 35.

As at 31 December 2012, 2013 and 2014, the Group's investment properties with values of RMB1,504,423,000, RMB1,768,025,000 and RMB1,832,688,000, respectively, were pledged to secure general interest-bearing bank loans and other borrowings granted to the Group (note 27).

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement for:				
31 December 2012				
Commercial properties	—	—	1,504,423	1,504,423
31 December 2013				
Commercial properties	—	—	1,815,824	1,815,824
31 December 2014				
Commercial properties		—	1,832,688	1,832,688

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Commercial properties
	RMB'000
Carrying amount at 1 January 2012	1,213,567
Additions	110,397
Net gain from a fair value adjustment recognised in changes in fair value of investment properties in profit or loss	180,459
Carrying amount at 31 December 2012	1,504,423
Additions	124,599
Net gain from a fair value adjustment recognised in changes in fair value of investment properties in profit or loss	186,802
Carrying amount at 31 December 2013	1,815,824
Net gain from a fair value adjustment recognised in changes in fair value of investment properties in profit or loss	16,864
Carrying amount at 31 December 2014	1,832,688

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

Commercial Properties	Valuation techniques	Significant unobservable inputs	Range (weighted average)
Year ended 31 December 2012	Income method	Market month rental Rate (RMB/Sq.m.)	0.48-3.80
		Term yield	5.50%-6.00%
		Reversionary yield	6.00%-7.00%
		Long term vacancy rate	5.00%-10.00%
Year ended 31 December 2013	Income method	Market month rental rate (RMB/Sq.m.)	0.49-4.10
		Term yield	5.50%-6.00%
		Reversionary yield	6.00%-7.00%
		Long term vacancy rate	3.00%-5.00%
Year ended 31 December 2014	Income method	Market month rental rate (RMB/Sq.m.)	0.49-4.10
		Term yield	5.50%-6.00%
		Reversionary yield	6.00%-7.00%
		Long term vacancy rate	3.00%-5.00%

The investment properties under construction have been valued on the basis that the properties will be developed and completed in accordance with the relevant development plans.

The investment properties completed or close to completion have been valued by using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a property interest. A market-derived discount rate is applied to the projected cash flow in order to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related reletting, redevelopment or refurbishment. The appropriate duration is driven by market behaviour that is a characteristic of the class of property. The periodic cash flow is estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance costs, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

A significant increase/(decrease) in the estimated rental value and the market rent growth rate per annum in isolation would result in a significant increase/(decrease) in the fair value of the investment properties. A significant increase/(decrease) in the long term vacancy rate and the discount rate in isolation would result in a significant decrease/(increase) in the fair value of the investment properties. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and the discount rate and an opposite change in the long term vacancy rate.

17. DEFERRED TAX

Deferred tax assets

The following are the deferred tax assets recognised and the movements therein during the Relevant Periods:

Deferred tax assets	Loss available for offsetting against future taxable profit	Accruals and provisions	Accrued LAT	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2012	4,533	—	39,635	44,168
Deferred tax credited to profit or loss during the year (note 11)	15,581	16,717	32,562	64,860
Gross deferred tax assets at 31 December 2012 and 1 January 2013	20,114	16,717	72,197	109,028
Acquisition of a subsidiary by the then shareholder	160	—	—	160
Deferred tax credited/(charged) to profit or loss during the year (note 11)	36,637	(4,455)	26,821	59,003
Gross deferred tax assets at 31 December 2013 and 1 January 2014	56,911	12,262	99,018	168,191
Deferred tax (charged)/credited to profit or loss during the year (note 11)	(18,727)	(6,054)	10,630	(14,151)
At 31 December 2014	38,184	6,208	109,648	154,040

The Group has tax losses arising in Mainland China of RMB115,538,000, RMB160,481,000 and RMB93,011,000 as at 31 December 2012, 2013 and 2014, respectively, that will expire in one to five years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of tax losses amounting to RMB32,946,000, RMB35,454,000 and RMB44,505,000 as at 31 December 2012, 2013 and 2014, respectively, as it is not considered probable that taxable profits will be available against which the above tax losses can be utilised.

Deferred tax liabilities

Deferred tax liabilities	Fair value adjustment arising from investment properties	Accelerated tax depreciation	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2012	156,731	4,043	160,774
Deferred tax charged to profit or loss during the year (note 11)	45,115	4,323	49,438
Gross deferred tax liabilities at 31 December 2012 and 1 January 2013	201,846	8,366	210,212
Deferred tax charged to profit or loss during the year (note 11)	46,700	4,323	51,023
Gross deferred tax liabilities at 31 December 2013 and 1 January 2014	248,546	12,689	261,235
Deferred tax charged to profit or loss during the year (note 11)	4,216	6,675	10,891
At 31 December 2014	252,762	19,364	272,126

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

As at the end of each of the Relevant Periods, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the subsidiaries of the Group established in Mainland China. In the opinion of the Directors, it is not probable that these subsidiaries will distribute earnings arising from 1 January 2008 to 31 December 2014 in the foreseeable future. The aggregate amount of temporary differences associated with the investment in these subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB22,122,000, RMB12,914,000 and RMB50,340,000, as at 31 December 2012, 2013 and 2014, respectively.

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statements of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	As at 31 December		
	2012	**2013**	**2014**
	RMB'000	**RMB'000**	**RMB'000**
Net deferred tax assets recognised in the consolidated statements of financial position ..	32,595	66,801	110,022
Net deferred tax liabilities recognised in the consolidated statements of financial position ..	133,779	159,845	228,108
	(101,184)	(93,044)	(118,086)

18. PROPERTIES UNDER DEVELOPMENT

	As at 31 December		
	2012	**2013**	**2014**
	RMB'000	**RMB'000**	**RMB'000**
Carrying amount	1,184,126	1,877,546	2,466,339
Additions	1,225,603	988,114	1,106,076
Acquisition of a subsidiary by the then shareholder ...	—	233,234	—
Transferred to completed properties held for sale.......	(532,183)	(632,555)	(1,908,229)
	1,877,546	2,466,339	1,664,186

Certain of the Group's properties under development with aggregate carrying amounts of approximately RMB1,559,279,000, RMB1,181,817,000 and RMB1,056,334,000 as at 31 December 2012, 2013 and 2014, respectively, have been pledged to secure interest-bearing bank loans and other borrowings granted to the Group (note 27).

19. COMPLETED PROPERTIES HELD FOR SALE

	As at 31 December		
	2012	**2013**	**2014**
	RMB'000	**RMB'000**	**RMB'000**
Carrying amount	41,040	182,048	500,009
Transferred from properties under development..........	532,183	632,555	1,908,229
Transferred to cost of properties sold.........................	(391,175)	(314,594)	(1,328,594)
	182,048	500,009	1,079,644

None of the Group's completed properties held for sale at 31 December 2012, 2013 and 2014 have been pledged to secure interest-bearing bank loans and other borrowings granted to the Group.

20. EQUITY INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Equity investment in the PRC at fair value	894	—	—

The fair values of these equity investment are based on their public redemption prices in an active market.

21. TRADE RECEIVABLES

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Trade receivables	7,855	1,430	6,527
Impairment	—	(1,430)	(1,430)
	7,855	—	5,097

Trade receivables represent rentals receivable from tenants, sales income and service income receivables from customers which are payable in advance in accordance with the terms of the related sales and purchase agreements. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

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

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date, and net of provision for doubtful debts, is as follows:

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Within one year	7,855	—	5,097

The movements in provision for impairment of trade receivables are as follows:

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
At 1 January	—	—	1,430
Impairment provision provided	—	1,430	—
	—	1,430	1,430

Included in the above provision for impairment of trade receivables is provision for the impaired trade receivables of nil, RMB1,430,000 and RMB1,430,000 with the carrying amount before provision of RMB7,855,000, RMB1,430,000 and RMB6,527,000 as at 31 December 2012, 2013 and 2014, respectively.

The aged analysis of the trade receivables that are not individually or collectively considered to be impaired is as follows:

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Past due within one year but not impaired	7,855	—	5,097

Receivables that were past due within one year but not impaired relate to a large number of diversified customers for whom there was no recent history of default. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as these has not been a significant change in credit quality and the balances are still considered fully recoverable.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Prepayments	4,548	7,190	11,047
Other tax recoverable	101,929	155,914	64,153
Deposits and other receivables	75,886	383,201	650,767
	182,363	546,305	725,967

Prepayments, deposits and other receivables are unsecured, non-interest-bearing and have no fixed terms of repayment.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

23. CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS

Group

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Cash on hand	1,188	703	330
Cash at banks, unrestricted	129,967	160,709	39,971
Cash and cash equivalents	131,155	161,412	40,301
Dominated in RMB	131,155	161,412	15,060
Dominated in HK$	—	—	25,241
	131,155	161,412	40,301
Restricted presale proceeds	28,976	10,584	18,401

The Company

	31 December 2014
	RMB'000
Cash and bank balance	8
Dominated in HK$	8

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. Cash at banks earns interest at floating rates based on daily bank deposit rates.

In accordance with relevant documents issued by the PRC State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place in designated bank accounts certain amounts of presale proceeds of properties as deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and the payments of construction fees of the relevant property projects when approval from the PRC State-Owned Land and Resource Bureau is obtained.

24. TRADE PAYABLES

An aged analysis of the outstanding trade payables as at the end of each of the Relevant Periods based on the invoice date is as follows:

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Less than one year	340,516	346,884	684,526
Over one year	6,734	9,724	10,906
	347,250	356,608	695,432

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

25. OTHER PAYABLES AND ACCRUALS

Group

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Payables to third parties	181,570	134,346	86,731
Deposits related to construction	42,143	75,000	42,435
Deposits related to sales of properties	47,869	47,556	9,129
Rental payables	—	43,027	7,483
Payroll and welfare payable	18,956	25,895	32,994
Other payables and accruals	12,746	122,992	122,101
Business tax and surcharges	13,884	14,339	18,414
Others	10,044	3,945	5,413
	327,212	467,100	324,700

Other payables and accruals are unsecured, non-interest-bearing and repayable on demand.

The analysis of business tax and surcharges payable at the end of each reporting period set as follows:

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Business tax and surcharges			
- related to current year	13,884	14,339	18,414
- related to prior years	—	—	—
Subtotal	13,884	14,339	18,414

26. ADVANCES FROM CUSTOMERS

Advances from customers represented the sales proceeds received from buyers in connection with the Group's pre-sale of properties at the end of each of the Relevant Periods, properties management service fee received from proprietors and rental income received from lessees.

27. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

Group

		As at 31 December		
		2012	2013	2014
		RMB'000	RMB'000	RMB'000
Bank loans, secured		870,000	865,000	600,000
Other borrowings, secured	(i)	310,842	—	800,000
Bank loans and other borrowings		1,180,842	865,000	1,400,000
Repayable within one year		402,000	450,000	85,000
Repayable in the second year		408,842	—	295,000
Repayable in the third to fifth years		—	85,000	930,000
Repayable beyond five years		370,000	330,000	90,000
		1,180,842	865,000	1,400,000
Analysed into:				
Current		402,000	450,000	85,000
Non-current		778,842	415,000	1,315,000
		1,180,842	865,000	1,400,000

(i) The other borrowings represent borrowings from third-party financial institutions, which bear interest at the rate of 15.5%, 15.5% and from 9.0% to 9.6% per year in 2012, 2013 and 2014, respectively.

The Group's borrowings are all denominated in RMB.

The effective interest rates of the Group's interest-bearing bank loans and other borrowings ranged as follows:

Year ended 31 December 2012	6.06%-15.50%
Year ended 31 December 2013	6.40%-15.50%
Year ended 31 December 2014	6.40%-10.30%

The Group's interest-bearing bank loans and other borrowings are secured by the pledges of the following assets with carrying values at the end of each of the Relevant Periods as follows:

		As at 31 December		
		2012	**2013**	**2014**
		RMB'000	**RMB'000**	**RMB'000**
Equity interests in a subsidiary	(ii)	245,582	—	290,038
Investment properties		1,504,423	1,768,025	1,832,688
Properties under development		1,559,279	1,181,817	1,056,334

(ii) As at 31 December 2012, the Group's other borrowings of RMB100,000,000 are secured by the 100% equity interest of Wenshang Times, a subsidiary of the Company.

As at 31 December 2014, the Group's other borrowings of RMB500,000,000, RMB150,000,000 and RMB150,000,000 are secured by the 100% equity interest of Taizhou Investment, Wenshang Times and Shangdong Xingmeng, the subsidiaries of the Company, respectively.

(iii) The Group's interest-bearing bank loans and other borrowings of RMB1,180,842,000, RMB865,000,000 and RMB1,400,000,000 as at 31 December 2012, 2013 and 2014, respectively, were jointly guaranteed by the Controlling Shareholder, Mr. Chen Chengshou, Non-executive director, Ms. Gao Qiaoqin, Group's related company, Xinming Group Limited and Mr. Gao Liku, Ms. Hao Fang and Hangzhou Gaochuan Co., Ltd., the non-controlling shareholders of Shandong Xingmeng, a subsidiary of the Company, as set out in note 33(b)(viii).

28. PROVISIONS

Onerous operating lease:

Group

	As at 31 December		
	2012	**2013**	**2014**
	RMB'000	**RMB'000**	**RMB'000**
At 1 January	—	66,866	46,136
Additional provision	66,866	5,610	9,838
Realisation	—	(30,619)	(34,685)
Increase in discounted amounts arising from the passage of time	—	4,279	3,021
At 31 December	66,866	46,136	24,310
Analysed into:			
Current	28,778	31,867	21,149
Non-current	38,088	14,269	3,161

Onerous contracts provision

The Group sold certain of the commercial properties at market prices, and then lease back from the owners for the purpose of leasing them out third party tenants. Pursuant to the payment terms of these contracts, the unavoidable costs of meeting the obligations have exceeded the economic benefits expected to be received as at 31 December 2012, 2013 and 2014. Provision has been made for these onerous contracts based on the estimated minimum net cost of exiting from the contracts.

29 TAX PAYABLE

Group

	As at 31 December		
	2012	**2013**	**2014**
	RMB'000	**RMB'000**	**RMB'000**
Income tax	183,774	103,321	137,228
LAT	323,154	402,538	461,443
	506,928	505,859	598,671

The analysis of tax payable at the end of each reporting period set as follows:

	Year ended 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Income tax			
-related to current year	119,527	96,809	93,412
-related to prior years	64,247	6,512	43,816
Subtotal	183,774	103,321	137,228
LAT			
-related to current year	196,165	129,478	146,347
-related to prior years	126,989	273,060	315,096
Subtotal	323,154	402,538	461,443
Total tax payable	506,928	505,859	598,671

30. OTHER LIABILITIES

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Rental payables	69,366	55,022	296

The Group has entered into a number of contracts in respect of leasing certain of its commercial properties owned by third parties for the purpose of the leasing them to third party tenants. Pursuant to the payment term of these contracts, the Group should pay fixed rate of the selling prices of properties during the lease term. These leases are classified as operating leases and have remaining lease terms from twelve months to fifty four months as at 31 December 2014. At 31 December 2012, 2013 and 2014, the operating lease payable on the straight-line basis over the lease terms is included in other liabilities and other payables in the consolidated statements of financial position.

31. ISSUED CAPITAL AND RESERVES

Issued capital

The Company was incorporated with an authorised share capital of HK$100,000,000 divided into 10,000,000,000 shares of HK$0.01 each on 16 January 2014. On the date of incorporation, 1 ordinary share of HK$0.01 of the Company was transferred from the initial subscriber to Xinxing Company Limited for a consideration of HK$0.01 and 98 ordinary shares of HK$0.01 each of the Company were allotted and issued to Xinxing Company Limited for a consideration of HK$0.98.

Merger reserve

The merger reserve represents the aggregate amount of the paid-up capital of those companies comprising the Group prior to the incorporation of the Company and the reserve arising from acquisition of non-controlling interests. Details of the movement in the merger reserve are set out in the consolidated statements of changes in equity.

Statutory reserve fund

Statutory reserve fund

PRC laws and regulations require wholly-owned foreign enterprises ("WOFE") to provide for the reserve fund by appropriating a part of the net profit (based on the entity's PRC GAAP statutory accounts) before dividend distribution. Each subsidiary being a WOFE is required to appropriate at least 10% of its net profit after tax to the reserve fund until the balance of this fund has reached 50% of its registered capital.

The reserve fund can only be used, upon approval by the relevant authority, to offset accumulated losses or increase capital.

Statutory surplus reserve

In accordance with the PRC Company Law and the PRC subsidiaries' articles of association, a subsidiary registered in the PRC as a domestic company is required to appropriate 10% of its annual statutory net profit as determined under PRC GAAP (after offsetting any prior years' losses) to the statutory surplus reserve. When the balance of this reserve fund reaches 50% of the entity's capital, any further appropriation is optional. The statutory surplus reserve can be utilised to offset prior years' losses or to increase capital. However, the balance of the statutory surplus reserve must be maintained at a minimum of 25% of the capital after those usages.

32. ACQUISITION OF A SUBSIDIARY BY THE THEN SHAREHOLDERS

Asset Acquisition of Shandong Xingmeng

On 16 October 2013, Xinming Group Limited, as the then equity holder of subsidiaries, acquired 55% equity interests in Shandong Xingmeng from three third parties. Shandong Xingmeng is engaged in the properties development business. The purchase consideration for the acquisition amounting to RMB27,500,000 was paid by the then shareholder in cash. The Group accounted for this acquisition of Shandong Xingmeng as an asset acquisition since it did not constitute a business as the date of acquisition by Xinming Group Limited.

The detail of Shandong Xingmeng as at the date of acquisition was as follows:

	Consideration allocated on asset acquisition
	RMB'000
Property, plant and equipment	1,175
Properties under development	233,234
Deferred tax assets	160
Prepayments, deposits and other receivables	19,688
Cash and cash equivalents	18,438
Trade payables	(5,723)
Due to related parties	(64,250)
Other payables and accruals	(152,722)
	50,000

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of the subsidiary is as follows:

	RMB'000
Cash paid	—
Cash and cash equivalents acquired	18,438
Net inflow of cash and cash equivalents in respect of the acquisition of the subsidiary	18,438

33. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Name and relationship

Name of related party	Relationship with the Group
Mr. Chen Chengshou	Controlling Shareholder
Hangzhou Kaijie Decoration Co., Ltd.	Significant influenced by Mr. Zheng Xiangtian, brother of the Controlling Shareholder
Zhejiang Shouchuang Industry Co., Ltd.	Controlled by Mr. Zheng Xiangtian, brother of the Controlling Shareholder
Taizhou Shouchuang Construction Materials Co., Ltd.	Controlled by Mr. Zheng Xiangtian, brother of the Controlling Shareholder
Zhejiang Tianmao Landscape Engineering Co., Ltd.	Significant influenced by Mr. Zheng Xiangtian, brother of the Controlling Shareholder
Xinming Group Limited	Controlled by the Controlling Shareholder
Hangzhou Taoyuan Shanzhuang Property Development Limited	Controlled by the Controlling Shareholder
Zhejiang Shunye Trading Co., Ltd.	Controlled by Ms. Gao Qiaoqin, the Spouse of the Controlling Shareholder, non-executive director
Shanghai Nanshuo Asset Operation and Management Co., Ltd.	Significant influenced by Mr. Zheng Xiangtian, brother of the Controlling Shareholder

(b) In addition to the transactions and balances detailed elsewhere in this report, the Group had the following material transactions with related parties during the Relevant Periods:

Nature of transactions

Recurring transactions

Group

	Year ended 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
(i) Purchase of construction materials and receiving services from other related parties			
(1) Hangzhou Kaijie Decoration Co., Ltd.	9,980	43,867	19,442
(2) Zhejiang Shouchuang Industry Co., Ltd.	5,129	8,715	8,981
(3) Zhejiang Tianmao Landscape Engineering Co., Ltd.	14,751	14,161	17,212
	29,860	66,743	45,635

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.

	Year ended 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
(ii) Receiving management consulting services from other related party			
Xinming Group Limited	6,000	8,000	—

The management consulting services from the above related party were made according to the prices and terms agreed between the related parties.

According to the management consulting agreement entered between Xinming Group Limited, Taizhou Xinming and Taizhou Investment, the Group agreed to pay management consulting service fee to Xinming Group Limited for rendering consulting services on corporate affairs by key management personnel of the Group. In this regard, the compensation of key management personnel of the Group for the years ended 31 December 2012, 2013 and for the period from 1 January 2014 to the date of incorporation was undertaken by the then shareholder Xinming Group Limited, which amounted to RMB1,750,000, RMB2,001,000 and RMB705,000, respectively.

	Year ended 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
(iii) Receiving property management services from other related party			
Shanghai Nanshuo Asset Operation and Management Co., Ltd.	—	—	1,415

The property management services received from the above related party were made according to the prices and terms agreed between the related parties.

	Year ended 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
(iv) Rendering properties management services to other related party			
Hangzhou Taoyuan Shanzhuang Property Development Limited	1,897	—	—

The property management services to the above related party were made according to the prices and terms agreed between the related parties.

	Year ended 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
(v) Leasing offices from other related party Hangzhou Taoyuan Shanzhuang Property Development Limited	29	150	315

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

(vi) The Group has entered into a trademark license agreement with Xinming Group Limited on 21 August 2014, for a term of three years ending on 20 August 2017. Pursuant to the agreement, Xinming Group Limited has agreed to grant a license for the use of Xinming Group Limited's various "新明半島" trademarks to the Group for nil consideration.

Non-recurring transactions

Group

	Year ended 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
(vii) Guarantees provided for interest-bearing bank loans of other related party Taizhou Shouchuang Construction Materials Co., Ltd.	30,000	—	—

On 30 July 2012, the Group guaranteed the interest-bearing bank loans amounting to RMB30,000,000 of Taizhou Shouchuang Construction Materials Co., Ltd., which was repaid on 9 December 2014.

(viii) Guarantees provided for interest-bearing bank loans and other borrowings by related parties

As set out in note 27(iii), as at 31 December 2014 the Group's interest-bearing bank loans and other borrowings of RMB1,400,000,000 (31 December 2013: RMB865,000,000; 31 December 2012: RMB1,180,842,000) are jointly guaranteed by Controlling Shareholder, Mr. Chen Chengshou, Non-executive director, Ms. Gao Qiaoqin, Group's related company, Xinming Group Limited and Mr. Gao Liku, Ms. Hao Fang and Hangzhou Gaochuan Co., Ltd., the non-controlling shareholders of Shandong Xingmeng, a subsidiary of the Company, free of charge.

(c) Outstanding balances with related parties

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Due from the Controlling Shareholder			
Mr. Chen Chengshou	48,171	23,207	4,042
Due from other related parties			
Xinming Group Limited	1,351,908	643,453	—
Hangzhou Taoyuan Shanzhuang Property Development Limited	8,630	8,963	3,492
Zhejiang Tianmao Landscape Engineering Co., Ltd.	—	34,490	—
Zhejiang Shunye Trading Co., Ltd.	10,000	—	—
	1,370,538	686,906	3,492
Due to other related parties			
Xinming Group Limited	—	—	215,291
Zhejiang Tianmao Landscape Engineering Co., Ltd.	8,689	—	12,053
Hangzhou Kaijie Decoration Co., Ltd.	2,051	7,196	18,452
Zhejiang Shouchuang Industry Co., Ltd.	45	45	9,991
Shanghai Nanshuo Asset Operation and Management Co., Ltd.	—	—	982
	10,785	7,241	256,769

The Company had the following balances with its related parties at the end of the relevant period.

The Company

	31 December 2014
	RMB'000
Due to inter-company	
Xinming Group Holding Limited	661

Balances with the related parties were unsecured, non-interest-bearing and had no fixed repayment terms.

(d) Compensation of key management personnel of the Group

	Year ended 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Short term employee benefits	—	—	1,311
Pension scheme contributions	—	—	185
Total compensation paid to key management personnel	—	—	1,496

As set out in note 33(b)(ii), according to the management consulting agreement entered between Xinming Group Limited, Taizhou Xinming and Taizhou Investment, the Group agreed to pay management consulting service fee to Xinming Group Limited for rendering consulting services on corporate affairs by key management personnel of the Group. In this regard, the compensation of key management personnel of the Group for the years ended 31 December 2012, 2013 and for the period from 1 January 2014 to the date of incorporation was undertaken by the then shareholder Xinming Group Limited, which amounted to RMB1,750,000, RMB2,001,000 and RMB705,000, respectively.

Further details of directors' emoluments are included in note 10 to the Financial Information.

The related party transactions in respect of items (b)(i), (b)(iii), (b)(v) and (b)(vi) above also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

The related party transactions in respect of items (b)(ii), (b)(iv), (b)(vii) and (b)(viii) above, the directors confirmed that these transactions will not be continued in the future after the proposed listing of the shares of the Company on the Stock Exchange.

34. LOANS TO DIRECTORS

Loans to directors disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange are as follows:

Group

Name	31 December 2012	Maximum amount outstanding during the year	1 January 2012	Security held
	RMB'000	RMB'000	RMB'000	
Mr. Chen Chengshou	48,171	50,132	50,132	None
Xinming Group Limited (controlled by Mr. Chen Chengshou)	1,351,908	1,629,518	538,819	None
Hangzhou Taoyuan Shanzhuang Property Development Limited (controlled by Mr.Chen Chengshou)	8,630	8,630	6,956	None
Zhejiang Shunye Trading Co., Ltd. (controlled by Ms. Gao Qiaoqin)	10,000	10,000	—	None
Mr. Jin Zhanghai	—	2,010	1,500	None
	1,418,709	1,700,290	597,407	

Group

Name	31 December 2013	Maximum amount outstanding during the year	1 January 2013	Security held
	RMB'000	RMB'000	RMB'000	
Mr. Chen Chengshou	23,207	64,707	48,171	None
Xinming Group Limited(controlled by Mr. Chen Chengshou)	643,453	1,685,833	1,351,908	None
Hangzhou Taoyuan Shanzhuang Property Development Limited (controlled by Mr.Chen Chengshou)	8,963	9,306	8,630	None
Zhejiang Shunye Trading Co., Ltd. (controlled by Ms. Gao Qiaoqin)	—	10,000	10,000	None
	675,623	1,769,846	1,418,709	

Name	31 December 2014	Maximum amount outstanding during the year	1 January 2014	Security held
	RMB'000	RMB'000	RMB'000	
Mr. Chen Chengshou	4,042	29,725	23,207	None
Xinming Group Limited (controlled by Mr. Chen Chengshou)	—	857,153	643,453	None
Hangzhou Taoyuan Shanzhuang Property Development Limited (controlled by Mr.Chen Chengshou)	3,492	8,963	8,963	None
Zhejiang Shunye Trading Co., Ltd. (controlled by Ms. Gao Qiaoqin)	—	27,000	—	None
	7,534	922,841	675,623	

The loans granted to directors are interest free and have no fixed terms of repayment.

35. OPERATING LEASE ARRANGEMENTS

As lessor

The Group leases out its investment properties under operating lease arrangements with leases negotiated from terms ranging from one to five years. The terms of leases generally require the tenants to pay security deposits.

At the end of each of the Relevant Periods, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Within one year	32,333	28,734	97,524
In the second to fifth years, inclusive	40,573	33,118	93,653
	72,906	61,852	191,177

As lessee

The Group leases certain of its commercial properties under operating lease arrangements, negotiated for lease terms of one to five years with an option for renewal after the end of lease terms, at which time all terms will be renegotiated.

At the end of each of the Relevant Periods, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Within one year	17,943	89,791	56,554
In the second to fifth years, inclusive	194,081	104,292	46,969
	212,024	194,083	103,523

The Group has entered into a number of contracts in respect of leasing back commercial properties owned by third parties for the purpose of the leasing them to third party tenants. Pursuant to the payment term of these contracts, the Group should pay fixed rate of the selling prices of properties during the lease term. These leases are classified as operating leases and have remaining lease terms of twelve months to fifty-four months as at 31 December 2014. At 31 December 2012, 2013 and 2014, the operating lease payable on the straight-line basis over the lease terms is included in other liabilities and other payables in the consolidated statements of financial position.

36. COMMITMENTS

In addition to the operating lease commitment as detailed in note 35 above, the Group had the following capital commitments at the end of each reporting period:

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Contracted, but not provided for:			
Properties under development	562,181	245,817	731,007

37. CONTINGENT LIABILITIES

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

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Guarantees in respect of mortgage facilities granted to purchasers of the Group's properties(1)	594,584	955,664	190,970
Guarantees given to banks in connection with interest-bearing bank loan granted to other related party(2)	30,000	30,000	—
	624,584	985,664	190,970

(1) 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 during the Relevant Periods 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.

(2) As set out in note 33, on 30 July 2012, the Group guaranteed the bank loan amounting to RMB30,000,000 of Taizhou Shouchuang Construction Materials Co., Ltd., which are controlled by Mr. Zheng Xiangtian. The bank loan was repaid on 9 December 2014.

38. FINANCIAL INSTRUMENTS BY CATEGORY

The table below is an analysis of the carrying amounts of financial instruments by category as at the end of each of the Relevant Periods:

Group

	As at 31 December		
	2012	**2013**	**2014**
	RMB'000	**RMB'000**	**RMB'000**
Financial assets			
Loans and receivables			
Trade receivables	7,855	—	5,097
Financial assets included in prepayments, deposits and other receivables	75,886	383,201	650,767
Due from the Controlling Shareholder	48,171	23,207	4,042
Due from other related parties	1,370,538	686,906	3,492
Restricted deposits	28,976	10,584	18,401
Cash and cash equivalents	131,155	161,412	40,301
	1,662,581	1,265,310	722,100
Other financial assets			
Available-for-sale financial investment	3,000	3,000	—
Equity investment at fair value through profit or loss	894	—	—
	3,894	3,000	—
Financial liabilities			
Financial liabilities measured at amortised cost			
Trade payables	347,250	356,608	695,432
Other payables and accruals	294,372	426,866	277,492
Due to other related parties	10,785	7,241	256,769
Interest-bearing bank loans and other borrowings	1,180,842	865,000	1,400,000
	1,833,249	1,655,715	2,629,693

39. FAIR VALUE AND FAIR VALUE HIERARCHY

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:

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Carrying amounts			
Interest-bearing bank loans and other borrowings — non-current portion	778,842	415,000	1,315,000

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Fair Value			
Interest-bearing bank loans and other borrowings — non-current portion	796,654	415,000	1,315,000

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

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 listed equity investments are based on public quoted prices in an active market.

The fair values of the non-current portion of interest-bearing bank loans and 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 following table illustrated the fair value measurement hierarchy of the Group's financial instruments of which fair value are disclosed:

Assets measured at fair value:

	Fair value measurement using Quoted prices in active markets (level 1)		
	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Fair Value			
Equity investment at fair value through profit or loss	894	—	—

Liabilities measured at amortised cost:

	Fair value measurement using Significant Unobservable Input (level 3)		
	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Fair Value			
Interest-bearing bank loans and other borrowings — non-current portion	796,654	415,000	1,315,000

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly include cash and cash equivalents, restricted deposits, equity investment at fair value through profit or loss, trade receivables, and trade payables, which arise directly from its operations. The Group has other financial assets and liabilities such as interest-bearing bank loans and other borrowings, amounts due from the Controlling Shareholder, amounts due from and to other related parties, and deposits and other receivables, and other payables and accruals. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Group does not hold or issue derivative financial instruments either for hedging or for trading purposes. The board of directors reviews and agrees policies for managing each of the risks which are summarised below:

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to its interest-bearing bank loans and other borrowings. The Group does not use derivative financial instruments to hedge its interest rate risk. In the opinion of directors, the effect of interest rate risk to the Group's profit and equity is not significant.

Credit risk

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its contractual obligations. Exposure to credit risk arises primarily from its financing activities to related parties.

As at 31 December 2012, 2013 and 2014, the amounts due from other related parties, including the Controlling Shareholder, are RMB1,418,709,000, RMB710,113,000 and RMB7,534,000 respectively. The Group did not record any significant bad debt losses during the Relevant Periods, respectively.

The credit risk of the Group's other financial assets, which mainly comprise cash and restricted deposits, other receivables, amounts due from the Controlling Shareholder, and amounts due from and to related parties, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank loans and other borrowings. Cash flows are being closely monitored on an ongoing basis.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, was as follows:

Group

	Within 1 year	Within 2 to 5 years	More than 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2012				
Trade payables	347,250	—	—	347,250
Other payables and accruals	294,372	—	—	294,372
Due to other related parties	10,785	—	—	10,785
Interest-bearing bank loans and other borrowings	513,262	580,518	505,211	1,598,991
	1,165,669	580,518	505,211	2,251,398
Financial guarantee issued:				
Maximum amount guaranteed (Note 37)	624,584	—	—	624,584

	Within 1 year	Within 2 to 5 years	More than 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2013				
Trade payables	356,608	—	—	356,608
Other payables and accruals	426,866	—	—	426,866
Due to other related parties	7,241	—	—	7,241
Interest-bearing bank loans and other borrowings	517,550	217,075	421,520	1,156,145
	1,308,265	217,075	421,520	1,946,860
Financial guarantee issued:				
Maximum amount guaranteed (Note 37)	985,664	—	—	985,664

	Within 1 year	Within 2 to 5 years	More than 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2014				
Trade payables	695,432	—	—	695,432
Other payables and accruals	277,492	—	—	277,492
Due to other related parties	256,769	—	—	256,769
Interest-bearing bank loans and other borrowings	204,609	1,531,357	105,745	1,841,711
	1,434,302	1,531,357	105,745	3,071,404
Financial guarantee issued:				
Maximum amount guaranteed (Note 37)	190,970	—	—	190,970

The amount included in above financial guarantee contracts are the maximum amounts the Group could be required to settle on demand under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the Relevant Periods, the Group considers that it is more likely than not that no amount will be payable under the arrangement.

Capital management

The primary objectives of the Group's capital management are to ensure that it maintains a strong credit rating and a healthy capital ratio in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. The Group's net debt consists of interest-bearing bank loans and other borrowings, less cash equivalents. Total equity includes equity attributable to owners of the parent and non-controlling interests.

At the end of each of the Relevant Periods, the Group's strategy was to maintain the gearing ratio at a healthy capital level in order to support its businesses. The principal strategies adopted by the Group include, but are not limited to, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its business. The gearing ratios at the end of each of the Relevant Periods are as follows:

Group

	As at 31 December		
	2012	**2013**	**2014**
	RMB'000	**RMB'000**	**RMB'000**
Interest-bearing bank loans and other borrowings	1,180,842	865,000	1,400,000
Less: Cash and cash equivalents	(131,155)	(161,412)	(40,301)
Net debt	1,049,687	703,588	1,359,699
Total equity	1,086,224	1,233,727	940,900
Total equity and net debt	2,135,911	1,937,315	2,300,599
Gearing ratio	49%	36%	59%

41. EVENTS AFTER THE REPORTING PERIOD

As of the date of approval of Financial Information, the Group did not have any significant event subsequent to 31 December 2014.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group, or any of its subsidiaries in respect of any period subsequent to 31 December 2014.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

The following unaudited pro forma financial information prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules is for illustrative purpose only, and is set out herein to provide the prospective investors with further financial information about how the proposed listing might have affected the consolidated net tangible assets of the Group after the completion of the Global Offering.

The accompanying unaudited pro forma financial information of the Group is based on currently available information along with a number of assumptions, estimates and uncertainties. As a result of these assumptions, estimates and uncertainties, the accompanying unaudited pro forma financial information of the Group does not purport to predict the Group's future financial position and results.

Although reasonable care has been exercised in preparing the said information, prospective investors who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a true picture of the Group's financial position.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared, on the basis of the notes set forth below, for the purpose of illustrating the effect of the Global Offering as if it had taken place on 31 December 2014. It has been prepared for illustrative purpose only and, because of its hypothetical nature, may not give a true and fair picture of our financial position.

	Consolidated net tangible assets attributable to owners of the Company as of 31 December 2014	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets	Unaudited pro forma adjusted consolidated net tangible assets per Share	Unaudited pro forma adjusted consolidated net tangible assets per Share
	RMB'000	**RMB'000**	**RMB'000**	**RMB**	**(HK$ equivalent)**
	(Note 1)	*(Note 2)*		*(Note 3)*	
Based on an Offer Price of HK$1.10 per Share	896,016	383,479	1,279,495	0.68	0.86
Based on an Offer Price of HK$2.10 per Share	896,016	746,246	1,642,262	0.87	1.10

Notes:

1. The consolidated net tangible assets attributable to owners of the Company as of 31 December 2014 is arrived at after deducting nil intangible assets from the audited consolidated equity attributable to owners of the Company of RMB896,016,000 as of 31 December 2014, as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

2. The estimated net proceeds from the Global Offering are based on estimated offer prices of HK$1.10 or HK$2.10 per Share after deduction of the underwriting fees and other related expenses payable by our Company and take no account of any Shares which may be issued upon the exercise of the Over-allotment Option. The estimated net proceeds are converted into RMB at the rate of HK$1=RMB0.7917, which is set forth on page 77 of this prospectus. No representation is made that the Renminbi amounts have been, could have been or could be converted to Hong Kong dollars, or vice versa, at the rate or at any other rates or at all.

3. The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that 1,880,000,000 Shares are in issue assuming that the Global Offering has been completed on 31 December 2014 and an Offer Price of HK$1.10 per Share, being the low end of the Offer Price range, and 1,880,000,000 Shares are in issue assuming that the Global Offering has been completed on 31 December 2014 and an Offer Price of HK$2.10 per Share, being the high end of the Offer Price range, excluding Shares which may be issued upon the exercise of the Over-allotment Option.

B. INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

To the Directors of Xinming China Holdings Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Xinming China Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at 31 December 2014, and related notes as set out on pages II-1 to II-2 of the Prospectus issued by the Company (the "Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in note A.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group's financial position as at 31 December 2014 as if the transaction had taken place at 31 December 2014. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the year ended 31 December 2014, on which an accountant's report has been published.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Reporting Accountant's responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information, in accordance with paragraph 4.29 of the Listing Rules and with reference to AG7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
ERNST & YOUNG
Certified Public Accountants
Hong Kong

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 31 March 2015 of the properties held by the Group.

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
6/F Three Pacific Place 1 Queen's Road East Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Licence No: C-030171

23 June 2015

The Board of Directors
Xinming China Holdings Limited
Block 1, 5th Floor
Hengli Building
Hangzhou
Zhejiang Province, PRC

Dear Sirs,

In accordance with your instructions to value the property interests held by Xinming China Holdings Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests as at 31 March 2015 (the "valuation date").

Our valuation is carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

We have valued the property interests in Groups I and III by direct comparison approach assuming sale of the property interests in their existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the subject properties.

In valuing the property interests in Group II which were under development as at the valuation date, we have assumed that they will be developed and completed in accordance with the latest development proposal provided to us by the Group. In arriving at our opinion of value, we have adopted the direct comparison approach by making reference to comparable sales evidence as available in the relevant market and have also taken into account the accrued construction cost and professional fees relevant to the stage of construction as at the date of valuation and the remainder of the cost and fees expected to be incurred for completing the development. We have relied on the accrued construction cost and professional fees information provided by the Group according to the different stages of construction of the subject properties as at the valuation date and we did not find any material inconsistency from those of other similar developments.

For the purpose of our valuation, real estate developments under development are those the Construction Work Commencement Permits have been issued while the Construction Work Certified Reports or Certificates of Completion of the buildings thereof are not issued.

We have valued the property interests in Group IV by income approach by taking into account the net rental income of the properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the market value at an appropriate capitalisation rate.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation - Professional Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and other relevant matters.

We have been shown copies of various title documents including State-owned Land Use Rights Certificate, Building Ownership Certificate, Real Estate Title Certificate and official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisers — Jingtian & Gongcheng, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but, in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

Inspection of the properties was carried out in January 2014. Subsequent re-inspection of the properties was carried out in March 2015 by Mr. Arnold Gao, Mr. Joseph Zhou, Mr. Sifan Liu and Ms. Amy Wang. Mr. Arnold Gao is a member of RICS and qualified land valuer of China, Mr. Joseph Zhou is a China Real Estate Appraiser, Mr. Sifan Liu has 8 years' experience and Ms. Amy Wang has 2 years' experience in the valuation of properties in the PRC.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,
for and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Eddie T. W. Yiu
MRICS MHKIS RPS (GP)
Director

Note: *Eddie T. W. Yiu is a Chartered Surveyor who has 21 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.*

SUMMARY OF VALUES

Group I — Property interests held for sale by the Group in the PRC

No.	Property	Capital value in existing state as at 31 March 2015 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at 31 March 2015 *RMB*
1.	The remaining 28 unsold units of Xinming International Household Products Mall No. 8 of the northern side of Taizhou Avenue, Jiaojiang District, Taizhou City Zhejiang Province, the PRC	28,720,000	100%	28,720,000
2.	The remaining unsold portion of Taizhou Xinming Peninsular Phase 1, Phase 2 Stage 1 and Phase 2 Stage 2 located on two sides of No. 6 Road Jiaojiang District, Taizhou City, Zhejiang Province, the PRC	77,563,000	100%	77,563,000
3.	The remaining unsold portion of Wenshang Times Xinming Household Decorations and Fittings City located at the southern side of Weisan Road, the western side of Dahuan Line and the eastern side of Jingsan Road, Jiaojiang District, Taizhou City, Zhejiang Province, The PRC	490,486,000	100%	490,486,000
4.	The remaining unsold portion of Wenshang Times Xinming Apartment located at the southern side of Weisan Road, the western side of Dahuan Line and the eastern side of Jingsan Road, Jiaojiang District, Taizhou City, Zhejiang Province, The PRC	3,255,000	100%	3,255,000

No.	Property	Capital value in existing state as at 31 March 2015 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at 31 March 2015 *RMB*
5.	The remaining unsold portion of Xinming Lijiang Garden located at the eastern side of Jiaojiang Bridge, Jiaojiang District, Taizhou City, Zhejiang Province, The PRC	139,946,000	100%	139,946,000
	Sub-total:	**739,970,000**		**739,970,000**

Group II — Property interests held under development by the Group in the PRC

No.	Property	Capital value in existing state as at 31 March 2015 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at 31 March 2015 *RMB*
6.	Shanghai Xinming Children's World under construction located at the western side of Liuxiang Road and northern side of Fengxiang Road, Jiading District, Shanghai, the PRC	1,337,000,000	79%	1,056,230,000
7.	Zone A of Phase 1 of Xingmeng International Commercial City under construction located at the western side of Luban Avenue, the northern side of Jinghe West Road, the eastern side of Yandong Road, Tengzhou City, Shandong Province, The PRC	322,000,000	55%	177,100,000

No.	Property	Capital value in existing state as at 31 March 2015 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at 31 March 2015 *RMB*
8.	Phase 1 of China South-western City under construction located at No. 666 Five Star Avenue, Dazu District Chongqing, the PRC	922,376,000	60%	553,426,000
9.	Hangzhou Xinming Children's World under construction located at the western side of Jinghang Canal, the northern side of No. 1 Bus station, the eastern side of Xiaohe Road and the southern side of Zhoujin Road Gongshu District, Hangzhou City, Zhejiang Province, the PRC	892,384,000	100%	892,384,000
	Sub-total:	**3,473,760,000**		**2,679,140,000**

Group III — Property interests held for future development by the Group in the PRC

No.	Property	Capital value in existing state as at 31 March 2015 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at 31 March 2015 *RMB*
10.	A parcel of land known as Commercial Building Project located at the eastern side of Jiaojiang Bridge Jiaojiang District, Taizhou City, Zhejiang Province, the PRC	132,000,000	100%	132,000,000

No.	Property	Capital value in existing state as at 31 March 2015 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at 31 March 2015 *RMB*
11.	A parcel of land known as Zone B of commercial portion of Phase 1 of Xingmeng International Commercial City located at the western side of Luban Avenue, the northern side of Jinghe West Road, the eastern side of Yandong Road, Tengzhou City, Shandong Province, the PRC	67,000,000	55%	36,850,000
12.	A parcel of land of Phase 1 of Xingmeng International Commercial City located at the western side of Luban Avenue, the northern side of Jinghe West Road and the eastern side of Yandong Road, Tengzhou City, Shandong Province, the PRC	54,012,000	55%	29,707,000
13.	A parcel of land known as Phase 2 of China South-western City located at No. 666 Five Star Avenue, Dazu District, Chongqing, the PRC	110,000,000	60%	66,000,000
14.	3 parcels of land known as Phase 3 of China South-western City located at No. 666 Five Star Avenue, Dazu District, Chongqing, the PRC	81,000,000	60%	48,600,000
	Sub-total:	**444,012,000**		**313,157,000**

Group IV — Property interests held for investment by the Group in the PRC

No.	Property	Capital value in existing state as at 31 March 2015 *RMB*	Interest attributable to the Group	Capital value attributable to the Group as at 31 March 2015 *RMB*
15.	Building No. 27 known as Xinming International Household Products Mall No. 8 the northern part of Taizhou Avenue Jiaojiang District, Taizhou City, Zhejiang Province, the PRC	934,219,000	100%	934,219,000
16.	Xinming International Logistic Centre Nos. 2000 and 2001 Gongren West Road, Jiaojiang District, Taizhou City, Zhejiang Province, the PRC	48,670,000	100%	48,670,000
17.	Wenshang Times Red Star Macalline Household Products Market, No. 1990 Donghuan Road, Jiaojiang District Taizhou City, Zhejiang Province, The PRC	853,300,000	100%	853,300,000
	Sub-total:	**1,836,189,000**		**1,836,189,000**
	Grand total:	**6,493,931,000**		**5,568,456,000**

VALUATION CERTIFICATE

Group I — Property interests held for sale by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2015
				RMB
1.	The remaining 28 unsold units of Xinming International Household Products Mall No. 8 of the northern side of Taizhou Avenue Jiaojiang District Taizhou City Zhejiang Province The PRC	The property comprises 28 unsold office units on Levels 3 to 5 of a 5-storey composite building which was completed in 2010. The property is located at the northern side of Taizhou Avenue in Jiaojiang District and is well-served by various facilities and public transportation along the main roads. The property has a total gross floor area of 2,957.35 sq.m. The land use rights of the property have been granted for a term of 40 years expiring on 13 July 2049 for commercial use.	The property was vacant as at the valuation date.	28,720,000 100% interest attributable to the Group: RMB28,720,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract dated 19 May 2009, the land use rights of the property (together with the land use rights of property nos. 5, 10 and 15) were contracted to be granted to Taizhou Xinming Property Investment Limited. ("Taizhou Investment"), an indirect wholly-owned subsidiary of the Company with the particulars as follows:

Site Area	:	211,435 sq.m.
Land Use	:	Residential/commercial
Land Term	:	70 years for residential use/40 years for commercial use
Plot Ratio	:	Lower than 2.58 for residential use and commercial use and 1.69 for commercial use
Land Premium	:	RMB476,370,000

2. Pursuant to a Construction Land Planning Permit, permission towards the planning of a parcel of land with a site area of approximately 131,768 sq.m. (together with the land use rights of property no. 15) has been granted to Taizhou Investment.

3. Pursuant to a State-owned Land Use Rights Certificate — Jiao Guo Yong (2010) Di No. 005043, the land use rights of a parcel of land with a site area of approximately 131,768 sq.m. (including the land use rights of the property), on which the property is situated, have been granted to Taizhou Investment for terms with the expiry date on 13 July 2079 for residential use and 13 July 2049 for commercial use.

4. Pursuant to a Construction Work Planning Permit — Jian Zi Di No. 331001200920049 issued by Housing and Urban and Rural Construction Planning Bureau of Taizhou City in favour of Taizhou Investment, the construction of the property with a total planned gross floor area of approximately 107,149.25 sq.m. (including the property) has been permitted.

5. Pursuant to 2 Construction Work Commencement Permits issued by Construction and Planning Bureau of Taizhou City, Jiaojiang Sub-branch in favour of Taizhou Investment, the commencement of the construction works (including the property) of the following have been permitted:

Permit No.	Building	Gross Floor Area	Issued Date
		(sq.m.)	
No. 332601200910200101	No. 1 Biao Duan	55,613.53	1 October 2009
No. 332601200910200102	No. 2 Biao Duan	51,121.20	1 October 2009
	Total:	106,734.73	

6. Pursuant to a Pre-sales Permit — Shou Xu Zi (2009) Di No. 12 in favour of Taizhou Investment, the Group is freely entitled to sell the property to local and overseas purchasers.

7. Pursuant to 2 Construction Work Completion and Inspection Certificates, Xinming International Household Products Mall (including the property) have been approved to be complied with the urban and rural planning requirements. The details are set out as follows:

No.	Construction Work Completion and Inspection Certificate No.	Gross Floor Area	Issued Date
		(sq.m.)	
(1)..	No. 31800020101123101	55,613.53	23 November 2010
(2)..	No. 31800020101123102	51,131.20	23 November 2010
	Total:	106,744.73	

8. Pursuant to 28 Building Ownership Certificates — Tai Fang Quan Zheng Jiao Zi Di Nos. 10019725, 10019738, 10019769, 10019841, 10019855, 10079862, 10019863, 10019866, 10019882, 10019884, 10019974, 10019975, 10019977, 10019979, 10020568, 10020601, 10020614, 10020615, 10020616, 10020628, 10020637, 10020641, 10020645, 10021594, 10021596, 10021597, 10021600 and 10021601, the property with a total gross floor area of approximately 2,957.35 sq.m. is owned by Taizhou Investment.

9. In our valuation, we have identified and analysed various relevant sales evidence in the locality which have similar characteristic as the subject property. The unit price of these comparables range from RMB9,000/sq.m. to RMB12,000/sq.m. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the subject property to arrive at an assumed average unit rate of RMB9,710/sq.m. for the subject property.

10. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

    a. The property was mortgaged in favour of Industrial Bank Co., Ltd., Taizhou Branch (the "Mortgagee");

    b. Taizhou Investment is entitled to occupy, use, lease, transfer, re-mortgage or otherwise dispose of the property upon the consent from the Mortgagee within the mortgage period.

11. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	Yes
b.	Construction Land Planning Permit	Yes
c.	Construction Work Planning Permit	Yes
d.	Construction Work Commencement Permit	Yes
e.	Pre-sales Permit	Yes
f.	Construction Work Completion and Inspection Certificate/Table	Yes
g.	Building Ownership Certificate	Yes

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2015
				RMB
2.	The remaining unsold portion of Taizhou Xinming Peninsular Phase 1, Phase 2 Stage 1 and Phase 2 Stage 2 located on two sides of No. 6 Road Jiaojiang District Taizhou City Zhejiang Province The PRC	The property comprises 11 unsold residential units, 2 unsold retail units and 276 unsold underground car-parking spaces of Xinming Peninsular Phase 1, Phase 2 Stage 1 and Phase 2 Stage 2 which were completed in various stages between 2008 to 2013. The property is located at the western side of Taizhou Avenue and the southern side of No. 82 Province Road in Taizhou Development Area. This area is well-served by various facilities and public transportation along the main roads. The surrounding environment is a residential area with retail stores and commercial buildings. The property has a total gross floor area of approximately 10,030.68 sq.m. and the details are set out as following:	The property was vacant as at the valuation date.	77,563,000 100% interest attributable to the Group: RMB77,563,000

Usage	Gross Floor Area (sq.m.)
Residential	1,909.89
Commercial	2,007.78
Underground car parking space	6,113.01 *(220 lots)*
Total:	**10,030.68**

The land use rights of the property have been granted for terms expiring on 29 June 2077 for residential and commercial uses.

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract dated 11 June 2007 entered into between Land and Resources Bureau of Taizhou City Jiaojiang Branch and Taizhou City Xinming Real Estate Development Company Limited ("Taizhou Xinming"), an indirect wholly-owned subsidiary of the Company, the land use rights of a parcel of land with a site area of approximately 239,649 sq.m. (including the land use rights of the property) were contracted to be granted to Taizhou Xinming with the particulars as follows:

Site Area	:	239,649 sq. m.
Land Use	:	Residential/commercial
Land Term	:	70 years for residential use and 40 years for commercial use
Plot Ratio	:	Above 1.0 and lower than 1.7
Land Premium	:	RMB377,050,000

2. Pursuant to 3 Construction Land Planning Permits, permission towards the planning of a parcel of land with a site area of approximately 205,806.52 sq.m. has been granted to Taizhou Xinming.

3. Pursuant to 3 State-owned Land Use Rights Certificates — Jiao Guo Yong (2007) Di No. 002807, Jiao Guo Yong (2010) Di No. 003335 and Jiao Guo Yong (2011) Di No. 003651, the land use rights of 3 parcels of land with a total site area of approximately 205,806.52 sq.m. (including the land use rights of the property), on which the property is situated, have been granted to Taizhou Xinming for terms expiring on 29 June 2077 for residential and commercial uses.

4. Pursuant to 6 Pre-sales Permits in favour of Taizhou Xinming, the Group is freely entitled to sell the property to local and overseas purchasers:

Permit No.	Building	Gross Floor Area (sq.m.)	Issued Date
Shou Xu Zi 2008 No. 06-A	Phase 1	95,961.32	6 October 2008
Shou Xu Zi 2009 No. 03	Phase 1	33,363.76	17 June 2009
Shou Xu Zi 2010 No. 10	Phase 2	32,079.23	7 August 2010
Shou Xu Zi 2011 No. 01	Phase 2	34,258.64	17 March 2011
Shou Xu Zi 2011 No. 03	Phase 2	21,438.89	21 February 2011
Shou Xu Zi 2012 No. 02	Phase 2 Stage 2	105,553.55	23 April 2012
	Total:	322,655.39	

5. Pursuant to 217 Building Ownership Certificates, the property is owned by Taizhou Xinming.

6. As advised by the Group, as at the valuation date, portions of the property with a total gross floor area of 1,776.33 sq.m. were contracted to be sold at a consideration of RMB17,622,605 but have not been handed over to the purchasers. In arriving at our opinion on the capital value of the property, we have taken into account the contracted prices of such portions. As advised by the Group, these portions of property are in the process of being handed over to the purchasers.

7. In our valuation, we have identified and analysed various relevant sales evidence in the locality which have similar characteristic as the subject property. The unit price of these comparables are in the region of RMB11,000 to RMB12,000 per sq.m. for residential use, RMB14,000 to RMB15,000 per sq.m. for retail use and RMB100,000 to RMB120,000 per sq.m. for car parking spaces. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the subject property to arrive at an assumed average unit rate of RMB11,670/sq.m. for residential portion, RMB14,491/sq.m. for retail portion and RMB119,000/lot for car parking space of the subject property.

8. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Taizhou Xinming is entitled to occupy, use, lease, transfer, mortgage or otherwise dispose of the property.

9. A summary of major certificates/approvals is shown as follows:

   a. State-owned Land Use Rights Certificate .... Yes
   b. Construction Land Planning Permit .... Yes
   c. Construction Work Planning Permit .... Yes
   d. Construction Work Commencement Permit .... Yes
   e. Pre-sales Permit .... Yes
   f. Construction Work Completion and Inspection Certificate/Table .... Yes
   g. Building Ownership Certificate .... Yes

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2015
				RMB
3.	The remaining unsold portion of Wenshang Times Xinming Household Decorations and Fittings City located at the southern side of Weisan Road, the western side of Dahuan Line and the eastern side of Jingsan Road Jiaojiang District Taizhou City Zhejiang Province The PRC	The property comprises 595 unsold commercial units of Wenshang Times Xinming Household Decoration and Fitting City which were completed in 2014. The property is located at the southern side of Weisan Road, northern side of Planning land border, western side of Dahuan Line and eastern side of Jingsan Road. This area is well-served by adequate facilities and public transportation along the main roads. The surrounding environment is a commercial area with retail stores and commercial buildings. The property has a total gross floor area of approximately 25,375.07 sq.m. The land use rights of the property have been granted for a term expiring on 17 June 2080 for residential and commercial uses.	The property was vacant as at the valuation date.	490,486,000 100% interest attributable to the Group: RMB490,486,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract dated 10 April 2010 entered into between Land and Resources Bureau of Taizhou City Jiaojiang Branch and Taizhou Wenshang Times Property Limited ("Wenshang Times"), an indirect wholly-owned subsidiary of the Company , the land use rights of the property (together with the land use rights of property nos. 4 and 17) were contracted to be granted to Wenshang Times with the particulars as follows:

Site Area	:	74,390 sq.m.
Land Use	:	Residential/commercial
Land Term	:	70 years for residential use and 40 years for commercial use
Plot Ratio	:	Above 1.0 and lower than 1.8
Land Premium	:	RMB520,000,000

2. Pursuant to a Construction Land Planning Permit, permission towards the planning of a parcel of land with a site area of approximately 74,390 sq.m. (together with the land use rights of property nos. 4 and 17) has been granted to Wenshang Times.

3. Pursuant to a State-owned Land Use Rights Certificate — Jiao Guo Yong (2010) Di No. 010234, the land use rights of a parcel of land with site area of approximately 74,390 sq.m. (together with the land use rights of property nos. 4 and 17) have been granted to Wenshang Times for a term expiring on 17 June 2080 for residential and commercial uses.

4. Pursuant to a Construction Work Planning Permit — Jian Zi Di No. 331001201220004 issued by Housing and Urban and Rural Construction Planning Bureau of Taizhou City in favour of Wenshang Times, the construction works of the property with a total planned gross floor area of approximately 175,082.6 sq.m. (together with the construction of property nos. 4 and 17) have been approved.

5. Pursuant to a Construction Work Commencement Permit issued by Land and Resources Bureau of Taizhou City Jiaojiang Branch in favour of Wenshang Times, the commencement of the construction works of the property with a planned gross floor area of approximately 107,149.01 sq.m. (together with the construction of property no. 4) has been permitted.

6. Pursuant to a Pre-sales Permit — Shou Xu Zi (2012) Di No. 10 in favour of Wenshang Times, the Group is freely entitled to sell the development of the property to local and overseas purchasers.

7. Pursuant to a Construction Work Completion and Inspection Certificate — No. 31800020141111101, Wenshang Times Xinming Household Decorations and Fittings City (including the property) has been approved to be complied with the urban and rural planning requirements.

8. Pursuant to 633 Building Ownership Certificates, the property is owned by Wenshang Times.

9. In our valuation, we have identified and analysed various relevant sales evidence in the locality which have similar characteristic as the subject property. The unit price of these comparables range from RMB6,700/sq.m. to RMB32,000/sq.m. based on different levels. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the subject property to arrive at an assumed average unit rate of RMB19,329/sq.m. for the subject property.

10. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

    a. Wenshang Times is entitled to occupy, use, lease, transfer, mortgage or otherwise dispose of the property.

11. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	Yes
b.	Construction Land Planning Permit	Yes
c.	Construction Work Planning Permit	Yes
d.	Construction Work Commencement Permit	Yes
e.	Pre-sales Permit	Yes
f.	Construction Work Completion and Inspection Certificate/Table	Yes
g.	Building Ownership Certificate	Yes

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2015
				RMB
4.	The remaining unsold portion of Wenshang Times Xinming Apartment located at the southern side of Weisan Road, the western side of Dahuan Line and the eastern side of Jingsan Road Jiaojiang District Taizhou City Zhejiang Province The PRC	The property comprises 38 unsold underground car-parking spaces of Wenshang Times Xinming Apartment which were completed in 2014. The property is located at the southern side of Weisan Road, northern side of Planning land border, western side of Dahuan Line and eastern side of Jingsan Road. This area is well-served by various facilities and public transportation along the main roads. The surrounding environment is a commercial area with retail stores and commercial buildings. The property has a total gross floor area of approximately 1,457.3 sq.m. The land use rights of the property have been granted for a term expiring on 17 June 2080 for residential and commercial uses.	The property was vacant as at the valuation date.	3,255,000 100% interest attributable to the Group: RMB3,255,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract dated 10 April 2010 entered into between Land and Resources Bureau of Taizhou City Jiaojiang Branch and Taizhou Wenshang Times Property Limited ("Wenshang Times"), an indirect wholly-owned subsidiary of the Company, the land use rights of the property (together with the land use rights of property nos. 3 and 17) were contracted to be granted to Wenshang Times with the particulars as follows:

Site Area	:	74,390 sq.m.
Land Use	:	Residential/commercial
Land Term	:	70 years for residential use and 40 years for commercial use
Plot Ratio	:	Above 1.0 and lower than 1.8
Land Premium	:	RMB520,000,000

2. Pursuant to a Construction Land Planning Permit, permission towards the planning of a parcel of land with a site area of approximately 74,390 sq.m. (together with the land use rights of property nos. 3 and 17) has been granted to Wenshang Times.

3. Pursuant to a State-owned Land Use Rights Certificate — Jiao Guo Yong (2010) Di No.010234, the land use rights of a parcel of land with site area of approximately 74,390 sq.m. (together with the land use rights of property nos. 3 and 17) have been granted to Wenshang Times for a term expiring on 17 June 2080 for residential and commercial uses.

4. Pursuant to a Construction Work Planning Permit — Jian Zi Di No. 331001201220004 issued by Housing and Urban and Rural Construction Planning Bureau of Taizhou City in favour of Wenshang Times, the construction works of the property with a total planned gross floor area of approximately 175,082.6 sq.m. (together with the construction of property nos. 3 and 17) have been approved.

5. Pursuant to a Construction Work Commencement Permit issued by Land and Resources Bureau of Taizhou City Jiaojiang Branch in favour of Wenshang Times, the commencement of the construction works of the property with a planned gross floor area of approximately 107,149.01 sq.m. (together with the construction of property no. 3) has been permitted.

6. Pursuant to a Pre-sales Permit — Shou Xu Zi (2012) Di No. 11 in favour of Wenshang Times, the Group is freely entitled to sell the development of the property to local and overseas purchasers.

7. Pursuant to a Construction Work Completion and Inspection Certificate — No. 31800020141111102, Wenshang Time Xinming Apartment (including the property) has been approved to be complied with the urban and rural planning requirements.

8. In our valuation, we have identified and analysed various relevant sales evidence in the locality which have similar characteristic as the subject property. The unit price of these comparables range from RMB49,000/lot to RMB90,000/lot. Appropriate adjustments and analysis are considered to the differences in location and other characters between the comparable properties and the subject property to arrive at an assumed unit rate of RMB85,660/lot for the subject property.

9. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Wenshang Times is entitled to occupy, use, lease, transfer, mortgage or otherwise dispose of the property.

10. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	Yes
b.	Construction Land Planning Permit	Yes
c.	Construction Work Planning Permit	Yes
d.	Construction Work Commencement Permit	Yes
e.	Pre-sales Permit	Yes
f.	Construction Work Completion and Inspection Certificate/Table	Yes
g.	Building Ownership Certificate	Yes

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2015
				RMB
5.	The remaining unsold portion of Xinming Lijiang Garden located at the eastern side of Jiaojiang Bridge Jiaojiang District Taizhou City Zhejiang Province The PRC	The property comprises 15 unsold residential units, 43 unsold retail units and 148 unsold underground car parking spaces of Xinming Lijiang Garden which were completed in 2014. The property is located at the eastern side of Jiaojiang Bridge in Jiaojiang District and is well-served by various facilities and public transportation along the main roads. The property has a total gross floor area of approximately 16,004.21 sq.m. and the details are set out as following:	The property was vacant as at the valuation date.	139,946,000 100% interest attributable to the Group: RMB139,946,000

Usage	**Planned Gross Floor Area (sq.m.)**
Residential	3,642.36
Commercial	8,044.69
Underground car-parking spaces	4,317.16 *(148 lots)*
Total:	**16,004.21**

The land use rights of the property have been granted for terms with the expiry date on 13 July 2079 for residential use and 13 July 2049 for commercial use.

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract dated 19 May 2009, the land use rights of the property (together with the land use rights of property nos. 1, 10 and 15) were contracted to be granted to Taizhou Xinming Property Investment Limited ("Taizhou Investment"), an indirect wholly-owned subsidiary of the Company with the particulars as follows:

Site Area	:	211,435 sq.m.
Land Use	:	Residential/commercial
Land Term	:	70 years for residential use/40 years for commercial use
Plot Ratio	:	Lower than 2.58 for residential use and commercial use and 1.69 for commercial use
Land Premium	:	RMB476,370,000

2. Pursuant to a Construction Land Planning Permit, permission towards the planning of a parcel of land with a site area of approximately 79,667 sq.m. (together with the land use rights of the property no. 10) has been granted to Taizhou Investment.

3. Pursuant to a State-owned Land Use Rights Certificate — Jiao Guo Yong (2010) Di No. 005042, the land use rights of a parcel of land with a site area of approximately 79,667 sq.m. (together with the land use rights of property no. 10), on which the property is situated, have been granted to Taizhou Investment for terms with the expiry date on 13 July 2079 for residential use and 13 July 2049 for commercial use.

4. Pursuant to a Construction Work Planning Permit — Jian Zi Di No. 331001201120051 issued by Construction and Planning Bureau of Taizhou City in favour of Taizhou Investment, the construction works of the property with a total planned gross floor area of approximately 210,987.98 sq.m. have been approved.

5. Pursuant to 3 Construction Work Commencement Permits issued by Construction and Planning Bureau of Taizhou City, Jiaojiang Sub-branch in favour of Taizhou Investment, the commencement of the construction works of the following have been permitted:

Permit No.	Building	Gross Floor Area (sq.m.)	Issued Date
No. 332601201111010101	No. 1 Biao Duan	69,765	1 November 2011
No. 332601201111010102	No. 2 Biao Duan	76,265	1 November 2011
No. 332601201111170101	No. 3 Biao Duan	64,958	17 November 2011
	Total:	210,988	

6. Pursuant to 3 Pre-sales Permits in favour of Taizhou Investment, the Group is freely entitled to sell the property to local and overseas purchasers:

Permit No.	Building (sq.m.)	Gross Floor Area	Issued Date
Shou Xu Zi 2012 No. 08	3-5#.11#12#	92,181.97	26 September 2012
Shou Xu Zi 2012 No. 14	1#2#8#10#	41,086.62	16 December 2012
Shou Xu Zi 2012 No. 15	6#7#9#13#	44,204.11	11 December 2012
	Total:	177,472.70	

7. Pursuant to 3 Construction Work Completion and Inspection Certificates, Xinming Lijiang Garden has been approved to be complied with the urban and rural planning requirements. The details are set out as follows:

No.	Construction Work Completion and Inspection Certificate No.	Gross Floor Area (sq.m.)	Issued Date
(1)	No. 31800020141107101	69,765	7 November 2014
(2)	No. 31800020141107102	76,265	7 November 2014
(3)	No. 31800020141107103	64,958	7 November 2014
	Total:	210,988	

8. Pursuant to 206 Building Ownership Certificates, the property is owned by Taizhou Investment.

9. In our valuation, we have identified and analysed various relevant sales evidence in the locality which have similar characteristic as the subject property. The unit price of these comparables are in the region of RMB8,000 to RMB10,000 per sq.m. for residential use, RMB11,000 per sq.m. to RMB13,000 per sq.m. for retail use and RMB50,000 to RMB10,000 for car parking spaces. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the subject property to arrive at an assumed average unit rate of RMB9,460/sq.m. for residential portion, RMB11,825/sq.m. for retail portion and RMB70,000/lot for car parking space of the subject property.

10. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

    a. Taizhou Investment is entitled to occupy, use, lease, transfer, re-mortgage or otherwise dispose of the property.

11. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	Yes
b.	Construction Land Planning Permit	Yes
c.	Construction Work Planning Permit	Yes
d.	Construction Work Commencement Permit	Yes
e.	Pre-sales Permit	Yes
f.	Construction Work Completion and Inspection Certificate/Table	Yes
g.	Building Ownership Certificate	Yes

VALUATION CERTIFICATE

Group II — Property interests held under development by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2015
				RMB
6.	Shanghai Xinming Children's World under construction located at the western side of Liuxiang Road and northern side of Fengxiang Road Jiading District Shanghai The PRC	The property comprises a parcel of land with a site area of approximately 39,719.8 sq.m. and a composite plaza which was being constructed thereon as at the valuation date. The property is located at western side of Liuxiang Road and northern side of Fengxiang Road in Jiading District. It is near to Hujia Highway which connects to the city centre of Shanghai and is just next to Nan Xiang subway station. The development is scheduled to be completed in December 2015. Upon completion, the development will have a total gross floor area of approximately 186,260.85 sq.m. and the details are set out as following: **Usage** — **Planned Gross Floor Area (sq.m.)** Office — 35,624.7 Commercial — 103,124.42 Ancillary — 14,079.95 Underground car-parking spaces — 33,431.78 *(913 lots)* **Total:** — **186,260.85** The total development cost is estimated to be approximately RMB1,188,847,259, of which RMB805,271,027 had been incurred as at the valuation date. The land use rights of the property have been granted for terms of 40 years expiring on 7 February 2053 for commercial use and 50 years expiring on 7 February 2063 for office use.	The property was under construction as at the valuation date.	1,337,000,000 79% interest attributable to the Group: RMB1,056,230,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract dated 19 September 2012 entered into between Planning and Land Administration Bureau of Shanghai Jiading District and Shanghai Xinming Global Property Limited ("Shanghai Xinming"), a 79% interest owned subsidiary of the Company, the land use rights of the property were contracted to be granted to Shanghai Xinming with the particulars as follows:

Site Area	:	39,719.80 sq.m.
Land Use	:	Commercial and office
Land Term	:	40 years for commercial use and 50 years for office use
Plot Ratio	:	3.0
Land Premium	:	RMB321,730,000

2. Pursuant to a Construction Land Planning Permit, permission towards the planning of a parcel of land with a site area of approximately 39,719.8 sq.m. has been granted to Shanghai Xinming.

3. Pursuant to a Real Estate Title Certificate — Hu Fang Di Jia (2013) Di No. 017287, the land use rights of a parcel of land with a site area of approximately 39,719.8 sq.m. have been granted to Shanghai Xinming for terms of 40 years expiring on 7 February 2053 for commercial use and 50 years expiring on 7 February 2063 for office use.

4. Pursuant to 2 Construction Work Planning Permits issued by Planning and Land Administration Bureau of Shanghai Jiading District in favour of Shanghai Xinming, the construction works of the following have been approved:

Permit No.	**Building**	**Gross Floor Area**	**Issued Date**
		(sq.m.)	
Hu Jia Jian (2013) FA31011420135521	Commercial and office project	185,850.97	5 November 2013
Hu Jia Jian (2014) FA 31011420144197	Commercial and office project	409.88	29 January 2014
Total		186,260.85	

5. Pursuant to a Construction Work Commencement Permit issued by Construction and Transportation Committee of Shanghai Jiading District in favour of Shanghai Xinming, the commencement of the construction works of the property has been permitted.

6. Pursuant to 2 Pre-sales Permits in favour of Shanghai Xinming, except for portions of aboveground area of the property with a total gross floor area of approximately 43,949.05 sq.m. which can only be sold after 10 years, the Group is freely entitled to sell the property to local and overseas purchasers:

Permit No.	**Building**	**Gross Floor Area**	**Issued Date**
		(sq.m.)	
Jiading Fang Guan 2014 Yu Zi No. 0000830	No. 669	107,822.61	2 January 2015
Jiading Fang Guan 2014 Yu Zi No. 0000831	No. 2800	34,118.02	2 January 2015
	Total:	141,940.63	

7. Pursuant to a Mortgage Contract, the land of the property is subject to a mortgage in favour of China Construction Bank Corporation, Shanghai Jiading Sub-branch (the "Bank"), as a security to guarantee the principal obligation under a loan contract entered into between the Bank and Shanghai Global at an amount of RMB321,730,000 with the mortgage term from 27 November 2013 to 24 November 2017.

8. As advised by the Group, portions of the property comprising a total gross floor area of 3,920.26 sq.m. have been pre-sold to various third parties at a consideration of RMB66,284,006. Such portions of the property have not been legally and virtually transferred and therefore we have included the portions in our valuation. In arriving at our opinion on the capital value of the property, we have taken into account the contracted prices of such portions of the property.

9. The capital value of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB2,422,000,000. In the course of valuation of the retail portion, reference has been made to rental evidence / asking rent of similar retail developments in the locality which are in the region of RMB1.9 to RMB5.4 per sq.m./per day. The assumed market yield is 6% which is in line with the market yield of this property sector in the region of 5% to 7%. For office portion, we considered sale evidence / asking prices of similar office development in the locality which are in the region of RMB16,000 to RMB20,000 per sq.m. Appropriate adjustments are made to the differences in location, size, time and other characters between the comparables and the subject property.

10. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

    a. Shanghai Xinming has obtained the land use rights of the property;

    b. Shanghai Xinming is entitled to occupy, use, lease, transfer, re-mortgage or otherwise dispose of the land use rights of the property upon the consent from the mortgagee within the mortgage period; and

    c. Shanghai Xinming has obtained all the request construction approvals of the construction of the property and has rights to develop the property according to the permitted scope of these approvals.

11. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	Yes
b.	Construction Land Planning Permit	Yes
c.	Construction Work Planning Permit	Yes
d.	Construction Work Commencement Permit	Yes
e.	Pre-sales Permit	Portion
f.	Construction Work Completion and Inspection Certificate/Table	N/A

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2015
				RMB
7.	Zone A of Phase 1 of Xingmeng International Commercial City under construction located at the western side of Luban Avenue, the northern side of Jinghe West Road, the eastern side of Yandong Road Tengzhou City Shandong Province The PRC	The property comprises a parcel of land with a site area of approximately 37,814 sq.m. and 16 commercial buildings which were being constructed thereon as at the valuation date. The property is located at the western side of Luban Avenue, the northern side of Jinghe West Road, the eastern side of Yandong Road and is well-served by various facilities and public transportation along the main roads. The surrounding environment has building materials wholesale markets, petrol station and many undeveloped land parcels. The development was completed in April 2015. Upon completion, the development will have a total gross floor area of approximately 65,507 sq.m. and the details are set out as following: **Usage** / **Planned Gross Floor Area (sq.m.)** Commercial: 64,617 Ancillary: 890 **Total: 65,507** The total development cost is estimated to be approximately RMB305,011,689, of which approximately RMB245,673,740 had been incurred as at the valuation date. The land use rights of the property have been granted for a term of 40 years expiring on 7 June 2053 for commercial use.	The property was under construction as at the valuation date.	322,000,000 55% interest attributable to the Group: RMB177,100,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract dated 31 March 2013 entered into between Tengzhou Municipal Bureau of Land and Resources and Shandong Xingmeng Property Limited ("Shandong Xingmeng"), a 55% interest owned subsidiary of the Company, the land use rights of the property (together with the land use rights of property no. 11) were contracted to be granted to Shandong Xingmeng with the particulars as follows:

Site Area	:	62,812 sq.m.
Land Use	:	Commercial
Land Term	:	40 years for commercial use
Plot Ratio	:	1.8
Land Premium	:	RMB141,000,000

2. Pursuant to a Construction Land Planning Permit, permission towards the planning of a parcel of land with a site area of approximately 62,812 sq.m. (together with the land use rights of property no. 11) has been granted to Shandong Xingmeng.

3. Pursuant to a State-owned Land Use Rights Certificate — Teng Guo Yong (2013) No. 079, the land use rights of a parcel of land with a site area of approximately 62,812 sq.m. (together with the land use rights of property no. 11) have been granted to Shandong Xingmeng for a term of 40 years expiring on 7 June 2053 for commercial use.

4. Pursuant to 2 Construction Work Planning Permits issued by Planning Bureau of Tengzhou City in favour of Shandong Xingmeng, the construction works of the following have been approved:

Permit No.	**Building**	**Gross Floor Area**	**Issued Date**
		(sq.m.)	
Jian Zi No. 370481201400002 ..	No. 1,2,3,5,8,9,10,11,15,16, 17,18,19,23,25,26#	62,664	7 January 2014
Jian Zi No. 370481201400054 ..	No. 27#	2,843	25 November 2014
	Total:	65,507	

5. Pursuant to a Construction Work Commencement Permit issued by Housing and Construction Bureau of Tengzhou City in favour of Shandong Xingmeng, the commencement of the construction works of the property has been permitted.

6. Pursuant to a Pre-sales Permit in favour of Shandong Xingmeng, the Group is freely entitled to sell the commercial portion of the property with a gross floor area of approximately 61,742.8 sq.m. to local and overseas purchasers.

7. According to 3 Mortgage Registration Certificates dated 5 and 10 September 2014, the property together with property no. 11 (under the reference number: Teng Guo Yong (2013) No. 079 and 080,) are subject to mortgage in favour of Wanxiang Trust Co., LTD. (the "Mortgagee"), as security to guarantee the obligation for loan at the amount of RMB15,000,000.

8. As advised by the Group, portions of the property comprising a total gross floor area of 1,825.88 sq.m. have been pre-sold to various third parties at a consideration of RMB15,880,001.98. Such portions of the property have not been legally and virtually transferred and therefore we have included the portions in our valuation. In arriving at our opinion on the capital value of the property, we have taken into account the contracted prices of such portions of the property.

9. The capital value of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB333,040,000. In the course of valuation, reference has been made to asking prices of similar office and retail developments in the locality which are in the region of RMB3,600 to RMB4,300 per sq.m. for office use and RMB7,000 to RMB9,800 per sq.m. for retail use. Appropriate adjustments are made to the differences in location, size, time and other characters between the comparables and the subject property.

10. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

    a. Shandong Xingmeng has obtained the land use rights of the property;

b. Shandong Xingmeng is entitled to occupy, use, lease, transfer, re-mortgage or otherwise dispose of the land use rights of the property upon the consent from the mortgagee within the mortgage period; and

c. Shandong Xingmeng has obtained all the request construction approvals of the construction of the property and has rights to develop the property according to the permitted scope of these approvals.

11. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	Yes
b.	Construction Land Planning Permit	Yes
c.	Construction Work Planning Permit	Yes
d.	Construction Work Commencement Permit	Yes
e.	Pre-sales Permit	Yes
f.	Construction Work Completion and Inspection Certificate/Table	N/A

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2015
				RMB
8.	Phase 1 of China South-western City under construction located at No. 666 Five Star Avenue Dazu District Chongqing The PRC	The property comprises 4 parcels of land with a total site area of approximately 175,531 sq.m. and a loft building (Building No. 4) and 6 commercial buildings (Building Nos. 1, 2, 3, 5, 6 and 7) known as Phase 1 of China South-western City which were being constructed thereon as at the valuation date.	The property was under construction as at the valuation date.	922,376,000 60% interest attributable to the Group: RMB553,426,000

The property is located at No. 666, Five Star Avenue, Dazu District in Chongqing. The locality is a new development area of Dazu District, and relevant facilities along the main roads are still under development. The surrounding environment is a residential area under construction with retail stores and commercial buildings.

The development is scheduled to be completed in April 2016. Upon completion, the development will have a total gross floor area of approximately 280,186.52 sq.m. and the details are set out as following:

Usage	**Planned Gross Floor Area (sq.m.)**
Commercial	271,877,19
Underground car-parking spaces	5,895.45
Ancillary	2,413.88
Total:	**280,186.52**

The total development cost is estimated to be approximately RMB1,059,601,000 of which RMB571,062,695 had been incurred as at the valuation date.

The land use rights of the property have been granted for a term of 40 years with the expiry dates on 27 January 2053, 17 October 2053 and 19 January 2054 for commercial use.

Notes:

1. Pursuant to 3 State-owned Land Use Rights Grant Contracts entered into between State-owned Land Resources and Housing Bureau of Chongqing City Dazu District and Chongqing Xinming Property Company Limited ("Chongqing Property"), a 60% interest owned subsidiary of the Company, the land use rights of the property (together with the land use rights of property nos. 13 and 14) were contracted to be granted to Chongqing Property with the particulars as follows:

Land Use	**Site Area**	**Land Term**	**Plot Ratio**	**Land Premium**
	(sq.m.)			
Commercial	76,835	40 years for commercial use	≤1.5	RMB58,174,203
Commercial	35,525	40 years for commercial use	≤1.5	RMB34,000,000
Commercial and Residential	181,080	40 years for commercial use, 70 years for residential	≤1.5 for commercial use, ≤2.5 for residential use	RMB142,938,140
Total	293,440			RMB 235,112,343

2. Pursuant to a Construction Land Planning Permit, permission towards the planning of a parcel of land with a site area of approximately 175,537 sq.m. (together with the land use rights of property nos. 13 and 14) has been granted to Chongqing Property.

3. Pursuant to 4 State-owned Land Use Rights Certificates, the land use rights of 4 parcels of land with a total site area of approximately 175,531 sq.m. have been granted to Chongqing Property with the particulars as follows.

Land Use Right Certificate	**Site Area**	**Usage**	**Expiry Date**	**Issued Date**
	(sq.m.)			
210 Fang Di Zheng 2013 Zi Di No. 12098	76,835	Commercial	27 January 2053	15 November 2013
210 Fang Di Zheng 2013 Zi Di No. 12130	35,525	Commercial	17 October 2053	15 November 2013
210 Fang Di Zheng 2014 Zi Di No. 01370	39,550	Commercial	19 January 2054	27 January 2014
210 Fang Di Zheng 2014 Zi Di No. 01371	23,621	Commercial	19 January 2054	27 January 2014
Total	175,531			

4. Pursuant to 7 Construction Work Planning Permits issued by Planning Bureau of Chongqing City Dazu District in favour of Chongqing Property, the construction works of:

Permit No.	Building	Gross Floor Area (sq.m.)	Issued Date
Jian Zi Di Zu Gui Jian Zheng 2013 No. 98	Block 3# of Phase 1 of Western South City	46,286.00	22 November 2013
Jian Zi Di Zu Gui Jian Zheng 2013 No. 99	Block 4# of Phase 1 of Western South City	62,066.62	22 November 2013
Jian Zi Di Zu Gui Jian Zheng 2013 No. 100	Block 5# of Phase 1 of Western South City	12,508.16	22 November 2013
Jian Zi Di Zu Gui Jian Zheng 2013 No. 101	Block 6# of Phase 1 of Western South City	62,339.91	25 April 2014
Jian Zi Di Zu Gui Jian Zheng 2014 No. 37	Block 1# of Phase 1 of Western South City	23,448.46	7 July 2014
Jian Zi Di Zu Gui Jian Zheng 2014 No. 45	Block 2# of Phase 1 of Western South City	71,469.64	12 August 2014
Jian Zi Di Zu Gui Jian Zheng 2014 No. 46	Block 7# of Phase 1 of Western South City	2,067.73	13 August 2014
Total		280,186.52	

5. Pursuant to 4 Construction Work Commencement Permits issued by Chongqing City Da Zu District City and Rural Construction Committee in favour of Chongqing Property, the commencement of the construction works of the following have been permitted:

Permit No.	Building	Gross Floor Area (sq.m.)	Issued Date
500225201312040101	Block 4#, 6# of China Western South City	124,400.12	4 December 2013
500225201311270301	Block 3#, 5# of China Western South City	58,794.16	27 November 2013
500225201408220101	Block 1# of phase 2 of China Western South City	23,448.46	8 August 2014
500225201409250101	Block 2#, 7# of phase 1 of China Western South City	73,537.37	25 September 2014
Total		280,180.11	

6. Pursuant to 9 Pre-sales Permits in favour of Chongqing property, the Group is freely entitled to sell the property to local and overseas purchasers of the following have been permitted:

Permit No.	Building	Gross Floor Area (sq.m.)	Issued Date
Dazu Guo Tu Fang Guan 2013 Yu Zi Di No. 78	3#2,7	10,672.01	19 December 2013
Dazu Guo Tu Fang Guan 2013 Yu Zi Di No. 84	3#9	3,094.52	26 December 2013
Dazu Guo Tu Fang Guan 2013 Yu Zi Di No. 91	3#3,5	5,981.82	31 December 2013
Dazu Guo Tu Fang Guan 2014 Yu Zi Di No. 09	3#1,4,6,8	15,673.24	16 January 2014
Dazu Guo Tu Fang Guan 2014 Yu Zi Di No. 03	3#11,12,10	9,076.34	7 January 2014
Dazu Guo Tu Fang Guan 2014 Yu Zi Di No. 33	6#1	17,132.4	29 May 2014
Dazu Guo Tu Fang Guan 2014 Yu Zi Di No. 62	6#2	44,335.33	5 August 2014
Dazu Guo Tu Fang Guan 2014 Yu Zi Di No. 95	4#level 1-11	53,194.27	26 December2014
Dazu Guo Tu Fang Guan 2014 Yu Zi Di No. 96	5#level 1-3	11,548.67	26 December2014
	Total:	170,708.60	

7. Pursuant to a Mortgage Contract, 2 parcels of land with a total site area of approximately 112,360 sq.m. (under the reference number: 210 Fang Di Zheng 2013 Zi No. 12098 and 12130) of the property is subject to a mortgage in favour of Industrial & Commercial Bank of China, Chongqing Dazu Sub-branch (the "Bank"), as a security to guarantee the principal obligation under a loan contract entered into between the Bank and Chongqing Property at an amount of RMB81,700,000 with the mortgage term from 15 February 2015 to 14 February 2018.

8. Pursuant to a Mortgage Contract, 2 parcels of land with a total site area of approximately 63,171 sq.m. (under the reference number: 210 Fang Di Zheng 2014 Zi No. 01370 and 01371) of the property is subject to a mortgage in favour of Industrial & Commercial Bank of China, Chongqing Dazu Sub-branch (the "Bank"), as a security to guarantee the principal obligation under a loan contract entered into between the Bank and Chongqing Property at an amount of RMB150,000,000 with the mortgage term from 30 May 2015 to 29 May 2020.

9. As advised by the Group, portions of the property comprising a total gross floor area of 53,841.39 sq.m. have been pre-sold to various third parties at a consideration of RMB404,276,009.3. Such portions of the property have not been legally and virtually transferred and therefore we have included the portions in our valuation. In arriving at our opinion on the capital value of the property, we have taken into account the contracted prices of such portions of the property.

10. The capital value of Building Nos. 1, 2, 3, 4, 5, 6 and 7 of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB1,713,441,000. In the course of valuation, reference has been made to sale evidence of similar commercial developments in the locality which are in the region of RMB6,910 to RMB10,600 per sq.m. for retail use and RMB4,200 to RMB4,600 for loft part. Appropriate adjustments are made to the differences in location, size, time and other characters between the comparables and the subject property.

11. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

    a. Chongqing Property has obtained the land use rights of the property;

    b. Chongqing Property is entitled to occupy, use, lease, transfer, re-mortgage or otherwise dispose of the land use rights of the property upon the consent from the mortgagee within the mortgage period; and

    c. Chongqing Property has obtained all the request construction approvals of the construction of the property and has rights to develop and pre-sale the property according to the permitted scope of these approvals.

12. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	Yes
b.	Construction Land Planning Permit	Yes
c.	Construction Work Planning Permit	Yes
d.	Construction Work Commencement Permit	Yes
e.	Pre-sales Permit	Yes
f.	Construction Work Completion and Inspection Certificate/Table	N/A

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2015
				RMB
9.	Hangzhou Xinming Children's World under construction located at the western side of Jinghang Canal, the northern side of No. 1 Bus station, the eastern side of Xiaohe Road and the southern side of Zhoujin Road Gongshu District Hangzhou City Zhejiang Province The PRC	The property comprises a parcel of land with a site area of approximately 30,449 sq.m. and a composite plaza which was being constructed thereon as at the valuation date. The property is located at the western side of Jinghang Canal, the northern side of No. 1 Bus station, the eastern side of Xiaohe Road and the southern side of Zhoujin Road, Gongshu District of Hangzhou City and is well-served by adequate facilities and public transportation along the main roads. The development is scheduled to be completed in December 2016. Upon completion, the development will have a total gross floor area of approximately 162,927.24 sq.m. and the details are set out as following: **Usage** — **Planned Gross Floor Area (sq.m.)** Commercial — 53,738.18 Office — 60,383.90 Underground car-parking spaces — 41,560.90 *(1,300 lots)* Ancillary — 7,244.26 **Total:** — **162,927.24** The total development cost is estimated to be approximately RMB1,500,794,200, of which RMB815,315,369 had been incurred as at the valuation date. The land use rights of the property have been granted for a term with the expiry date on 29 December 2054 for commercial use.	The property was under construction as at the valuation date.	892,384,000 100% interest attributable to the Group: RMB892,384,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract dated 20 December 2013 and a Supplementary Contract dated 4 April 2014, the land use rights of the property were contracted to be granted to Hangzhou Xinming Property Investment Limited ("Hangzhou Xinming"), an indirect wholly-owned subsidiary of the Company with the particulars as follows:

Site Area	:	30,449 sq.m.
Land Use	:	Commercial
Land Term	:	40 years for commercial use
Plot Ratio	:	Lower than 3.5
Land Premium	:	RMB745,000,000

2. Pursuant to a Construction Land Planning Permit — Di Zi No. 330100201400115 in favour of Hangzhou Xinming, permission towards the planning of the subject land with a site area of approximately 30,449 sq.m. has been granted to Xinming Property Investment.

3. Pursuant to a State-owned Land Use Rights Certificate — Hang Gong Guo Yong (2015) Di No. 100020, the land use rights of a parcel of land with a site area of approximately 30,449 sq.m., on which the property is situated, have been granted to Hangzhou Xinming for a term with the expiry date on 29 December 2054 for commercial use.

4. Pursuant to a Construction Work Planning Permit — Jian Zi Di No. 330100201400409 issued by Construction and Planning Bureau of Hangzhou City, in favour of Hangzhou Xinming, the construction works with a total planned gross floor area of approximately 162,927.24 sq.m. has been approved.

5. Pursuant to a Construction Work Commencement Permit issued by Land and Resources Bureau of Hangzhou City Gongshu Branch in favour of Hangzhou Xinming, the commencement of the construction works of the property with a planned gross floor area of approximately 162,927.24 sq.m. has been permitted.

6. According to a Mortgage Registration Certificate dated 14 May 2015, the property is subject to mortgage in favour of Zhongrong International Trust Co., LTD. (the "Mortgagee"), as security to guarantee the obligation for loan at the amount of RMB700,000,000.

7. The capital value of the property as if completed as at the valuation date according to the development proposal as described above and which can be freely transferred in the market, would be RMB2,008,798,000. In our valuation, we have identified and analysed various relevant sales evidence in the locality which have similar characteristic as the subject property. The unit price of these comparables range from RMB13,000/sq.m. to RMB15,000/sq.m. for office use and RMB12,000/sq.m. to RMB22,000/sq.m. for commercial use. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the subject property.

8. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Hangzhou Xinming has obtained land use rights of the property;

   b. Hangzhou Xingming is entitled to occupy, use, lease, transfer, re-mortgage or otherwise dispose of the landuse rights of the property upon the consent from the mortgagee within the mortgage period; and

   c. Hangzhou Xinming has obtained all the request construction approvals of the construction of the property and has rights to develop the property according to the permitted scope of these approvals.

9. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	Yes
b.	Construction Land Planning Permit	Yes
c.	Construction Work Planning Permit	Yes
d.	Construction Work Commencement Permit	Yes
e.	Pre-sales Permit	N/A
f.	Construction Work Completion and Inspection Certificate/Table	N/A

VALUATION CERTIFICATE

Group III — Property interests held for future development by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2015
				RMB
10.	A parcel of land known as Commercial Building Project located at the eastern side of Jiaojiang Bridge Jiaojiang District Taizhou City Zhejiang Province The PRC	The property comprises a parcel of land with a site area of approximately 16,236 sq.m. which is planned to be developed into a composite development. The property is located at the eastern side of Jiaojiang Bridge, Jiaojiang District of Taizhou City and is well-served by various facilities and public transportation along the main roads. As advised by the Group, the development is scheduled to be commenced in June 2015. Upon completion, the development will have a total gross floor area of approximately 68,204.11 sq.m. The details are set out as following: **Portion** — **Gross Floor Area (sq.m.)** Above land — 42,976.72 Underground — 25,227.39 **Total: — 68,204.11** As advised by Taizhou Investment, the total development cost is estimated to be approximately RMB255,347,000. The land use rights of the property have been granted for terms with the expiry date on 13 July 2079 for residential use and 13 July 2049 for commercial use.	The property was vacant as at the valuation date.	132,000,000 100% interest attributable to the Group: RMB132,000,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract dated 19 May 2009, the land use rights of the property (together with the land use rights of property nos. 1, 5 and 15) were contracted to be granted to Taizhou Xinming Property Investment Co., Limited ("Taizhou Investment"), an indirect a wholly-owned subsidiary of the Company with the particulars as follows:

Site Area	:	211,435 sq.m.
Land Use	:	Residential/commercial
Land Term	:	70 years for residential use and 40 years for commercial use
Plot Ratio	:	Lower than 2.58 for residential use and commercial use and 1.69 for commercial use
Land Premium	:	RMB476,370,000

2. Pursuant to a Construction Land Planning Permit, permission towards the planning of a parcel of land with a site area of approximately 79,667 sq.m. (together with the land use rights of the property no. 5) has been granted to Taizhou Investment.

3. Pursuant to a State-owned Land Use Rights Certificate — Jiao Guo Yong (2010) Di No. 005042, the land use rights of a parcel of land with a site area of approximately 79,667 sq.m. (together with the land use rights of property no. 5), on which the property is situated, have been granted to Taizhou Investment for terms with the expiry date on 13 July 2079 for residential use and 13 July 2049 for commercial use.

4. Pursuant to a Construction Work Planning Permit issued by Construction and Planning Bureau of Taizhou City, Jiaojiang Sub-branch in favour of Taizhou Investment, the construction works with a total planned gross floor area of approximately 68,204.11 sq.m. has been approved.

5. In our valuation, we have identified and analysed various relevant sales evidence in the locality which have similar characteristic as the subject property. The accommodation value of these comparables range from RMB3,000/sq.m. to RMB4,400/sq.m. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the subject property to arrive at an assumed accommodation value of RMB3,070/sq.m. for the subject property.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Taizhou Investment has obtained the land use rights of the property; and

   b. Taizhou Investment is entitled to occupy, use, lease, transfer, re-mortgage or otherwise dispose of the property upon the consent from the mortgagee within the mortgage period.

7. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	Yes
b.	Construction Land Planning Permit	Yes
c.	Construction Work Planning Permit	Yes
d.	Construction Work Commencement Permit	N/A
e.	Pre-sales Permit	N/A
f.	Construction Work Completion and Inspection Certificate/Table	N/A

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2015
				RMB
11.	A parcel of land known as Zone B of commercial portion of Phase 1 of Xingmeng International Commercial City located at the western side of Luban Avenue, the northern side of Jinghe West Road, the eastern side of Yandong Road Tengzhou City Shandong Province The PRC	The property comprises a parcel of land with a site area of approximately 24,998 sq.m. which is planned to be developed into a commercial development. The property is located at the western side of Luban Avenue, the northern side of Jinghe West Road, the eastern side of Yandong Road and is well-served by various facilities and public transportation along the main roads. The surrounding environment has building materials wholesale markets, petrol station and many undeveloped lands. The development is scheduled to be commenced in June 2015. Upon completion, the development will have a total gross floor area of approximately 44,996.4 sq.m. for retail use. As advised by Shandong Xingmeng, the total investment is estimated to be approximately RMB160,733,000. The land use rights of the property have been granted for a term of 40 years expiring on 7 June 2053 for commercial use.	The property was vacant as at the valuation date.	67,000,000 55% interest attributable to the Group: RMB36,850,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract dated 31 March 2013 entered into between Tengzhou Municipal Bureau of Land and Resources and Shandong Xingmeng Property Limited ("Shandong Xingmeng"), a 55% interest owned subsidiary of the Company, the land use rights of the property (together with the land use rights of property no. 7) were contracted to be granted to Shandong Xingmeng with the particulars as follows:

Site Area	:	62,812 sq.m.
Land Use	:	Commercial
Land Term	:	40 years for commercial use
Plot Ratio	:	1.8
Land Premium	:	RMB141,000,000

2. Pursuant to a Construction Land Planning Permit, permission towards the planning of a parcel of land with a site area of approximately 62,812 sq.m. (together with the land use rights of property no. 7) has been granted to Shandong Xingmeng.

3. Pursuant to a State-owned Land Use Rights Certificate — Teng Guo Yong (2013) No. 079, the land use rights of a parcel of land with a site area of approximately 62,812 sq.m. (together with the land use rights of property no. 7) have been granted to Shandong Xingmeng for a term of 40 years expiring on 7 June 2053 for commercial use.

4. In our valuation, we have identified and analysed various relevant sales evidence in the locality which have similar characteristic as the subject property. The acommodation value of these comparables range from RMB1,200/sq.m. to RMB1,590/sq.m. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the subject property to arrive at an assumed accommodation value of RMB1,489/sq.m. for the subject property.

5. According to 3 Mortgage Registration Certificates dated 5 and 10 September 2014, the property together with property no. 7 (under the reference number: Teng Guo Yong (2013) No. 079 and 080,) are subject to mortgage in favour of Wanxiang Trust Co., LTD. (the "Mortgagee"), as security to guarantee the obligation for loan at the amount of RMB15,000,000.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Shandong Xingmeng has obtained the land use rights of the property; and

   b. Shandong Xingmeng is entitled to occupy, use, lease, transfer, re-mortgage or otherwise dispose of the land use rights of the property upon the consent from the mortgagee within the mortgage period.

7. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	Yes
b.	Construction Land Planning Permit	Yes
c.	Construction Work Planning Permit	N/A
d.	Construction Work Commencement Permit	N/A
e.	Pre-sales Permit	N/A
f.	Construction Work Completion and Inspection Certificate/Table	N/A

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2015
				RMB
12.	A parcel of land of Phase 1 of Xingmeng International Commercial City located at the western side of Luban Avenue, the northern side of Jinghe West Road and the eastern side of Yandong Road Tengzhou City Shandong Province The PRC	The property comprises a parcel of land with a site area of approximately 25,151 sq.m. which is planned to be developed into a composite development. The property is located at the western side of Lu Ban Da Dao Avenue, northern side of Jing He Xi Road, eastern side of Yan Dong Road, Tengzhou City and is well-served by various facilities and public transportation along the main roads. The surrounding environment has building materials wholesale markets, undeveloped land and abandoned factories. The development is scheduled to be commenced in June 2015. Upon completion, the development will have a total gross floor area of approximately 62,867 sq.m. and the details are set out as following: **Usage** / **Gross Floor Area (sq.m.)** Residential: 46,352 Commercial: 16,515 **Total: 62,867** As advised by Shandong Xingmeng, the total investment is estimated to be approximately RMB226,820,000. The land use rights of the property have been granted for 40 years and 70 years for terms with the expiry date on 7 June 2053 for commercial use and 7 June 2083 for residential use.	The property was vacant as at the valuation date.	54,012,000 55% interest attributable to the Group: RMB29,707,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract dated 31 March 2013 entered into between Tengzhou Municipal Bureau of Land and Resources and Shandong Xingmeng Property Limited ("Shandong Xingmeng"), a 55% interest owned subsidiary of the Company, the land use rights of the property were contracted to be granted to Shandong Xingmeng with the particulars as follows:

Site Area	:	25,151 sq.m.
Land Use	:	Residential and commercial
Land Term	:	70 years for residential use and 40 years for commercial use
Plot Ratio	:	2.5
Land Premium	:	RMB42,450,000

2. Pursuant to a Construction Land Planning Permit, permission towards the planning of a parcel of land with a site area of approximately 25,151 sq.m. has been granted to Shandong Xingmeng.

3. Pursuant to a State-owned Land Use Rights Certificate — Teng Guo Yong (2013) No. 080, the land use rights of a parcel of land with a site area of approximately 25,151 sq.m. have been granted to Shandong Xingmeng for a term of 40 years and 70 years for terms with the expiry date on 7 June 2053 for commercial use and 7 June 2083 for residential use.

4. In our valuation, we have identified and analysed various relevant sales evidence in the locality which have similar uses, transaction dates, size etc. as the subject property. The accommodation value of these comparables range from RMB780/sq.m. to RMB930/sq.m. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the subject property to arrive at an assumed accommodation value of RMB859/sq.m. for the subject property.

5. According to 3 Mortgage Registration Certificates dated 5 and 10 September 2014, the property together with property no. 7 (under the reference number: Teng Guo Yong (2013) No. 079 and 080,) are subject to mortgage in favour of Wanxiang Trust Co., LTD. (the "Mortgagee"), as security to guarantee the obligation for loan at the amount of RMB15,000,000.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Shandong Xingmeng has obtained the land use rights of the property; and

   b. Shandong Xingmeng is entitled to occupy, use, lease, transfer, re-mortgage or otherwise dispose of the land use rights of the property upon the consent from the mortgagee within the mortgage period.

7. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	Yes
b.	Construction Land Planning Permit	Yes
c.	Construction Work Planning Permit	No
d.	Construction Work Commencement Permit	N/A
e.	Pre-sales Permit	N/A
f.	Construction Work Completion and Inspection Certificate/Table	N/A

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2015
				RMB
13.	A parcel of land known as Phase 2 of China South-western City located at No. 666 Five Star Avenue Dazu District Chongqing The PRC	The property comprises a parcel of land with a site area of approximately 73,582 sq.m. which is planned to be developed into a commercial development. The property is located at No. 666, Five Star Avenue, Dazu District, Chongqing. The locality is a new development area of Dazu District, and relevant facilities and public transportation along the main roads are still under development. The surrounding environment is a residential area under construction with retail stores and commercial buildings. The development is scheduled to be commenced in July 2015. The development has a total planned gross floor area of approximately 110,373 sq.m. for retail use. The total development cost is estimated to be approximately RMB633,000,000. The land use rights of the property have been granted for a term expiring on 19 January 2054 for commercial use.	The property was vacant as at the valuation date.	110,000,000 60% interest attributable to the Group: RMB66,000,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract dated 20 January 2014 entered into between Chongqing City Dazu District State-owned Land Resources and Housing Bureau and Chongqing Xinming Property Company Limited ("Chongqing Property"), a 60% interest owned subsidiary of the Company, the land use rights a parcel of land (together with the land use rights of property nos. 8 and 14) were contracted to be granted to Chongqing Property with the particulars as follows:

Land Use	Site Area (sq.m.)	Land Term	Plot Ratio	Land Premium
Commercial, Residential	181,080	40 years for commercial use, 70 years for residential use	≤1.5 for commercial use, ≤2.5 for residential use	RMB142,938,140
Total	181,080			RMB 142,938,140

2. Pursuant to a Construction Land Planning Permit, permission towards the planning of a parcel of land with a site area of approximately 112,360 sq.m. (together with the land use rights of property no. 14) has been granted to Chongqing Property.

3. Pursuant to a State-owned Land Use Rights Certificate — 210 Fang Di Zheng 2014 Zi Di No. 01375, the land use rights of a parcel of land with a site area of approximately 73,582 sq.m. have been granted Chongqing Property for a term expiring on 19 January 2054 for commercial use.

4. In our valuation, we have identified and analysed various relevant sales evidence in the locality which have similar characteristic as the subject property. The accommodation value of these comparables range from RMB750/sq.m. to RMB1,315/sq.m. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the subject property to arrive at an assumed accommodation value of RMB997/sq.m. for the subject property.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Chongqing Property has obtained the land use rights of the property; and

   b. Chongqing Property is entitled to occupy, use, lease, transfer, mortgage or otherwise dispose of the property.

6. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	Yes
b.	Construction Land Planning Permit	Yes
c.	Construction Work Planning Permit	No
d.	Construction Work Commencement Permit	N/A
e.	Pre-sales Permit	N/A
f.	Construction Work Completion and Inspection Certificate/Table	N/A

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2015
				RMB
14.	3 parcels of land known as Phase 3 of China South-western City located at No. 666 Five Star Avenue Dazu District Chongqing The PRC	The property comprises 3 parcels of land with a total site area of approximately 44,321 sq.m. which is planned to be developed into a residential development. The property is located at No. 666, Five Star Avenue, Dazu District, Chongqing. The locality is a new development area of Dazu District, and relevant facilities and public transportation along the main roads are still under development. The surrounding environment is a residential area under construction with retail stores and commercial buildings. The development is scheduled to be commenced in September 2015. The development has a total planned gross floor area of approximately 110,802.5 sq.m. for residential use. The total development cost is estimated to be approximately RMB438,000,000. The land use rights of the property have been granted for a term expiring 19 January 2084 for residential use.	The property was vacant as at the valuation date.	81,000,000 60% interest attributable to the Group: RMB48,600,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contracts dated 20 January 2014 entered into between Chongqing City Dazu District State-owned Land Resources and Housing Bureau and Chongqing Xinming Property Company Limited ("Chongqing Property"), a 60% interest owned subsidiary of the Company, the land use rights of a parcel of land (together with the land use rights of property nos. 8 and 13) were contracted to be granted to Chongqing Property with the particulars as follows:

Land Use	Site Area (sq.m.)	Land Term	Plot Ratio	Land Premium
Commercial, Residential	181,080	40 years for commercial use, 70 years for residential use	≤1.5 for commercial use, ≤2.5 for residential use	RMB142,938,140
Total	181,080			RMB 142,938,140

2. Pursuant to a Construction Land Planning Permit, permission towards the planning of a parcel of land with a site area of approximately 112,360 sq.m. (together with the land use rights of property no. 13) has been granted to Chongqing Property.

3. Pursuant to 3 State-owned Land Use Rights Certificates, the land use rights of 3 parcels of land with a total site area of approximately 44,321 sq.m. have been granted Chongqing Property with the particulars as follows:

Land Use Right Certificate	Site Area (sq.m.)	Usage	Expiry Date	Issued Date
210 Fang Di Zheng 2014 Zi Di No. 01372	14,261	Residential	19 January 2084	27 January 2014
210 Fang Di Zheng 2014 Zi Di No. 01373	15,530	Residential	19 January 2084	27 January 2014
210 Fang Di Zheng 2014 Zi Di No. 01374	14,530	Residential	19 January 2084	27 January 2014
Total	44,321			

4. In our valuation, we have identified and analysed various relevant sales evidence in the locality which have similar characteristic as the subject property. The accommodation value of these comparables range from RMB660/sq.m. to RMB750/sq.m. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the subject property to arrive at an assumed accommodation value of RMB731/sq.m. for the subject property.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Chongqing Property has obtained land use rights of the property; and

   b. Chongqing Property is entitled to occupy, use, lease, transfer, mortgage or otherwise dispose of the property.

6. A summary of major certificates/approvals is shown as follows:

   a. State-owned Land Use Rights Certificate .... Yes
   b. Construction Land Planning Permit .... Yes
   c. Construction Work Planning Permit.. No
   d. Construction Work Commencement Permit .... N/A
   e. Pre-sales Permit .... N/A
   f. Construction Work Completion and Inspection Certificate/Table.......................... N/A

VALUATION CERTIFICATE

Group IV — Property interests held for investment by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2015
				RMB
15.	Building No. 27 known as Xinming International Household Products Mall No. 8 the north part of Taizhou Avenue Jiaojiang District Taizhou City Zhejiang Province The PRC	The property comprises a 5-storey (plus 1 level basement) commercial building with 1 level basement which was completed in 2010. The property is located at the eastern side of Jiaojiang Bridge, Jiaojiang District of Taizhou City and is well-served by various facilities and public transportation along the main roads. The property has a total gross floor area of approximately 101,163.31 sq.m. The details are set out as following: **Floor** / **Gross Floor Area** *(sq.m.)* Basement Level 1: 26,165.89 Level 1: 17,331.05 Level 2: 14,456.40 Level 3: 14,380.96 Level 4: 14,449.09 Level 5: 14,379.92 **Total: 101,163.31** The land use rights of the property have been granted for a term expiring on 13 July 2049 for commercial use.	Except for Basement Level 1 of the property which was used as underground car-parking spaces and portions of Levels 1 to 5 of the property which was vacant, the remaining areas of the property were rented to various independent third parties for commercial purpose as at the valuation date.	934,219,000 100% interest attributable to the Group: RMB934,219,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract dated 19 May 2009, the land use rights of the property (together with the land use rights of property nos. 1, 5 and 10) were contracted to be granted to Taizhou Xinming Property Investment Limited ("Taizhou Investment"), an indirect wholly-owned subsidiary of the Company with the particulars as follows.

Site Area	:	211,435 sq.m.
Land Use	:	Residential/commercial
Land Term	:	70 years for residential use/40 years for commercial use
Plot Ratio	:	Lower than 2.58 for residential use and commercial use and 1.69 for commercial use
Land Premium	:	RMB476,370,000

2. Pursuant to a Construction Land Planning Permit, permission towards the planning of a parcel of land with a site area of approximately 131,768 sq.m. (together with the land use rights of property no. 1) has been granted to Taizhou Investment.

3. Pursuant to a Construction Land Planning Permit, permission towards the planning of a parcel of land with a site area of approximately 131,768 sq.m. (together with the land use rights of property no. 1) has been granted to Taizhou Investment.

4. Pursuant to a State-owned Land Use Rights Certificate — Jiao Guo Yong (2011) Di No. 003852, the land use rights of a parcel of land with a site area of approximately 17,079.32 sq.m., on which the property is situated, have been granted to Taizhou Investment for a term expiring on 13 July 2049 for commercial use.

5. Pursuant to a Construction Work Planning Permit — Jian Zi Di No. 331001200920058 issued by Housing and Urban and Rural Construction Planning Bureau of Taizhou City in favour of Taizhou Investment, the construction of the property has been permitted.

6. Pursuant to a Construction Work Commencement Permit issued by Construction and Planning Bureau of Taizhou City, Jiaojiang Sub-branch in favour of Taizhou Investment, the commencement of the construction works of the property has been permitted.

7. Pursuant to a Construction Work Completion and Inspection Certificate, the property has been approved to be complied with the urban and rural planning requirements.

8. Pursuant to 6 Building Ownership Certificates — Tai Fang Quan Zheng Jiao Zi Di Nos. 12002890 to 12002895, the property with a total gross floor area of approximately 101,163.31 sq.m. is owned by Taizhou Investment.

9. Pursuant to various Tenancy Agreements, portions of the property with a total lettable area of approximately 47,199.05 sq.m. were rented to various parties for various terms with the expiry dates between 27 November 2015 and 31 December 2017 at a total annual passing rent of RMB33,234,816 exclusive of management fees, water and electricity charges.

10 Pursuant to a Mortgage Contract of Maximum Amount dated 2 August 2012, the property is subject to a mortgage in favour of Agriculture Bank of China, Taizhou Jiaojiang Sub-branch (the "Bank"), as a security to guarantee the principal obligation under a loan contract entered into between the Bank and Taizhou Investment for a maximum amount of RMB400,000,000 with the mortgage term from 2 August 2012 to 20 February 2022.

11. In the course of valuation, reference has been made to rental evidence / asking rent of similar commercial developments in the locality which are in the region of RMB2.1 to RMB3.8 per sq.m./per day. The assumed market yield is 6% which is in line with the market yield of this property sector in the region of 5.5% to 6.5%.

12. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

    a. The property was mortgaged; and

    b. Taizhou Investment is entitled to occupy, use, lease, transfer, re-mortgage or otherwise dispose of the property upon the consent from the mortgagee within the mortgage period.

13. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	Yes
b.	Construction Land Planning Permit	Yes
c.	Construction Work Planning Permit	Yes
d.	Construction Work Commencement Permit	Yes
e.	Pre-sales Permit	N/A
f.	Construction Work Completion and Inspection Certificate/Table	Yes
g.	Building Ownership Certificate	Yes

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2015
				RMB
16.	Xinming International Logistic Centre Nos. 2000 and 2001 Gongren West Road Jiaojiang District Taizhou City Zhejiang Province The PRC	The property comprises 2 parcels of land with a total site area of approximately 49,711 sq.m. and 12 single-storey storage building erected thereon which were completed in 2011. The property is located at Gongren West Road near to Jiao River in Jiaojiang District and is well-served by public transportation along the main roads. The property has a total gross floor area of approximately 20,861.83 sq.m.. The land use rights of the property have been granted for a term expiring on 20 May 2060 for storage use.	The property was rented to various independent third parties for storage purpose as at the valuation date.	48,670,000 100% interest attributable to the Group: RMB48,670,000

Notes:

1. Pursuant to 2 State-owned Land Use Rights Grant Contracts dated 4 February 2010, the land use rights of the property were contracted to be granted to Taizhou Xinming Property Investment Limited (“Taizhou Investment”), an indirect wholly-owned subsidiary of the Company with the particulars as follows.

Site Area	:	49,711 sq.m.
Land Use	:	Storage
Land Term	:	50 years
Plot Ratio	:	Above 1.0 and lower than 1.3
Land Premium	:	RMB46,610,000

2. Pursuant to 2 Construction Land Planning Permit, permission towards the planning of 2 parcels of land with a total site area of approximately 49,711 sq.m. has been granted to Taizhou Investment.

3. Pursuant to 2 State-owned Land Use Rights Certificates — Jiao Guo Yong (2010) Di Nos. 003541 and 003542, the land use rights of 2 parcels of land with a total site area of approximately 49,711 sq.m., on which the property is situated, have been granted to Taizhou Investment a term expiring on 20 May 2060 for storage use.

4. Pursuant to a Construction Work Planning Permit — Jian Zi Di No. 331001201020022 issued by Housing and Urban and Rural Construction Planning Bureau of Taizhou City in favour of Taizhou Investment, the construction of the property has been permitted.

5. Pursuant to a Construction Work Commencement Permit issued by Construction and Planning Bureau of Taizhou City, Jiaojiang Sub-branch in favour of Taizhou Investment, the commencement of the construction works of the property has been permitted.

6. Pursuant to a Construction Work Completion and Inspection Certificate, the property has been approved to be complied with the urban and rural planning requirements.

7. Pursuant to 12 Building Ownership Certificates — Tai Fang Quan Zheng Jiao Zi Di Nos. 11012735 to 11012746, the property with a total gross floor area of approximately 20,861.83 sq.m. is owned by Taizhou Investment.

8. Pursuant to various Tenancy Agreements, the property was rented to various parties for various terms with the expiry dates between 30 May 2015 and 3 August 2017 at a total annual passing rent of RMB2,897,086 exclusive of management fees, water and electricity charges.

9. According to a Mortgage Contract dated 4 December 2014, the property is subject to mortgage in favour of Zhongrong International Trust Co., Ltd. (the "Mortgagee"), as security to guarantee the obligation for loan at the amount of RMB76,004,700.

10. In the course of valuation, reference has been made to rental evidence / asking rent of similar developments in the locality which are in the region of RMB0.46 to RMB0.52 per sq.m./per day. The assumed market yield is 7% which is in line with the market yield of this property sector in the region of 6.5% to 8.5%.

11. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

    a. The property was mortgaged; and

    b. Taizhou Investment is entitled to occupy, use, lease, transfer, re-mortgage or otherwise dispose of the property upon the consent from the mortgagee within the mortgage period.

12. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	Yes
b.	Construction Land Planning Permit	Yes
c.	Construction Work Planning Permit	Yes
d.	Construction Work Commencement Permit	Yes
e.	Pre-sales Permit	N/A
f.	Construction Work Completion and Inspection Certificate/Table	Yes
g.	Building Ownership Certificate	Yes

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2015
				RMB
17.	Wenshang Times Red Star Macalline Household Products Market No. 1990 Donghuan Road Jiaojiang District Taizhou City Zhejiang Province The PRC	The property comprises a parcel of land with a site area of approximately 11,000 sq.m. and a 6-storey (plus 1 level basement) commercial building erected thereon which was completed in 2014. The property is located at the southern side of Weisan Road, northern side of Planning land border, western side of Dahuan Line and eastern side of Jingsan Road in Jiaojiang District. This area is well-served by various facilities and public transportation along the main roads. The surrounding environment is a commercial area with retail stores and commercial buildings. The property has a total gross floor area of approximately 67,239.46 sq.m. The land use rights of the property have been granted for a term expiring on 16 June 2050 for commercial use.	The property was rented to various parties for commercial use as at the valuation date.	853,300,000 100% interest attributable to the Group: RMB853,300,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract dated 10 April 2010 entered into between and Land and Resources Bureau of Taizhou City Jiaojiang Branch and Taizhou Wenshang Times Property Limited ("Wenshang Times"), an indirect wholly-owned subsidiary of the Company, the land use rights of the property (together with the land use rights of property nos. 3 and 4) were contracted to be granted to Wenshang Times with the particulars as follows:

Site Area	:	74,390 sq.m.
Land Use	:	Residential/commercial
Land Term	:	70 years for residential use and 40 years for commercial use
Plot Ratio	:	Above 1.0 and lower than 1.8
Land Premium	:	RMB520,000,000

2. Pursuant to a Construction Land Planning Permit, permission towards the planning of a parcel of land with a site area of approximately 74,390 sq.m. (together with the land use rights of property no. 3 and 4) has been granted to Wenshang Times.

3. Pursuant to a State-owned Land Use Rights Certificate — Jiao Guo Yong (2014) Di No. 004205, the land use rights of the property with a site area of approximately 11,000 sq.m. has been granted to Wenshang Times for a term expiring on 16 June 2050 for commercial use.

4. Pursuant to a Construction Work Planning Permit — Jian Zi Di No. 331001201220004 issued by Housing and Urban and Rural Construction Planning Bureau of Taizhou City in favour of Wenshang Times, the construction works of the property with a total planned gross floor area of approximately 175,082.6 sq.m. (together with the construction of property nos. 3 and 4) have been approved.

5. Pursuant to a Construction Work Commencement Permit issued by Land and Resources Bureau of Taizhou City Jiaojiang Branch in favour of Wenshang Times, the commencement of the construction works of the property with a planned gross floor area of approximately 67,933.6 sq.m. has been permitted.

6. Pursuant to a Construction Work Completion and Inspection Certificate — No. 31800020140527101, Wenshang Times Red Star Macalline Household Products Market (including the property) has been approved to be complied with the urban and rural planning requirements.

7. Pursuant to a Building Ownership Certificate — Tai Fang Quan Zheng Jiao Zi Di No. 14011693, the property with a gross floor area of approximately 67,239.46 sq.m. is owned by Wenshang Times.

8. Pursuant to various Tenancy Agreements, portions of the property with a total lettable area of approximately 45,869.46 sq.m. were rented to various parties for various terms with the expiry date on 29 December 2016 at a total annual passing rent of RMB34,953,458 exclusive of management fees, water and electricity charges.

9. According to a Mortgage Contract, the property is subject to mortgage in favour of Zhongrong International Trust Co. Ltd. (the "Mortgagee"), as security to guarantee the obligation for loan at the amount of RMB500,000,000.

10. In the course of valuation, reference has been made to rental evidence/asking rent of similar retail developments in the locality which are in the region of RMB2.2 to RMB4.1 per sq.m./per day. The assumed market yield is 6% which is in line with the market yield of this property sector in the region of 5.5% to 6.5%.

11. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

    a. The property was mortgaged; and

    b. Wenshang Times is entitled to occupy, use, lease, transfer, re-mortgage or otherwise dispose of the property upon the consent from the Mortgagee and the Bank within the mortgage period.

12. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	Yes
b.	Construction Land Planning Permit	Yes
c.	Construction Work Planning Permit	Yes
d.	Construction Work Commencement Permit	Yes
e.	Pre-sales Permit	N/A
f.	Construction Work Completion and Inspection Certificate/Table	Yes
g.	Building Ownership Certificate	Yes

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 16 January 2014 under the Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "Memorandum") and the Amended and Restated Articles of Association (the "Articles").

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and since the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 8 June 2015 and effective on the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Share certificates*

Every person whose name is entered as a member in the register of members shall be entitled to receive a certificate for his shares. No shares shall be issued to bearer.

Every certificate for shares, warrants or debentures or representing any other form of securities of the Company shall be issued under the seal of the Company, and shall be signed autographically by one Director and the Secretary, or by 2 Directors, or by some other person(s) appointed by the Board for the purpose. As regards any certificates for shares or debentures or other securities of the Company, the Board may by resolution determine that such signatures or either of them shall be dispensed with or affixed by some method or system of mechanical signature other than autographic or may be printed thereon as specified in such resolution or that such certificates need not be signed by any person. Every share certificate issued shall specify the number and class of shares in respect of which it is issued and the amount paid thereon and may otherwise be in such form as the Board may from time to time prescribe. A share certificate shall relate to only one class of shares, and where the capital of the Company includes shares with different voting rights, the designation of each class of shares, other than those which carry the general right to vote at general meetings, must include the words "restricted voting" or "limited voting" or "non-voting" or some other appropriate designation which is commensurate with the rights attaching to the relevant class of shares. The Company shall not be bound to register more than 4 persons as joint holders of any share.

(b) Directors

(i) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that upon the happening of a specified event or upon a given date and either at the option of the Company or the holder thereof, they are liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate thereof shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate thereof has been destroyed and the Company has received an indemnity in such form as the Board shall think fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) *Power to dispose of the assets of the Company or any subsidiary*

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iii) *Compensation or payments for loss of office*

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(iv) *Loans and provision of security for loans to Directors*

There are provisions in the Articles prohibiting the making of loans to Directors and their close associates which are equivalent to provisions of Hong Kong law prevailing at the time of adoption of the Articles.

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or if any one or more of the Directors hold (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(v) *Disclosure of interest in contracts with the Company or with any of its subsidiaries*

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and, upon such terms as the Board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any Share by reason that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to the Company.

A Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or other proposal in which he or his close associate(s) is/are materially interested, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters namely:

(aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including (i) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to Directors, his close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; or

(ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(vi) *Remuneration*

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree or failing agreement, equally, except that in such event any Director holding office for only a portion of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he has held office. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with other companies (being subsidiaries of the Company or with which the Company is associated in business), or may make contributions out of the Company's monies to, such schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

In addition, the Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) *Appointment, retirement and removal*

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being will retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors who shall retire in each year will be those who have been longest in the office since their last re-election or appointment but as between persons who become or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The period for lodgment of such notices will commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than 7 days prior to the date of such meeting and the minimum length of the period during which such notices to the Company may be given must be at least 7 days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to the Board or retirement therefrom.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to retirement by rotation provisions in the articles of association. The number of Directors shall not be less than two.

In addition to the foregoing, the office of a Director shall be vacated:

(aa) if he resigns his office by notice in writing delivered to the Company at the registered office or head office of the Company for the time being or tendered at a meeting of the Board;

(bb) if he dies or becomes of unsound mind as determined pursuant to an order made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;

(cc) if, without special leave, he is absent from meetings of the Board for six (6) consecutive months, and the Board resolves that his office is vacated;

(dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(ee) if he is prohibited from being a director by law;

(ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles;

(gg) if he has been validly required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director and the relevant time period for application for review of or appeal against such requirement has lapsed and no application for review or appeal has been filed or is underway against such requirement; or

(hh) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director or Directors and other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(viii) *Borrowing powers*

Pursuant to the Articles, the Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The provisions summarized above, in common with the Articles of Association in general, may be varied with the sanction of a special resolution of the Company.

(ix) *Register of Directors and officers*

Pursuant to the Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

(x) *Proceedings of the Board*

Subject to the Articles, the Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed by the Company by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings shall *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Alteration of capital

The Company may, by an ordinary resolution of its members, (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; and (e) cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorized and subject to any conditions prescribed by law.

Reduction of share capital — subject to the Companies Law and to confirmation by the court, a company limited by shares may, if so authorised by its Articles of Association, by special resolution, reduce its share capital in any way.

(f) Special resolution - majority required

In accordance with the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 14 clear days' notice has been given and held in accordance with the Articles. A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(g) Voting rights (generally and on a poll) and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purpose as paid up on the share, and on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by:

(i) at least two members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or

(ii) any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(iii) a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s), be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s), as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(h) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(i) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the assets and liabilities of the Company and of all other matters required by the Companies Law necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account or book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who has, in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles), consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles), and must be sent to the shareholders not less than 21 days before the general meeting to those shareholders that have consented and elected to receive the summarized financial statements.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(j) Notices of meetings and business to be conducted thereat

An annual general meeting of the Company must be called by at least 21 days' notice in writing, and a general meeting of the Company, other than an annual general meeting, shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting, and particulars of the resolution(s) to be considered at that meeting, and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member either personally or by sending it through the post in a prepaid envelope or wrapper addressed to such member at his registered address as appearing in the Company's register of members or by leaving it at such registered address as aforesaid or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which for the purpose of service of notice shall be deemed to be his registered address. Where the registered address of the member is outside Hong Kong, notice, if given through the post, shall be sent by prepaid airmail letter where available. Subject to the Companies Law and the Listing Rules, a notice or document may be served or delivered by the Company to any member by electronic means to such address as may from time to time be authorised by the member concerned or by publishing it on a website and notifying the member concerned that it has been so published.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

(i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% of the total voting rights at the meeting of all members of the Company.

All business transacted at an extraordinary general meeting shall be deemed special business and all business shall also be deemed special business where it is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of Directors in place of those retiring;

(dd) the appointment of auditors;

(ee) the fixing of the remuneration of the Directors and of the auditors;

(ff) the granting of any mandate or authority to the Board to offer, allot, grant options over, or otherwise dispose of the unissued shares of the Company representing not more than 20% in nominal value of its existing issued share capital (or such other percentage as may from time to time be specified in the rules of the Stock Exchange) and the number of any securities repurchased by the Company since the granting of such mandate; and

(gg) the granting of any mandate or authority to the Board to repurchase securities in the Company.

(k) Transfer of shares

Subject to the Companies Law, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve provided always that it shall be in such form prescribed by the Stock Exchange and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers in any case in which it in its discretion thinks fit to do so, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share option scheme upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The Board may decline to recognize any instrument of transfer unless a fee of such maximum sum as the Stock Exchange may determine to be payable or such lesser sum as the Board may from time to time require is paid to the Company in respect thereof, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules (as defined in the Articles), be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction with respect to the right of the holder thereof to transfer such shares (except when permitted by the Stock Exchange) and shall also be free from all liens.

(l) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price, and if purchases are by tender, tenders shall be available to all members alike.

(m) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(n) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

(i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share; and

(ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared on the share capital of the Company, the Board may resolve:

(aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, but in the case of joint holders, shall be addressed to the holder whose name stands first in the register of members of the Company in respect of the shares at his address as appearing in the register, or addressed to such person and at such address as the holder or joint holders may in writing so direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20 % per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend subsequently declared or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(o) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for use by him for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(p) Calls on shares and forfeiture of shares

The Board may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and it shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(q) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. However, the members of the Company will have such rights as may be set forth in the Articles. The Articles provide that for so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of member is closed) without charge and require the provision to him of copies or extracts thereof in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or outside the Cayman Islands, as its directors may, from time to time, think fit.

(r) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(s) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(t) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, on the shares held by them respectively.

In the event that the Company is wound up (whether the liquidation is voluntary or compelled by the court) the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator shall think fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(u) Untraceable members

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

In accordance with the Articles, the Company is entitled to sell any of the shares of a member who is untraceable if:

(i) all cheques or warrants, being not less than three in total number, for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years;

(ii) upon the expiry of the 12 years and 3 months period (being the 3 months' notice period referred to in sub-paragraph (iii)), the Company has not during that time received any indication of the existence of the member; and

(iii) the Company has caused an advertisement to be published in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles) giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the stock exchange of the Relevant Territory (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(v) Subscription rights reserve

Pursuant to the Articles, provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 16 January 2014 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

As an exempted company, the Company must conduct its operations mainly outside the Cayman Islands. Moreover, the Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

(b) Share capital

In accordance with the Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

(i) paying distributions or dividends to members;

(ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(iii) any manner provided in section 37 of the Companies Law;

(iv) writing-off the preliminary expenses of the company; and

(v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, the Companies Law provides that no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

It is further provided by the Companies Law that, subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorized to do so by its articles of association, by special resolution reduce its share capital in any way.

The Articles include certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company when proposing to grant such financial assistance discharge their duties of care and acting in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. Nonetheless, if the articles of association do not authorize the manner and terms of purchase, a company cannot purchase any of its own shares without the manner and terms of purchase first being authorized by an ordinary resolution of the company. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Under Section 37A(1) the Companies Law, shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if (a) the memorandum and articles of association of the company do not prohibit it from holding treasury shares; (b) the relevant provisions of the memorandum and articles of association (if any) are complied with; and (c) the company is authorised in accordance with the company's articles of association or by a resolution of the directors to hold such shares in the name of the company as treasury shares prior to the purchase, redemption or surrender of such shares. Shares held by a company pursuant to section 37A(1) of the Companies Law shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of sections 34 and 37A(7) of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see sub-paragraph 2(n) of this Appendix for further details). Section 37A(7)(c) of the Companies Law provides that for so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions thereto) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge:

(i) an act which is *ultra vires* the company or illegal;

(ii) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company; and

(iii) an irregularity in the passing of a resolution the passage of which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members thereof holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report thereon.

Moreover, any member of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions in the Companies Law on the power of directors to dispose of assets of a company, although it specifically requires that every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interest of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

Section 59 of the Companies Law provides that a company shall cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters with respect to which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Section 59 of the Companies Law further states that proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If the Company keeps its books of account at any place other than at its registered office or at any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

(i) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

(ii) in addition, that no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

(aa) on or in respect of the shares, debentures or other obligations of the Company; or

(bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of twenty years from 11 February 2014.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

The Companies Law contains no express provision prohibiting the making of loans by a company to any of its directors. However, the Articles provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of the company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. The Companies Law contains no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

(o) Winding up

A Cayman Islands company may be wound up either by (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company occurs where the Company so resolves by special resolution that it be wound up voluntarily, or, where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due; or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or where the event occurs on the occurrence of which the memorandum or articles provides that the company is to be wound up. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators shall be appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order shall take effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, there may be appointed one or more persons to be called an official liquidator or official liquidators; and the court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one persons are appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(p) Reconstructions

Reconstructions and amalgamations are governed by specific statutory provisions under the Companies Law whereby such arrangements may be approved by a majority in number representing 75% in value of members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member would have the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, nonetheless the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(q) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(r) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

INFORMATION ABOUT THE COMPANY

1. Incorporation of the Company

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 16 January 2014.

We have been registered in Hong Kong under Part 16 of the Hong Kong Companies Ordinance as a non-Hong Kong company and our principal place of business in Hong Kong is at 22nd Floor, World-Wide House, Central, Hong Kong. In compliance with the requirements of the Hong Kong Companies Ordinance, Mr. Chen has been appointed as our agent for the acceptance of service of process and any notice required to be served on the Company in Hong Kong.

The Company was incorporated in the Cayman Islands and is subject to Cayman Islands law. Its constitution comprises a memorandum of association and articles of association. A summary of certain relevant parts of its constitution and certain relevant aspects of Companies Law is set out in Appendix IV to this prospectus.

2. Changes in share capital of the Company

(a) *Authorised share capital*

(i) As at the date of incorporation of the Company on 16 January 2014, our authorised share capital was HK$100,000,000 divided into 10,000,000,000 Shares having a par value of HK$0.01 each.

(ii) Immediately following completion of the Global Offering and the Capitalisation Issue but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme and upon the exercise of the Over-allotment Option, the authorised share capital of the Company will be HK$100,000,000 divided into 10,000,000,000 Shares, of which 1,880,000,000 Shares will be issued fully paid or credited as fully paid, and 8,120,000,000 Shares will remain unissued.

Other than pursuant to the exercise of the Over-allotment Option and the exercise of any options which may be granted under the Share Option Scheme, there is no present intention to issue any of the authorised but unissued share capital of the Company and, without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

Save as disclosed herein and in paragraphs headed “Resolutions in writing of the sole Shareholder passed on 8 June 2015” and “Group reorganisation” of this appendix, there has been no alteration in the share capital of the Company since its incorporation.

(b) *Founder shares*

The Company has no founder shares, management shares or deferred shares.

3. Resolutions in writing of the sole Shareholder passed on 8 June 2015

Written resolutions were passed by the sole Shareholder on 8 June 2015 pursuant to which, among other matters:

(a) the Company approved and adopted the Articles of Association with effect from the Listing Date;

(b) conditional on (aa) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus; (bb) the Offer Price having been determined; (cc) the execution and delivery of the Underwriting Agreements on or before the date as mentioned in this prospectus; and (dd) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the day falling 30 days after the date of this prospectus:

(i) the Global Offering and the Over-allotment Option were approved and the Directors were authorised to allot and issue of the Offer Shares pursuant to the Global Offering and such number of Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option;

(ii) the rules of the Share Option Scheme, the principal terms of which are set out in paragraph 13 of this appendix, were approved and adopted and the Directors were authorised to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at the Directors' absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to implement the Share Option Scheme;

(iii) conditional on the share premium account of the Company being credited as a result of the Global Offering, the Directors were authorised to capitalise HK$14,099,999.01 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 1,409,999,901 Shares for allotment and issue to holders of Shares whose names appear on the register of members of the Company at the close of business on 8 June 2015 (or as they may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a share shall be allotted and issued) to their then existing holdings in the Company and so that the Shares to be allotted and issued pursuant to this resolution should rank *pari passu* in all respects with the then existing issued Shares and the Directors were authorised to give effect to such capitalisation;

(iv) a general unconditional mandate was given to the Directors to exercise all powers of the Company to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any dividend in accordance with the Articles of Association, or pursuant to the exercise of any options which may be granted under the Share Option Scheme, or under the Global Offering or the Capitalisation Issue or upon the exercise of the Over-allotment Option, Shares with an aggregate nominal amount of not exceeding the sum of (aa) 20% of the aggregate nominal amount of the share capital of the Company in issue immediately following completion of the Global Offering and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option, and (bb) the aggregate nominal amount of the share capital of the Company which may be purchased by the Company pursuant to the authority granted to the Directors as referred to in sub-paragraph (v) below, until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by the Articles of Association, the Companies Law or any other applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors, whichever occurs first;

(v) a general unconditional mandate (the "**Repurchase Mandate**") was given to the Directors to exercise all powers of the Company to purchase Shares on the Stock Exchange or other stock exchange on which the securities of the Company may be listed and recognised by the SFC and the Stock Exchange for this purpose, with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of the share capital of the Company in issue immediately following the completion of the Global Offering and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by the Articles of Association or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors, whichever occurs first; and

(vi) the extension of the general mandate to allot, issue and deal with Shares pursuant to paragraph (iv) above to include the nominal amount of Shares which may be purchased or repurchased pursuant to paragraph (v) above.

(c) the Company approved the form and substance of each of the service agreements made between our executive Directors and us, and the form and substance of each of the appointment letters made between each of our non-executive Directors and independent non-executive Directors with us.

4. Group reorganisation

The companies comprising the Group underwent a reorganisation to rationalise the Group's structure in preparation for the listing of the Shares on the Stock Exchange. For more details regarding the Reorganisation, please refer to section headed "History, Reorganisation and Corporate Structure" in this prospectus.

5. Changes in share capital of subsidiaries

The subsidiaries of the Company are listed in the accountants' report set out in Appendix I to this prospectus.

Save as disclosed herein and in paragraph 4 of this appendix and the section headed "History, Reorganisation and Corporate Structure" to this prospectus, the following alterations in the share capital of each of the Company's subsidiaries took place within the two years immediately preceding the date of this prospectus:

Chongqing Xinming

Pursuant to two equity transfer agreements dated 18 November 2013, 浙江中度實業有限公司 (Zhejiang Zhongdu Enterprise Company Limited*) transferred the 5% and 5% equity interests in Chongqing Xinming to 東莞市歐海實業有限公司 (Dongguan City Ouhai Shiye Company Limited*) and 東莞市森欣服飾有限公司 (Dongguan City Senxin Apparel Company Limited*) for a consideration of RMB2,500,000 and RMB2,500,000, respectively.

Shandong Xingmeng

Pursuant to three equity transfer agreements dated 16 October 2013, two Independent Third Parties (save for being shareholders of Shandong Xingmeng) and Gao Liku (高立庫) transferred 40%, 8% and 7% equity interests in Shandong Xingmeng to XG Limited for a consideration of RMB20,000,000, RMB4,000,000 and RMB3,500,000, respectively.

6. Securities repurchase mandate

Restriction on Share Repurchase

The Listing Rules permits companies whose primary listing is on the Main Board of the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by the Company of its own securities.

(a) *Shareholders' approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholder, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution in writing passed by the sole Shareholder on 8 June 2015, the Repurchase Mandate was given to the Directors authorising any repurchase by the Company of Shares on the Stock Exchange or any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC of Hong Kong and the Stock Exchange for this purpose, of up to 10% of the aggregate nominal amount of the share capital of the Company in issue immediately following completion of the Global Offering and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option, the Share Option Scheme, such mandate to expire at the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by the Articles of Association or applicable Cayman Islands law to be held, or the passing of an ordinary resolution by Shareholders in general meeting revoking or varying the authority given to the Directors, whichever occurs first.

(b) *Source of funds*

Repurchases must be paid out of funds legally available for the purpose in accordance with the Articles of Association and the Companies Law. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Under the Cayman Islands laws, any repurchases by the Company may be made out of profits of the Company or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if so authorised by the Articles of Association and subject to the provisions of the Companies Law, out of capital.

Any premium payable on a redemption or purchase over the par value of the Shares to be purchased must be provided for out of the profits of the Company or from sums standing to the credit of the share premium account of the Company or, if authorised by the Articles of Association and subject to the provisions of the Companies Law, out of capital.

(c) *Reasons for repurchases*

The Directors believe that it is in the best interest of the Company and the Shareholders for the Directors to have general authority from the Shareholders to enable the Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if the Directors believe that such repurchases will benefit the Company and the Shareholders.

(d) *Funding of repurchases*

In repurchasing securities, the Company may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

On the basis of the current financial position of the Group as disclosed in this prospectus and taking into account the current working capital position of the Group, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of the Group as compared with the position disclosed in this prospectus. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Group or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Group.

The exercise in full of the Repurchase Mandate, on the basis of 1,880,000,000 Shares in issue immediately after the Listing, would result in up to 188,000,000 Shares being repurchased by the Company during the period in which the Repurchase Mandate remains in force.

(e) *General*

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to the Company or our subsidiaries.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Articles of Association and the applicable laws of the Cayman Islands.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of the Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. As a result, a Shareholder, a group of Shareholders acting in concert (within the meaning under the Takeover Code), depending on the level of increase of such Shareholders' interest, could obtain or consolidate control of the Company and may become obliged under Rule 26 of the Takeovers Code to make a mandatory offer unless a whitewash waiver is obtained. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

The Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No core connected person (as defined in the Listing Rules) of the Company has notified the Company that he/she/it has a present intention to sell Shares to the Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

FURTHER INFORMATION ABOUT THE BUSINESS OF THE COMPANY

7. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this prospectus and are or may be material:

(a) the equity transfer agreement (股權轉讓協議) dated 28 April 2014 and entered into between XG Limited and Xinming Group in relation to the transfer of 100% equity interest in Wenshang Times from XG Limited to Xinming Group at the consideration of RMB50,000,000;

(b) the equity transfer agreement (股權轉讓協議) dated 4 May 2014 and entered into between XG Limited and Xinming Group and the supplemental equity transfer agreement (股權轉讓協議之補充協議) dated 5 May 2014 and entered into between XG Limited and Xinming Group in relation to the transfer of 100% equity interest in Taizhou Investment from XG Limited to Xinming Group at the consideration of RMB230,062,710.25;

(c) the equity transfer agreement (股權轉讓協議) dated 5 May 2014 and entered into between XG Limited and Xinming Group in relation to the transfer of 100% equity interest in Taizhou Xinming from XG Limited to Xinming Group at the consideration of RMB71,800,000;

(d) the equity transfer agreement (股權轉讓協議) dated 5 May 2014 and entered into between XG Limited and Xinming Group in relation to the transfer of 79% equity interest in Shanghai Xinming from XG Limited to Xinming Group at the consideration of RMB39,500,000;

(e) the equity transfer agreement (股權轉讓協議) dated 14 May 2014 and entered into between XG Limited and Xinming Group in relation to the transfer of 100% equity interest in Xinming Property from XG Limited to Xinming Group at the consideration of RMB5,000,000;

(f) the equity transfer agreement (股權轉讓協議) dated 16 May 2014 and entered into between XG Limited and Xinming Group in relation to the transfer of 55% equity interest in Shandong Xingmeng from XG Limited to Xinming Group at the consideration of RMB27,500,000;

(g) the equity transfer agreement (股權轉讓協議) dated 1 August 2014 and entered into between XG Limited and Hangzhou Times in relation to the transfer of 100% equity interest in Xinming Group from XG Limited to Hangzhou Times at the consideration of RMB180,000,000;

(h) the Deed of Non-Competition;

(i) the Deed of Indemnity;

(j) a cornerstone investment agreement dated 19 June 2015 and entered into among the Company, 上海益浩金融服務有限公司 (Shanghai Yihao Financial Services Company Limited) and China Everbright Securities (HK) Limited, pursuant to which 上海益浩金融服務有限公司 (Shanghai Yihao Financial Services Company Limited) agreed to subscribe for the Shares in the amount of RMB 100,000,000;

(k) a cornerstone investment agreement dated 19 June 2015 and entered into among the Company, 上海慧瞳智能科技有限公司 (Shanghai Huitong Zhineng Technological Company Limited) and China Everbright Securities (HK) Limited, pursuant to which 上海慧瞳智能科技有限公司 (Shanghai Huitong Zhineng Technological Company Limited) agreed to subscribe for the Shares in the amount of RMB 100,000,000; and

(l) the Hong Kong Underwriting Agreement.

8. Intellectual property rights of the Group

Set out below are the material intellectual property rights of the Group:

(a) *Trademarks*

As at the Latest Practicable Date, the Group has applied for registration of the following material trademarks:

No.	Trademark	Place of Application	Class	Application number	Date of Application
1.		PRC	19	14671549	6 May 2014
2.		PRC	35	14671542	6 May 2014
3.		PRC	36	14672326	6 May 2014
4.		PRC	25	15193117	20 August 2014
5.		PRC	35	15193204	20 August 2014
6.		PRC	36	15193269	20 August 2014
7.		PRC	43	15193165	20 August 2014

As of the Latest Practicable Date, the Group has been granted licenses with respect to the following material trademarks:

No.	Trademark	Place of Registration	Class(es)	Registration number	Registration Date	Expiry Date
1.	新明半岛	PRC	44	5800384	28 January 2010	27 January 2020
2.	新明半岛	PRC	42	5800385	21 May 2010	20 May 2020
3.	新明半岛	PRC	37	5800386	28 January 2010	27 January 2020
4.	新明半岛	PRC	36	5800387	28 January 2010	27 January 2020
5.	新明半岛	PRC	35	5800388	21 May 2010	20 May 2020

As at the Latest Practicable Date, the Group was the registered proprietor and beneficial owner of the following material trademarks:

No.	Trademark	Place of Registration	Class(es)	Registration number	Registration Date	Expiry Date
1.	兴盟 XINGMENG	PRC	36	10407221	21 March 2013	20 March 2023
2.	兴盟 XINGMENG	PRC	37	10407597	21 March 2013	20 March 2023
3.	兴盟 XINGMENG	PRC	42	10407680	21 March 2013	20 March 2023
4.		PRC	42	10407728	21 March 2013	20 March 2023
5.		PRC	37	10407310	21 September 2013	20 September 2023

No.	Trademark	Place of Registration	Class(es)	Registration number	Registration Date	Expiry Date
6.	A. B. C. D.	Hong Kong	19, 35, 36, 37 & 42	302881909	28 January 2014	27 January 2024

(b) *Domain Names*

As at the Latest Practicable Date, the Group had the following material registered domain name:

Domain Name	Name of Registrant	Date of registration	Date of expiry
www.xinm.com.cn	Xinming Group	7 April 2011	7 April 2016

(c) *Copyright*

As at the Latest Practicable Date, the Group had registered the following material copyright:

No.	Copyright	Place of Registration	Registration Number	Registration Date
1.		PRC	浙作登字11-2014-F-5529	16 May 2014

9. Connected transactions and related party transactions

Save as disclosed in the sections headed "Business", "Connected Transactions" and "Relationship with Controlling Shareholders" and in note 33 to the accountants' report, the text of which is set out in Appendix I to this prospectus, during the two years immediately preceding the date of this prospectus, the Company has not engaged in any other material connected transactions or related party transactions.

FURTHER INFORMATION ABOUT DIRECTORS AND SHAREHOLDERS

10. Directors

(a) *Disclosure of interests of the Directors*

(i) Each of Mr. Chen and Ms. Gao is interested in the Reorganisation and the transactions as contemplated under the material contracts as set out in the paragraph 7 of this appendix.

(ii) Save as disclosed in this prospectus, none of the Directors or their associates were engaged in any dealings with the Group during the two years preceding the date of this prospectus.

(b) *Particulars of Directors' service contracts*

Executive Directors

Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing from the Listing Date until terminated by not less than three months' notice in writing served by either party on the other. Each of the executive Directors is entitled to their respective basic salaries set out below.

The current basic annual remuneration payable by our Group to the executive Directors are as follows:

Name	Approximate annual remuneration
Mr. Chen	RMB983,000
Ms. Quan Xiaolin	RMB242,000
Mr. Zhou Yongkui	RMB290,000
Mr. Jin Zhanghai	RMB322,000

Non-executive Director

The non-executive Director has entered into a service agreement with the Company for a term of three years commencing from the Listing Date until terminated by not less than three months' notice in writing served by either party on the other. The non-executive Director is entitled to an annual remuneration set out below.

The current basic annual remuneration payable by our Group to the non-executive Director is as follows:

Name	Approximate annual remuneration
Ms. Gao	RMB180,000

Independent non-executive Directors

Each of the independent non-executive Directors has been appointed for an initial term of three years commencing from the Listing Date until terminated by either party giving not less than three months' written notice to the other expiring at the end of the initial term of their appointment or any time thereafter. The appointments are subject to the provisions of the Articles of Association with regard to vacation of office of Directors, removal and retirement by rotation of Directors. Each of the independent non-executive Directors is entitled to a director's fee as set out below. Save for directors' fees, none of the independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

The current basic annual remuneration payable by our Group to the independent non-executive Directors are as follows:

Name	**Approximate annual remuneration**
Mr. Gu Jiong	HK$200,000
Mr. Lo Wa Kei, Roy	HK$200,000
Mr. Fong Wo, Felix	HK$250,000

Save as aforesaid, none of the Directors has or is proposed to have a service contract with the Company or any of our subsidiaries other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

(c) *Directors remuneration*

(i) The aggregate emoluments paid and benefits in kind granted by the Group to the Directors in respect of the three years ended 31 December 2012, 2013 and 2014 were nil, nil and RMB1,496,000, respectively.

(ii) Under the arrangements currently in force, the aggregate emoluments (excluding discretionary bonus) payable by the Group to and benefits in kind receivable by the Directors (including the independent non-executive Directors in their respective capacity as Directors) for the year ending 31 December 2015 are expected to be approximately RMB2,268,000.

(iii) None of the Directors or any past directors of any member of the Group has been paid any sum of money for the three years ended 31 December 2012, 2013 and 2014 (i) as an inducement to join or upon joining the Group or (ii) for loss of office as a director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group.

(iv) There has been no arrangement under which a Director has waived or agreed to any emoluments for the three years ended 31 December 2012, 2013 and 2014.

(d) *Interests and short positions of Directors and chief executive in the shares, underlying shares or debentures of the Company and our associated corporations.*

Immediately following completion of the Capitalisation Issue and Global Offering and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme, the interests and short positions of the Directors and chief executive in the shares, underlying shares or debentures of the Company and our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, once the Shares are listed, will be as follows:

The Company

Name of Director	Nature of interest	Number and class of securities(1)	Approximate percentage of shareholding
Mr. Chen	Interest in a controlled corporation(2)	1,410,000,000 Shares (L)	75%
Ms. Gao	Interest of spouse(3)	1,410,000,000 Shares (L)	75%

Notes:

(1) The letter "L" denotes the Directors' long position in the Shares.

(2) The Company will be held as to approximately 75% by Xinxing Company immediately following the completion of the Capitalisation Issue and Global Offering (without taking into account any Shares which may be allotted and issued upon exercise of the Over-allotment Option and the options which have been or may be granted under the Share Option Scheme). Xinxing Company is held as to 100% by Mr. Chen.

(3) 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.

Associated corporation — Xinxing Company

Name of Director	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(1)	100%
Ms. Gao	Interest of spouse	1 share(2)	100%

Notes:

(1) The disclosed interest represents the interests in the associated corporation, Xinxing Company, 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 held by Mr. Chen.

11. Interest discloseable under the SFO and substantial shareholders

So far as is known to the Directors, immediately following completion of the Capitalisation Issue and Global Offering (without taking account of any Shares which may be taken up or acquired under the Global Offering and any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme), the following persons (other than the Directors and chief executive) will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of members of our Group:

A. *Interest in Company*

Name of Shareholder	Capacity / Nature of interest	Number and class of securities(1)	Approximate percentage of interest in the Company
Xinxing Company(2)	Beneficial owner	1,410,000,000 Shares (L)	75%

Notes:

(1) The letter "L" denotes the person's long position in the shares of the Company or the relevant Group member.

(2) Xinxing Company is directly interested in approximately 75% in our Company (without taking into account any Shares which may be allotted and issued upon any exercise of the Over-allotment Option and the options which have been or may be granted under the Share Option Scheme).

(3) For details of the interests of the cornerstone investors in the Company, please refer to the section headed "Cornerstone Investors" in this prospectus.

B. *Interest in other members of the Group*

Name of shareholder	Name of subsidiary / member of the Group	Registered capital	Approximate percentage of interest in other members of the Group
東莞市歐海實業有限公司 (Dongguan City Ouhai Shiye Company Limited*)	Chongqing Xinming	RMB50,000,000	20%
沈明 (Shen Ming*)	Chongqing Xinming	RMB25,000,000	10%
上海嘉碩裝潢廣告有限公司 (Shanghai Jiashuo Zhuanghuang Advertisement Company Limited*)	Shanghai Xinming	RMB10,500,000	21%
杭州高巛控股有限公司 (Hangzhou Gaochuan Holding Company Limited*)	Shandong Xingmeng	RMB22,500,000	45%

12. Disclaimers

Save as disclosed in this prospectus:

(a) and taking no account of any Shares which may be taken up or acquired under the Global Offering or upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, the Directors are not aware of any person (not being a Director or chief executive of the Company) who immediately following the completion of the Capitalisation Issue and Global Offering will have an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will, either directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group;

(b) none of the Directors has any interest or short position in any of the shares, underlying shares or debentures of the Company or any associated corporations within the meaning of Part XV of the SFO, which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any of them is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, in each case once the Shares are listed;

(c) none of the Directors nor any of the parties listed in the paragraph 20 below has been interested in the promotion of, or has any direct or indirect interest in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to the Company or any of the subsidiaries of the Company, or are proposed to be acquired or disposed of by or leased to the Company or any other member of the Group nor will any Director apply for the Offer Shares either in his own name or in the name of a nominee;

(d) none of the Directors nor any of the parties listed in the paragraph 20 below is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to business of the Group; and

(e) save in connection with the Underwriting Agreements, none of the parties listed in the paragraph 20 below:

(i) is interested legally or beneficially in any securities of any member of the Group; or

(ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

OTHER INFORMATION

13. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the written resolutions of the sole Shareholder passed on 8 June 2015. The terms of the Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules.

(a) *Purpose*

The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions the Eligible Participants (as defined in paragraph (b) below) have had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

(i) motivating the Eligible Participants to optimise their performance efficiency for the benefit of the Group; and

(ii) attracting and retaining or otherwise maintaining on-going business relationships with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

(b) *Who may join*

The Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (f) below to the following persons ("**Eligible Participants**"):

(i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;

(ii) any Directors (including non-executive Directors and independent non-executive Directors) of the Company or any of its subsidiaries;

(iii) any advisers, consultants, suppliers, customers and agents to the Company or any of its subsidiaries; and

(iv) such other persons who, in the sole opinion of the Board, will contribute or have contributed to the Group, the assessment criteria of which are:

(aa) contribution to the development and performance of the Group;

(bb) quality of work performed for the Group;

(cc) initiative and commitment in performing his/her duties; and

(dd) length of service or contribution to the Group.

(c) *Acceptance of an offer of options*

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptance of the options duly signed by the grantee, together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof, is received by the Company on or before the relevant acceptance date. Such payment shall in no circumstances be refundable. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

Subject to paragraphs (l), (m), (n), (o) and (p), an option shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one board lot for dealing in Shares on the Stock Exchange for the time being, by the grantee by giving notice in writing to the Company stating that the option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the exercise price for the Shares in respect of which the notice is given.

Within 21 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate by the auditors to the Company or the approved independent financial adviser as the case may be pursuant to paragraph (r), the Company shall allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the grantee certificates in respect of the Shares so allotted.

The exercise of any option shall be subject to the Shareholders in general meeting approving any necessary increase in the authorised share capital of the Company.

(d) *Maximum number of Shares*

The maximum number of Shares in respect of which options may be granted (including Shares in respect of which options, whether exercised or still outstanding, have already been granted) under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue on the Listing Date, being 188,000,000 Shares (the "**Scheme Limit**"), excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of the Company). Subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

(i) renew this limit at any time to 10% of the Shares in issue (the "**New Scheme Limit**") as at the date of the approval by the Shareholders in general meeting; and/or

(ii) grant options beyond the Scheme Limit to Eligible Participants specifically identified by the Board. The circular issued by the Company to the Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the Shares in issue from time to time (the "**Maximum Limit**"). No options shall be granted under any schemes of the Company (including the Share Option Scheme) if this will result in the Maximum Limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of the Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of the Company in accordance with paragraph (r) below whether by way of capitalisation issue, rights issue, consolidation, sub-division of shares or reduction of the share capital of the Company but in no event shall exceed the limit prescribed in this paragraph.

(e) *Maximum number of options to any one individual*

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised, outstanding options and Shares which were the subject of options which have been granted and accepted under the Share Option Scheme or any other scheme of the Company but subsequently cancelled (the "**Cancelled Shares**") to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

(i) the issue of a circular by the Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and

(ii) the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his/her associates (as defined in the Listing Rules) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before the Shareholders' approval and the date of the Board meeting at which the Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of the Shares. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine or, alternatively, documents accompanying the offer document which state, among other things:

(aa) the Eligible Participant's name, address and occupation;

(bb) the date on which an option is offered to an Eligible Participant which must be a date on which the Stock Exchange is open for the business of dealing in securities;

(cc) the date upon which an offer for an option must be accepted;

(dd) the date upon which an option is deemed to be granted and accepted in accordance with paragraph (c);

(ee) the number of Shares in respect of which the option is offered;

(ff) the subscription price and the manner of payment of such price for the Shares on and in consequence of the exercise of the option;

(gg) the date of the notice given by the grantee in respect of the exercise of the option; and

(hh) the method of acceptance of the option which shall, unless the Board otherwise determines, be as set out in paragraph (c).

(f) *Price of Shares*

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

(ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a Share.

(g) *Granting options to connected persons*

Any grant of options to a Director, chief executive or Substantial Shareholder (as defined in the Listing Rules) of the Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options). If the Board proposes to grant options to a substantial shareholder or any independent non-executive Director or their respective associates (as defined in the Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% of the Shares in issue; and

(ii) having an aggregate value in excess of HK$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange at the date of each grant, such further grant of options will be subject to the approval of the independent non-executive Directors as referred to in this paragraph, the issue of a circular by the Company and the approval of the Shareholders in general meeting on a poll at which all core connected persons (as defined in the Listing Rules) of the Company shall abstain from voting in favour, and/or such other requirements prescribed under the Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by the Company to the Shareholders pursuant to the above paragraph shall contain the following information:

(i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant, which must be fixed before the Shareholders' meeting and the date of the Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;

(ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent Shareholders as to voting;

(iii) the information required under Rule 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and

(iv) the information required under Rule 2.17 of the Listing Rules.

(h) *Restrictions on the times of grant of Options*

A grant of options may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced pursuant to the requirements of the Listing Rules. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

(i) the date of the Board meeting (such date to first be notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and

(ii) the deadline for the Company to publish an announcement of the results for any year, or half-year, or quarterly or other interim period (whether or not required under the Listing Rules); and ending on the date of actual publication of the results announcement.

(i) *Rights are personal to grantee*

An option is personal to the grantee. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt so to do (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle the Company to cancel any outstanding options or any part thereof granted to such grantee.

(j) *Time of exercise of option and duration of the Share Option Scheme*

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of ten years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than ten years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme by the Shareholders of the Company (the "**Adoption Date**"). Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the Adoption Date.

(k) *Performance target*

A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

(l) *Rights on ceasing employment/death*

If the grantee of an option ceases to be an Eligible Participant:

(i) by any reason other than death, ill-health, injury, disability or termination of his/her relationship with the Company and/or any of its subsidiaries on one or more of the grounds specified in paragraph (m) below, the grantee may exercise the option up to the entitlement of the grantee as at the date of cessation (to the extent not already exercised) within a period of one month (or such longer period as the Board may determine) from such cessation which date shall be the last actual working day with the Company or the relevant subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse (or such longer period as the Company may determine); or

(ii) by reason of death, ill-health, injury or disability (all evidenced to the satisfaction of the Board) and none of the events which would be a ground for termination of his relationship with the Company and/or any of its subsidiaries under paragraph (m) has occurred, the grantee or his personal representative(s) may exercise the option within a period of 12 months (or such longer period as the Board may determine) from the date of cessation of being an Eligible Participant or death to exercise the Options in full (to the extent not already exercised).

(m) *Rights on dismissal*

If the grantee of an option ceases to be an Eligible Participant on the grounds that he has been guilty of serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his/her creditors generally, or has been convicted of any criminal offence involving his/her integrity or honesty, his/her option will lapse and not be exercisable after the date of termination of his/her employment.

(n) *Rights on takeover*

If a general offer is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Code)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(o) *Rights on winding-up*

In the event that a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of the Company referred to above by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon the Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid.

(p) *Rights on compromise or arrangement between the Company and its members or creditors*

If a compromise or arrangement between the Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of the Company or its amalgamation with any other companies pursuant to the laws of the jurisdiction in which the Company was incorporated, the Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a scheme or arrangement and any grantee may by notice in writing to the Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given (such notice to be received by the Company no later than two business days prior to the proposed meeting), exercise the option to its full extent or to the extent specified in the notice and the Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise of the option credited as fully paid and register the grantee as holder thereof.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

(q) *Ranking of Shares*

The Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank pari passu and shall have the same voting, dividend, transfer and other rights (including those arising on liquidation) as are attached to the other fully-paid Shares in issue on the date of exercise, save that they will not rank for any dividend or other distribution declared or recommended or resolved to be paid or made by reference to a record date falling on or before the date of exercise.

(r) *Effect of alterations to capital*

In the event of any alteration in the capital structure of the Company whilst any option may become or remains exercisable, whether by way of capitalisation issue, rights issue, consolidation, subdivision or reduction of share capital of the Company, such corresponding alterations (if any) shall be made in the number of Shares subject to any outstanding options and/or the subscription price per Share of each outstanding option as the auditors of the Company or an independent financial adviser shall certify in writing to the Board to be in their/his opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance attached to the letter from the Stock Exchange dated 5th September, 2005 to all issuers relating to share option schemes. The capacity of the auditors of the Company or the approved independent financial adviser, as the case may be, in this paragraph is that of experts and not arbitrators and their certificate shall, in the absence of manifest error, be final and conclusive and binding on the Company and the grantees.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the equity capital of the Company (as interpreted in accordance with the supplementary guidance attached to the letter from the Stock Exchange dated 5th September, 2005 to all issuers relating to share option schemes) for which any grantee of an option is entitled to subscribe pursuant to the options held by him before such alteration provided that no such alteration shall be made if the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(s) *Expiry of option*

An option shall lapse automatically and shall not be exercisable (to the extent not already exercised) on the earliest of:

(i) the date of expiry of the option as may be determined by the Board;

(ii) the expiry of any of the periods referred to in paragraphs (l), (m), (n); or

(iii) the date upon which the scheme of arrangement of the Company referred to in paragraph (p) becomes effective;

(iv) subject to paragraph (o), the date of commencement of the winding-up of the Company;

(v) the date upon which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation from the employment of the Company or any of its subsidiaries or the termination of his or her employment or contract on the grounds that he or she has been guilty of serious misconduct, or has committed any act of bankruptcy or is unable to pay his or her debts or has become insolvent or has made any arrangement or has compromised with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty or has been in breach of contract. A resolution of the Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or

(vi) the date upon which the Board shall exercise the Company's right to cancel the option at any time after the grantee commits a breach of paragraph (i) above or the options are cancelled in accordance with paragraph (u) below.

(t) *Alteration of the Share Option Scheme*

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

(i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules; and

(ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted, shall first be approved by the Shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme. The amended terms and any adjustment to be made to the exercise price of the Share Option Scheme shall still comply with Chapter 17 of the Listing Rules, the supplemental guidance of 5 September 2005 and any future guidance or interpretation of the Listing Rules from time to time and any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by the Shareholders in general meeting.

(u) *Cancellation of Options*

Any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event that any option is cancelled pursuant to paragraph (i).

(v) *Termination of the Share Option Scheme*

The Company may by resolution in general meeting or the Board may at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(w) *Administration of the Board*

The Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(x) *Conditions of the Share Option Scheme*

The Share Option Scheme is conditional on:

(i) the Listing Committee granting the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of options to be granted under the Share Option Scheme;

(ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s) by the Sole Global Coordinator (for itself and on behalf of the Underwriters)) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise; and

(iii) the commencement of dealings in the Shares on the Stock Exchange.

If the conditions in paragraph (x) above are not satisfied within 12 calendar months from the Adoption Date:

(i) the Share Option Scheme shall forthwith determine;

(ii) any option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect; and

(iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any option granted thereunder.

(y) *Disclosure in annual and interim reports*

The Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

As at the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme, being 188,000,000 Shares in total.

14. Estate duty, tax and other indemnity

The Controlling Shareholders, (the "**Indemnifiers**") have entered into a deed of indemnity ("**Deed of Indemnity**")with and in favour of the Company (for itself and as trustee for each of its present subsidiaries) (being the material contract (i) referred to in paragraph 7 above) to provide indemnities on a joint and several basis, in respect of, among other matters:

(a) any liability for Hong Kong estate duty which might be incurred by any member of the Group by reason of any transfer of property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) to any member of the Group at any time on or before the Listing;

(b) tax liabilities (including all fines, penalties, costs, charges, expenses and interests incidental or relating to taxation) which might be payable by any member of the Group in respect of any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into or occurring on or before the Listing Date, whether alone or in conjunction with any other circumstances whenever occurring and whether or not such tax liabilities are chargeable against or attributable to any other person, firm, company or corporation;

(c) any expenses, payments, sums, outgoings, fees, demands, claims, damages, losses, costs (including but not limited to legal and other professional costs), charges, liabilities, fines, penalties in connection with any failure, delay or defects of corporate or regulatory compliance or errors, discrepancies or missing documents in the statutory records of any member of our Group under, or any breach of any provision of, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance or any other applicable laws, rules or regulations on or before the date on which the Global Offering becomes unconditional;

(d) all claims, actions, losses, damages, costs or expenses suffered or incurred by any of the members of our Group in connection with the social insurance and housing provident fund contributions required to be made by the relevant laws and regulations in the PRC, which any member of our Group has failed to make in accordance with such laws and regulations from their respective date of establishment to the Listing Date; and

(e) all claims, payments, suits, damages, settlements, sums, outgoings, fees, losses and any associated costs and expenses which would be incurred or suffered directly or indirectly, from or on the basis of or in connection with the legal proceedings and non-compliance matters by any member of our Group as described in the section headed "Business — Regulatory Compliance — Non-compliance Record" in this prospectus or in connection with any other non-compliance of any member of our Group which has occurred at any time on or before the Listing Date.

The Indemnifier is under no liability under the Deed of Indemnity in respect of any taxation:

(a) to the extent that provision or reserve has been made for such taxation in the audited accounts of any member of the Group for any accounting period up to 31 December 2014;

(b) to the extent that such taxation or liability falling on any of the members of the Group in respect of any accounting period commencing on or after 1 January 2015 and ending on the Listing Date, where such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily entered into by, any member of the Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifier, other than any such act, omission or transaction:

   (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets on or before the Listing Date; and

   (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before the Listing Date or pursuant to any statement of intention made in the prospectus; or

(c) to the extent that such taxation liabilities or claim arise or are incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or the taxation authority of the PRC, or any other relevant authority (whether in Hong Kong or the PRC or any other part of the world) coming into force after the date of the Deed of Indemnity or to the extent such claim arises or is increased by an increase in rates of taxation or claim after the date of the Deed of Indemnity with retrospective effect; or

(d) to the extent that any provision or reserve made for taxation in the audited accounts of any member of the Group up to 31 December 2014 which is finally established to be an over-provision or an excessive reserve, in which case the Indemnifier' liability (if any) in respect of taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied referred to in this paragraph to reduce the Indemnifier' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

Under the Deed of Indemnity, the Indemnifier has also undertaken to us that it will indemnify and at all times keeps us fully indemnified, on a joint and several basis, from any depletion in or reduction in value of its assets or any loss (including all legal costs and suspension of operation), cost, expenses, damages or other liabilities which any member of the Group may incur or suffer arising from or in connection with the implementation of the Reorganisation.

15. Litigation

As at the Latest Practicable Date, neither the Company nor any of our subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of our subsidiaries, that would have a material adverse effect on the results of operations or financial condition of the Company.

16. Preliminary expenses

The preliminary expenses of the Company are estimated to be approximately HK$56,000 and are payable by the Company.

17. Promoter

(a) The promoter of the Company is Mr. Chen.

(b) Save as disclosed in this prospectus, within the two years preceding the date of this prospectus, no amount or benefit has been paid or given to the promoter named in sub-paragraph (a) above in connection with the Global Offering or the related transactions described in this prospectus.

18. Agency fees or commissions received

The commission and expenses relating to the Global Offering that are to be borne by the Company are set out in the section headed “Underwriting” in the Prospectus.

19. Sole Sponsor

The Sole Sponsor has made an application on behalf of the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and any Shares which may be issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme on the Stock Exchange. All necessary arrangements have been made to enable the securities to be admitted into CCASS. The Sole Sponsor is independent from our Company pursuant to Rule 3A.07 of the Listing Rules.

The Sole Sponsor will also receive a fee of HK$2,000,000 to act as the sponsor to our Company in connection with the Global Offering.

20. Qualifications of experts

The qualifications of the experts who have given opinions and/or whose names are included in this prospectus are as follows:

Name	Qualification
China Everbright Capital Limited	A licensed corporation to conduct type 1 (dealing in securities), type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Ernst & Young	Certified public accountants
Appleby	Cayman Islands legal advisers to the Company
Jingtian & Gongcheng	PRC legal advisers to the Company
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Property valuer and industry consultant
PRO-WIS Risk Advisory Services Limited	Internal control consultant

21. Consents of experts

Each of the China Everbright Capital Limited, Ernst & Young, Appleby, Jingtian & Gongcheng, Jones Lang LaSalle Corporate Appraisal and Advisory Limited and PRO-WIS Risk Advisory Services Limited has given and has not withdrawn its written consent to the issue of this prospectus with copies of its reports, valuation, letters or opinions (as the case may be) and the references to its names or summaries of opinions included herein in the form and context in which they respectively appear.

22. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

23. Taxation of holders of Shares

(a) *Hong Kong*

Dealings in Shares registered on the Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the Shares being sold or transferred.

Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) *The Cayman Islands*

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) *Consultation with professional advisers*

Intending holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares or exercising any rights attaching to them. It is emphasised that none of the Company, the Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercising any rights attaching to them.

24. Miscellaneous

(a) Save as disclosed herein:

(i) within two years preceding the date of this prospectus:

(aa) no share or loan capital of the Company or of any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash; and

(bb) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of the Company or any of our subsidiaries; and

(cc) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any shares in the Company or any of our subsidiaries;

(ii) no share or loan capital of the Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and

(b) The Directors confirm that there has been no material adverse change in the financial or trading position or prospects of the Group since 31 December 2014 (being the date to which the latest consolidated financial statements of the Group were made up).

(c) There has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this prospectus.

25. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

26. Others

The English text of the Prospectus shall prevail over the Chinese text.

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, amongst other documents, copies of the WHITE and YELLOW application forms, the written consents referred to under the section headed "Other Information — Consents of experts" in Appendix V to this prospectus, and certified copies of the material contracts referred to in the section headed "Further Information about the business of the Company — Summary of material contracts" in Appendix V to this prospectus.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Li & Partners at 22nd Floor, World-Wide House, Central, Hong Kong, during normal business hours from 9:00 a.m. up to 5:00 p.m. up to and including the date which is 14 days from the date of this prospectus:

(a) our Memorandum of Association and the Articles of Association;

(b) the accountants' report from Ernst & Young in respect of the historical financial information for each of the three years ended 31 December 2012, 2013 and 2014, the text of which is set out in Appendix I to this prospectus;

(c) the report on the unaudited pro forma financial information of the Group from Ernst & Young, the text of which is set out in Appendix II to this prospectus;

(d) the audited financial statements of the Group for each of the three years ended 31 December 2012, 2013 and 2014;

(e) the letter, summary of valuations and valuation certificate prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the text of which is set out in the section headed "Property Valuation Report" in Appendix III to this prospectus;

(f) the Companies Law;

(g) the letter of advice prepared by Appleby summarising certain aspects of the Cayman Islands company law referred to in Appendix IV to this prospectus;

(h) the legal opinions prepared by Jingtian & Gongcheng in respect of the certain aspects of the Group and property interests of the Group in the PRC and summary of PRC laws and regulations relating to the Group;

(i) the material contracts referred to in the section headed "Further Information about the business of the Company — Summary of material contracts" in Appendix V to this prospectus;

(j) the written consents referred to in the section headed "Other Information — Consents of experts" in Appendix V to this prospectus;

(k) the rules of Share Option Scheme; and

(l) the service contracts referred to in the section headed "Further Information about Directors and Shareholders — Directors" in Appendix V to this prospectus.

新明中国控股
XINMING CHINA

XINMING CHINA HOLDINGS LIMITED
新明中國控股有限公司