新明中国控股
XINMING CHINA

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

*(Incorporated in the Cayman Islands with limited liability)*
Stock Code: 2699

## INTERIM REPORT 2015




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# COMPANY PROFILE

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

With comprehensive property development capability and completed and diverse property development portfolio, the Company develops residential comprehensive projects with features of modern and comfortable living environment and well-equipped with ancillary facilities. Our commercial comprehensive projects provide customers with one-stop home furnishing with retails shops of household products and other entertainment facilities and restaurants.

The Company is more dedicating to the expansion of commercial development model by selecting cities with rapid growth in economy and strategically focusing on the development of children's consumer market. The Company has established the platform in Shanghai for children, baby and maternity ("CBM") businesses and developed our first flagship mall for CBM customers in Hangzhou, providing customers with premium household items, children's products and related comprehensive services. This unique business model will give us unparalled competitive advantages and created ample room and great potential for our development.

# CORPORATE INFORMATION

## DIRECTORS

### Executive Directors

Mr. Chen Chengshou *(Chairman and Chief Executive Officer)*
Ms. Quan Xiaolin
Mr. Zhou Yongkui
Mr. Jin Zhanghai

### Non-Executive Director

Ms. Gao Qiaoqin

### Independent Non-Executive Directors

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

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

Mr. Gu Jiong *(Chairman)*
Mr. Fong Wo, Felix
Mr. Zhou Yongkui

## NOMINATION COMMITTEE

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

## AUTHORIZED REPRESENTATIVES

Mr. Chen Chengshou
Ms. Lam Yuen Ling Eva

## COMPANY SECRETARY

Ms. Lam Yuen Ling Eva

## COMPLIANCE ADVISER

China Everbright Capital Limited

## 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'S WEBSITE ADDRESS

http://www.xinm.com.cn

# CORPORATE INFORMATION

## 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

Tricor Investor Services Limited
Level 22, Hopewell Centre,
183 Queen's Road East
Hong Kong

## PRINCIPAL BANKERS

Industrial Bank Co. Ltd, Lu Qiao Branch
Agricultural Bank of China, Jiao Jiang Branch
China Construction Bank, Taizhou Branch

## AUDITOR

Ernst & Young
Certified Public Accountants

## LEGAL ADVISERS TO THE COMPANY

Li & Partners (As to Hong Kong Laws)
Jingtian & Gongcheng (As to PRC Laws)

## LISTING INFORMATION

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

# RESULTS HIGHLIGHTS

The Group announces the highlights of the consolidated results for the six months ended 30 June 2015 as set out below:

- Turnover of the Group amounted to approximately RMB973.8 million, representing an increase of approximately 11.2% as compared to the same period of last year.
- Gross profit of the Group amounted to approximately RMB256.8 million, representing a decrease of approximately 44.3% as compared to the same period of last year.
- Profit attributable to the shareholders of the Company was approximately RMB83.6 million, representing a decrease of approximately 63.0% as compared to the same period of last year.
- Basic earnings per share was approximately RMB0.06.
- The board (the "Board") of directors (the "Directors") of the Company did not recommend the payment of interim dividend as of 30 June 2015.

# CHAIRMAN'S STATEMENT

Dear Shareholders,

The Board is pleased to announce the interim results of the Group for the six months ended 30 June 2015 (the "Period"). The Group's interim results were not audited but were reviewed by the audit committee of the Company (the "Audit Committee").

The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 6 July 2015 through a global offering of 470 million shares, which raised net proceeds of approximately HK$623 million. This funding exercise marked the Company's successful connection with the international capital market and laid a solid foundation for its sustainable and stable development.

## RESULTS REVIEW

The Group's total revenue for the Period amounted to approximately RMB973.8 million, representing an increase of approximately 11.2% from approximately RMB875.8 million for the corresponding period of last year.

Profit attributable to the shareholders of the Company for the Period amounted to approximately RMB83.6 million, representing a decrease of approximately 63.0% from approximately RMB226.2 million for the corresponding period of last year.

During the Period, earnings per share were approximately RMB0.06 (for the first half of 2014: RMB0.17).

As at 30 June 2015, the Group's total assets amounted to approximately RMB5,720.2 million (31 December 2014: approximately RMB5,552.6 million), while total liabilities amounted to approximately RMB4,672.9 million (31 December 2014: approximately RMB4,611.7 million); total equity was approximately RMB1,047.3 million (31 December 2014: approximately RMB940.9 million), and net asset value per share was approximately RMB0.74 (31 December 2014: approximately RMB0.67).

In the first half of 2015, China's real estate market generally benefited from the 7% growth in gross domestic product ("GDP") recorded for the Period, with the country's commercial property sales increased by 10.0% year-on-year and GFA sold up 3.9% year-on-year. Although the residential property market posted double-digit sales growth, the growth rate of selling prices varied in different cities.

In light of the changing market conditions, the Group leveraged opportunities to accelerate property sales and enhanced marketing efforts in order to expedite cash inflow.

The Group recorded sales of properties of RMB923.0 million and delivered GFA of approximately 118,984.5 sq.m. in the first half of 2015. As at 30 June 2015, the property portfolio of the Group comprised 16 property development projects in various cities in the PRC. These projects are under various stages of development, with an aggregate GFA of approximately 2,166,982 sq.m., of which, approximately 1,186,649 sq.m. of the GFA was completed, approximately 583,089 sq.m. of the GFA was under development and approximately 397,244 sq.m. of the GFA was held for future development.

## PROSPECTS

Looking ahead into the second half of 2015, the Chinese government is expected to actively promote the new norm of economic development featuring "stable growth and structural adjustments". Meanwhile, more loosening policies and financial stabilization measures will be introduced to secure the steady development of real estate market.

In the face of a temporary slowdown in real estate market, the Group will capitalize on the land investment opportunities arising from the favorable government policies and seek to actively develop new projects with good potential in diversified regions, whereby further expanding our commercial property business and enhancing the composition of our projects. The Group will particularly focus on developing commercial complexes specializing in the provision of household products and the provision of CBM products.

The Company has established the platform in Shanghai for CBM businesses and developed our first flagship mall for CBM customers in Hangzhou, providing customers with premium household items, children's products and related comprehensive services. This unique business model will give us unparalled competitive advantages and created ample room and great potential for our development.

The Group has established a sound and comprehensive management mechanism and stringent internal control. The Group will make continuous improvements to our development and execution capabilities to ensure the stable and healthy development of our businesses, boost our capital utilization efficiency and accomplish the preset targets for this year. It is expected that the Group will maintain stable business growth in 2015.

# CHAIRMAN'S STATEMENT

## Development Strategies

The Group will closely monitor market developments, exercise strict risk control and push ahead with staff training, so as to ensure the sustainable and healthy development of the Company.

Major tasks for the second half of this year:

- develop commercial complexes specializing in the provision of household products and CBM products
- improve property management services and enhance our brand recognition
- optimize our property mix to improve our profitability
- attract and give greater incentives to skilled and talented employees

For the second half of 2015, given the poor investment sentiment and credit crunch in China, the domestic real estate market will face greater uncertainty and intensified competition, which will weigh on property sales. Nevertheless, with the effective implementation of financial stabilization measures by the central government and the financial support from the Asian Infrastructure Investment Bank and the economic growth in related regions driven by the "One Belt and One Road" and "Yangtze River Economic Belt" initiatives, there will be tremendous opportunities in the market. The Group will formulate effective development measures in accordance with the changing market conditions to expedite receivable collection from sales and inventory turnover. Moreover, the Group will remain prudent in land investment and try to achieve fiscal balance. Our business is expected to maintain stable growth in the second half of 2015.

On behalf of the Board, I would like to take this opportunity to extend my heartfelt gratitude to all shareholders for their support and trust. My sincere appreciation also goes to our directors and our entire staff for their dedication and efforts.

**Chen Chengshou**
*Chairman, Executive Director and Chief Executive Officer*

Hangzhou, the PRC
25 August 2015

## RESULTS OVERVIEW

### Sale

During the Period, the total turnover of the Group amounted to approximately RMB973.8 million, representing an increase of approximately 11.2% as compared to approximately RMB875.8 million in the same period of last year. During the Period, the revenue from the sales of properties amounted to approximately RMB923.0 million, accounting for approximately 94.8% of our total revenue. During the Period, our aggregate contracted GFA was approximately 119,000 sq.m..

The following table sets forth the revenue classified by operating segment during the indicated period:

| | **As of 30 June** | | | |
|---|---|---|---|---|
| | **2015** | | 2014 | |
| | ***(RMB million)*** | ***(%)*** | *(RMB million)* | *(%)* |
| Sales of properties | **923.0** | **94.8** | 830.9 | 94.9 |
| Rental Income | **42.5** | **4.4** | 36.7 | 4.2 |
| Income of property management | **8.3** | **0.8** | 8.2 | 0.9 |
| Total revenue | **973.8** | **100%** | 875.8 | 100% |

### Sales of properties

The sales of properties during the Period amounted to approximately RMB923.0 million, representing an increase of approximately RMB92.1 million or 11.1% from approximately RMB830.9 million for the same period of last year, mainly due to the delivered GFA of 119,000 sq.m., representing an increase of approximately 41,000 sq.m. from approximately 78,000 sq.m. for the same period of last year, while the overall average price decreased by approximately 27% from the same period of last year.

### Rental income

The rental income during the Period amounted to approximately RMB42.5 million, representing an increase of approximately RMB5.8 million or 15.8% from approximately RMB36.7 million for the same period of last year, mainly due to the increase of lease properties GFA.

### Income of property management

The income of property management during the Period amounted to RMB8.3 million, representing an increase of approximately RMB0.1 million or 1.2% from approximately RMB8.2 million for the same period of last year, mainly due to the increase of the properties amounts and GFA under management.

## Gross profit

During the Period, the gross profit amounted to approximately RMB256.8 million, representing a decrease of approximately RMB204.4 million or 44.3% as compared to RMB461.2 million in the same period of last year; the gross profit margin was approximately 26.4%, representing a decrease of approximately 26.3% as compared to approximately 52.7% in the same period of last year. It was mainly due to the cost of land acquisition for the three property projects, increased significantly during the Period as compared to the same period of last year, which was 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. It is expected that the gross profit margin of the Group will maintain basically stable in the second half of 2015.

## Other income and revenue

During the Period, other income and revenue amounted to approximately RMB0.4 million, representing a significant decrease of approximately RMB1.4 million or 77.8% as compared to approximately RMB1.8 million in the same period of last year, mainly due to the decrease of income from government subsidy.

## Selling and administrative expenses

During the Period, the selling and administrative expenses amounted to approximately RMB81.5 million, representing a decrease of approximately RMB6.5 million or 7.4% as compared to approximately RMB88.0 million in the same period of last year. The proportion of selling and administrative expenses to the sales dropped to approximately 8.4% from approximately 10.0% of the same period of last year, mainly due to the decrease of approximately RMB19.5 million from advertisement and market promotion expense as compared to the same period of last year. On the contrary, administrative expense increased by approximately RMB11.9 million as compared to the same period of last year, mainly due to the increase of approximately RMB6.5 million in employee benefit cost, increase of approximately RMB3.8 million in the adjustment of project water and electricity charge and increase of approximately RMB2.8 million in the listing preparation expense.

## Operation profit

During the Period, the operation profit amounted to approximately RMB187.0 million, representing a decrease of approximately RMB187.7 million or approximately 50.1% as compared to approximately RMB374.7 million in the same period of last year.

## Change in fair value of investment properties

During the Period, the change in fair value of investment properties amounted to approximately RMB13.8 million, representing an increase of approximately RMB7.3 million or 112.3% as compared to approximately RMB6.5 million for the same period of last year, mainly due to investment property evaluation appreciation of Wenshang Times • Red Star Macalline, Taizhou Xinming Property • Red Star Macalline and Xinming International Logistic Centre.

## Net finance costs

During the Period, the net interest costs amounted to approximately RMB0.9 million, representing a decrease of approximately RMB0.6 million or approximately 40% as compared to approximately RMB1.5 million in the same period of last year, mainly due to the decrease of notional interest.

## Income tax expenses

During the Period, the income tax expenses amounted to approximately RMB80.6 million, representing a decrease of approximately RMB79.0 million or approximately 49.5% as compared to approximately RMB159.6 million in the same period of last year, mainly due to the decrease in taxation payables and land value-added tax and the change in deferred income tax.

## Profit attributable to the shareholders

During the Period, the profit attributable to the shareholders amounted to approximately RMB83.6 million, representing a decrease of approximately RMB142.6 million or approximately 63.0% as compared to approximately RMB226.2 million for the same period of last year. The basic earnings per share decreased from approximately RMB0.17 per share in the same period of last year to approximately RMB0.06 per share.

## Business performance

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

| **Selling of Properties**<br>**Project** | **Location** | **Sale GFA**<br>*(sq.m.)* | **_Income**<br>*(RMB million)* | **Average selling price**<br>*(RMB/sq.m)* |
|---|---|---:|---:|---:|
| Taizhou Xinming Peninsular | | | | |
| Phase 1 | Taizhou | 783.0 | 1.8 | 2,235 |
| Phase 2 — Stage 1 | Taizhou | 323.1 | 0.5 | 1,578 |
| Phase 2 — Stage 2 | Taizhou | 1,651.4 | 7.3 | 4,451 |
| Xinming Lijiang Garden | Taizhou | 44,320.2 | 322.3 | 7,271 |
| Wenshang Times • Xinming Household Decorations and Fittings City | Taizhou | 10,630.6 | 182.6 | 17,173 |
| Wenshang Times • Xinming Apartment | Taizhou | 21,840.6 | 144.4 | 6,611 |
| Chongqing Xinming • China South-western City Phase 1 | Chongqing | 38,153.5 | 254.8 | 6,679 |
| Xingmeng International Commercial City | Tengzhou | 1,282.1 | 9.3 | 7,277 |
| Total | | 118,984.5 | 923.0 | 7,757 |

## Land reserve

As at 30 June 2015, the saleable GFA remaining unsold and GFA held for investment of the Group was approximately 306,040 sq.m., while total GFA of land reserve attributed to the Group was 1,286,373 sq.m..

The table below sets forth a summary of our land reserve classified by geographical location as at 30 June 2015:

| Location | Project number | Saleable GFA remaining unsold/GFA held for investment | GFA under development | Planned GFA for future development | Total land reserve | Proportion to the total land reserve | Equity interest attributable to the Group | Project type |
|---|---|---|---|---|---|---|---|---|
| | | *(sq.m)* | *(sq.m)* | *(sq.m)* | *(sq.m)* | *(%)* | *(%)* | |
| Taizhou | 10 | 241,467 | – | 68,204 | 309,671 | 24.1 | 100 | Residential, commercial, storage |
| Shanghai | 1 | – | 186,261 | – | 186,261 | 14.5 | 79 | Commercial, office |
| Chongqing | 3 | 6,344 | 233,901 | 221,176 | 461,421 | 35.8 | 60 | Residential, commercial |
| Tengzhou | 1 | 58,229 | – | 107,864 | 166,093 | 12.9 | 55 | Residential, commercial |
| Hangzhou | 1 | – | 162,927 | – | 162,927 | 12.7 | 100 | Commercial |
| TOTAL | 16 | 306,040 | 583,089 | 397,244 | 1,286,373 | 100.0 | | |

Since the publication of prospectus on 23 June 2015, there was no material change of business development strategies of the Group in the future.

## Cash flows

As at 30 June 2015, cash and bank deposits of the Group, including restricted cash, was approximately RMB181.4 million (31 December 2014: approximately RMB58.7 million), representing an increase of approximately RMB122.7 million or 209%, which was mainly due to the increase in bank loans and other borrowings. The Group was listed on The Stock Exchange of Hong Kong Limited on 6 July 2015 and the net proceeds raised from the issuance of shares was approximately HK$623 million.

During the Period, the net cash used in operating activities was approximately RMB425.8 million (six months ended 30 June 2014: net cash used of approximately RMB427.6 million). The net cash used in investing activities was approximately RMB0.4 million (six months ended 30 June 2014: net cash generated of approximately RMB3.0 million). The net cash generated from financing activities was approximately RMB566.7 million (six months ended 30 June 2014: net cash generated of approximately RMB432.7 million).

Pursuant to the exclusive management and operation agreement entered into between the Company's commercial properties with third party purchasers, the Company is required to pay certain percentages of the selling price of the property to the purchasers regardless whether such properties leased by the Group or were for generating rental income purpose. Based on the terms of the existing exclusive management and operation agreements and lease agreements as at 30 June 2015, we would have a maximum net cash outflow of approximately RMB35.7 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 June 2015.

Mr. Lo Wa Kei, Roy, Mr. Fong Wo, Felix and Mr. Gu Jiong, the independent non-executive Directors, have discussed and reviewed the above disclosures in the meeting of the Audit Committee.

## Trade receivables, prepayments, deposits and other receivables

As at 30 June 2015, the total assets of trade receivables, prepayments, deposits and other receivables of the Group was approximately RMB322.4 million, representing a decrease of approximately RMB408.7 million as compared to approximately RMB731.1 million as at 31 December 2014. The increase of approximately RMB6.5 million in the trade receivables was mainly due to the rental fee remedied by tenants to Wenshang Times • Red Star Macalline Household Products Market, Xinming International Household Products Mall and Xinming International Logistic Centre. Besides, guarantee deposit and tender bond increased by approximately RMB29.5 million. However, the prepayment for land use right decreased by approximately RMB501.0 million.

## Trade payables, advances from customers and other payables

As at 30 June 2015, the total trade payables, advances from customers and other payables of the Group was approximately RMB1,364.6 million, representing a decrease of approximately RMB738.9 million as compared to approximately RMB2,103.5 million as at 31 December 2014. The decrease was mainly due to the decrease in advances from customers of approximately RMB737.9 million.

## Assets and liabilities

As at 30 June 2015, the total assets of the Group was approximately RMB5,720.2 million, representing an increase of approximately RMB167.6 million as compared to approximately RMB5,552.6 million as at 31 December 2014. The total current assets was approximately RMB3,766.6 million, representing approximately 65.8% (31 December 2014: approximately 64.7%) of the total assets, increased by approximately RMB173.1 million as compared to approximately RMB3,593.5 million as at 31 December 2014. However, the total non-current assets was approximately RMB1,953.7 million, representing approximately 34.2% (31 December 2014: approximately 35.3%) of the total assets, decreased by approximately RMB5.4 million as compared to approximately RMB1,959.1 million as at 31 December 2014.

As at 30 June 2015, the total liabilities of the Group was approximately RMB4,672.9 million, representing an increase of approximately RMB61.2 million as compared to approximately RMB4,611.7 million as at 31 December 2014. The total current liabilities was approximately RMB2,092.6 million, representing approximately 44.8% (31 December 2014: approximately 66.5%) of the total liabilities, decreased by approximately RMB972.5 million as compared to approximately RMB3,065.1 million as at 31 December 2014. However, the total non-current liabilities was approximately RMB2,580.3 million, representing approximately 55.2% (31 December 2014: approximately 33.5%) of the total liabilities, increased by approximately RMB1,033.7 million as compared to approximately RMB1,546.6 million as at 31 December 2014.

As at 30 June 2015, the net current assets of the Group was approximately RMB1,674.0 million, representing an increase of approximately RMB1,145.6 million as compared to approximately RMB528.4 million as at 31 December 2014.

## Current ratio

As at 30 June 2015, the current ratio of the Group, being the ratio of the current assets divided by the current liabilities, was 1.8:1 (31 December 2014: 1.2:1).

## Gearing ratio

As at 30 June 2015, the gearing ratio of the Group which is total bank borrowings and other borrowings as a percentage of total equity, was 231.1% (31 December 2014: 148.8%).

## Borrowings

As at 30 June 2015, the total bank borrowings of the Group and other borrowings was approximately RMB2,420.7 million, representing an increase of approximately RMB1,020.7 million as compared to the approximately RMB1,400.0 million as at 31 December 2014.

The borrowings repayable within one year of the Group of approximately RMB85.0 million is the same as that of the end of 31 December of last year. Borrowings repayable within one year was approximately RMB2,335.7 million, representing an increase of approximately RMB1,020.7 million as compared to approximately RMB1,315.0 million as at 31 December 2014.

## Significant matters

Except as disclosed in the Prospectus, the Company has no material and disclosable matters during the Period.

## Significant Investments held

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

## Future Plans for Material Investment and Capital Assets

Save as disclosed in the Prospectus, the Group did not have other plans for material investments and capital assets.

## Material acquisitions and disposals of subsidiaries and affiliated companies

Save as disclosed in the Prospectus, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies during the Period.

## Contingent liabilities

As at 30 June 2015, the Group provided guarantees over the mortgage loans given by certain purchasers of approximately RMB30.4 million (31 December 2014: approximately RMB191.0 million).

## Assets guarantees

As at 30 June 2015, the Group has pledged and restricted deposits in the bank deposits of approximately RMB0.5 million (31 December 2014: approximately RMB18.4 million). In addition, partial bank borrowings of the Group were secured by the Group's certain properties under development, investment properties and the 100% equity interest in certain subsidiaries of the Group, and jointly guaranteed by the controlling shareholder of the Group, Mr. Chen, the non-executive Director, Ms. Gao, the Group's related company, Xinming Group Limited, and other minority shareholders of certain subsidiaries of the Group free of charge. The guarantees provided by the controlling shareholder of the Group, Mr. Chen, and his respective close associates for the bank loans and other borrowings were discharged prior to the Listing by replacing such guarantees with the guarantee provided by the Group and/or financing from the independent third parties, including the bank loans.

## Capital expenditure

During the Period, the Group's total capital expenditure was approximately RMB0.5 million, mainly included construction facilities expenses (six months ended 30 June 2014: approximately RMB0.6 million).

## Capital commitments

As at 30 June 2015, the capital commitments related to activities of properties under development was approximately RMB1,108.7 million (31 December 2014: approximately RMB731.0 million).

## Financial management and treasury policy

The financial department of the Group was responsible for the financial and risk management of the Group. The treasury policy was formulated by senior management.

### Exposure to exchange rate fluctuations

The Group operates mainly in RMB, and certain bank deposits of the Group are dominated in HK$. Save as disclosed above, the Group did not expose to any material exchange rate fluctuations risk and did not enter into foreign currency hedging policies. However, the Group will monitor closely to the exchange risk and may, as the case maybe and depending on the trend of foreign currency, consider to apply significant foreign currency hedging policies in the future.

### Employees

As at 30 June 2015, the Group has a total of 456 employees (30 June 2014: total 455). The total employees cost during the Period amounted to approximately RMB23.6 million (six months ended 30 June 2014: approximately RMB14.1 million), representing an increase of approximately RMB9.5 million, which was mainly due to the employee cost of Xinming Group Holding Limited (a subsidiary of the Group) was included in the Group from May 2014 upon the completion of reorganization and the employees cost of Hangzhou Xinming Property Investment Limited was included in the Group since May 2014 after the commencement of business. The Group continued to promote the upgrading of talents, cultivating and recruiting excellent talents with sales and management experience, improving the allocation system of remuneration linked to performance and maintaining harmonious labor relations. The remuneration of employees of the Group will be based on their performance, experience and the prevailing market remuneration. The total remuneration of employees includes basic salaries and cash bonus. Moreover, the Group has also adopted a share option scheme.

### Use of proceeds

The net proceeds of the Group raised from the initial public offering was approximately HK$623 million, after deducing the underwriting fees and commissions and other listing expenses. Net proceeds will be used according to the manner as set out in the section of "Future Plans and Use of Proceeds" in the Prospectus dated 23 June 2015 of the Company.

## DISCLOSURE OF INTERESTS

### Directors' and chief executives' interests in securities

The shares of the Company were not listed during the period from 30 June 2015 to 5 July 2015. The shares of the Company were listed on the Main Board of the Stock Exchange on 6 July 2015 (the "Listing Date"). As at the date of this report, the interests or short positions of the Directors and chief executives in the shares, underlying shares and debentures of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which (a) were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) were required to be recorded in the register referred to therein pursuant to section 352 of the SFO; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 of the Listing Rules were as follows:

Long positions in the shares and underlying shares:

**The Company**

| **Name of Directors** | **Capacity/Nature of interest** | **Number of shares/ underlying shares** | **Approximate percentage of the issued share capital of the Company (%)** |
|---|---|---|---|
| Mr. Chen Chengshou ("Mr. Chen") | Interest of controlled corporation *(Note 1)* | 1,410,000,000(L) | 75% |
| Ms. Gao Qiaoqin ("Ms. Gao") | Interest of spouse *(Note 2)* | 1,410,000,000(L) | 75% |

(L): represents long positions

*Notes:*

1. 1,410,000,000 shares are registered in the name of Xinxing Company Limited which is wholly-owned by Mr. Chen.

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

**Associated corporation – Xinxing Company Limited**

| **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 Limited, which is held as to 100% by Mr. Chen.

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

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

## Substantial shareholders' interests in securities

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

**Interest in the Company**

| Name of substantial shareholder | Capacity/nature of interest | Number of Shares/ underlying Shares | Approximate percentage of the issued share capital of the Company |
|---|---|---|---|
| Xinxing Company Limited *(Note)* | Beneficial owner | 1,410,000,000 | 75% |

*Note:* Xinxing Company Limited is wholly-owned by Mr. Chen.

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

## Share option scheme

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

The Share Option Scheme is a share incentive scheme and is established to recognize and acknowledge the contributions the Eligible Participants 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 improve 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.

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 that will result in the Maximum Limit being exceeded.

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 favor 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.

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, 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 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.

As at the date of this report, the total number of Shares to be issued under the Share Option Scheme is 188,000,000 Shares, representing 10% of the issued Shares. No share option was granted, exercised or cancelled by the Company since the adoption of the Share Option Scheme.

## Directors' right to acquire shares

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

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## CORPORATE GOVERNANCE PRACTICES

The Board is of opinion that the Company had adopted, applied and complied with the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") since the Listing Date.

Upon review of the corporate governance practice of the Company, the Board believed that the Company has applied the principles in the CG Code and complied with the code provisions of the CG Code during the Period. None of the Directors was aware of any information that would reasonably indicate that the Company was during the Period incompliant with the code provisions of the CG Code, except for the deviations as follows:

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

Under code provision F.1.1 of the CG Code, the company secretary of a company should be an employee of the listed company and should have day–to–day knowledge of the Group's affairs. Ms. Lam Yuen Ling Eva has been appointed as the company secretary of the Company and is delegated by an external service provider. The external service provider's primary contact person in the Company is Mr. Zhou Yongkui, an executive Director. Therefore, the code provision F.1.1 of the CG Code is complied with.

## COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct of dealings in securities of the Company by Directors. The Company was listed on the Main Board on 6 July 2015. No director has dealt in the shares of the Company during the Relevant Period. Having made specific enquiry with all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions during the Period.

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

## AUDIT COMMITTEE

The Company established the Audit Committee on 8 June 2015 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the CG Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are to provide the Board with an independent review of the effectiveness of the financial reporting process, internal control and risk management system of the Group, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board.

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

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

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities since the Listing Date upto the date of this report.

## INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 June 2015.

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

The interim results announcement has been published on the websites of the Company (http://www.xinm.com.cn) and the Stock Exchange. The interim report will also be available at the Company's and the Stock Exchange's websites on or about 10 September 2015 and will be dispatched to shareholders of the Company thereafter.

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

Hangzhou, the PRC
25 August 2015

# INTERIM CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the six months ended 30 June 2015*

| | | For the six months ended 30 June | |
|---|---|---|---|
| | | **2015** | 2014 |
| | | ***RMB'000*** | *RMB'000* |
| | *Note* | **(Unaudited)** | (Unaudited) |
| **REVENUE** | *5* | **973,756** | 875,763 |
| Cost of sales | | **(716,997)** | (414,552) |
| Gross profit | | **256,759** | 461,211 |
| Other income and gains | *5* | **394** | 1,797 |
| Selling and distribution costs | | **(27,462)** | (45,896) |
| Administrative expenses | | **(54,008)** | (42,085) |
| Other expenses | | **(1,611)** | (5,336) |
| Changes in fair value of investment properties | | **13,794** | 6,476 |
| Finance costs | *6* | **(877)** | (1,476) |
| **PROFIT BEFORE TAX** | *7* | **186,989** | 374,691 |
| Income tax expense | *8* | **(80,613)** | (159,627) |
| **PROFIT AFTER TAX AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | | **106,376** | 215,064 |
| **ATTRIBUTABLE TO:** | | | |
| Owners of the parent | | **83,598** | 226,174 |
| Non-controlling interests | | **22,778** | (11,110) |
| | | **106,376** | 215,064 |
| **EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT** | | | |
| Basic and diluted | | | |
| – For profit for the period (RMB) | *10* | **0.06** | 0.17 |

# INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

*As at 30 June 2015*

| | Notes | 30 June 2015 RMB'000 (Unaudited) | 31 December 2014 RMB'000 (Audited) |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 11 | **14,846** | 16,377 |
| Investment properties | 12 | **1,846,482** | 1,832,688 |
| Deferred tax assets | | **92,323** | 110,022 |
| | | **1,953,651** | 1,959,087 |
| **CURRENT ASSETS** | | | |
| Properties under development | | **2,417,967** | 1,664,186 |
| Completed properties held for sale | | **794,225** | 1,079,644 |
| Trade receivables | 13 | **11,633** | 5,097 |
| Due from the Controlling Shareholder | 17 | **–** | 4,042 |
| Due from other related parties | 17 | **4,665** | 3,492 |
| Prepayments, deposits and other receivables | | **310,723** | 725,967 |
| Tax recoverable | | **45,971** | 52,338 |
| Restricted deposits | | **511** | 18,401 |
| Cash and cash equivalents | | **180,860** | 40,301 |
| | | **3,766,555** | 3,593,468 |
| **CURRENT LIABILITIES** | | | |
| Trade payables | 14 | **652,450** | 695,432 |
| Other payables and accruals | | **366,694** | 324,700 |
| Advances from customers | | **345,498** | 1,083,369 |
| Due to other related parties | 17 | **15,653** | 256,769 |
| Interest-bearing bank loans and other borrowings | 15 | **85,000** | 85,000 |
| Provisions | 16 | **4,552** | 21,149 |
| Tax payable | | **622,744** | 598,671 |
| | | **2,092,591** | 3,065,090 |
| **NET CURRENT ASSETS** | | **1,673,964** | 528,378 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **3,627,615** | 2,487,465 |

# INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

*As at 30 June 2015*

| | Notes | 30 June 2015 RMB'000 (Unaudited) | 31 December 2014 RMB'000 (Audited) |
|---|---|---|---|
| **NON-CURRENT LIABILITIES** | | | |
| Interest-bearing bank loans and other borrowings | *15* | **2,335,700** | 1,315,000 |
| Provisions | *16* | **1,441** | 3,161 |
| Other liabilities | | **4,965** | 296 |
| Deferred tax liabilities | | **238,233** | 228,108 |
| | | **2,580,339** | 1,546,565 |
| **NET ASSETS** | | **1,047,276** | 940,900 |
| **EQUITY** | | | |
| **Equity attributable to owners of the parent** | | | |
| Issued capital | | **–** | – |
| Reserves | | **979,614** | 896,016 |
| **Non-controlling interests** | | **67,662** | 44,884 |
| **TOTAL EQUITY** | | **1,047,276** | 940,900 |

# INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

*For the six months ended 30 June 2015*

| | 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 2015 (audited)** | **–** | **81,491** | **814,525** | **896,016** | **44,884** | **940,900** |
| Profit and total other comprehensive income for the Period | **–** | **–** | **83,598** | **83,598** | **22,778** | **106,376** |
| **At 30 June 2015 (unaudited)** | **–** | **81,491** | **898,123** | **979,614** | **67,662** | **1,047,276** |

* These reserve accounts comprise the consolidated reserves of RMB979,614,000 as at 30 June 2015 (31 December 2014: RMB896,016,000).

| | 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 2014 (audited)** | – | 685,353 | 484,346 | 1,169,699 | 64,028 | 1,233,727 |
| Profit and total other comprehensive income for the Period | – | – | 226,174 | 226,174 | (11,110) | 215,064 |
| Acquisition of subsidiaries from the shareholder | – | (423,863) | – | (423,863) | – | (423,863) |
| **At 30 June 2014 (unaudited)** | – | 261,490 | 710,520 | 972,010 | 52,918 | 1,024,928 |

# INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

*For the year ended 30 June 2015*

| | | For the six months ended 30 June | |
|---|---|---|---|
| | | **2015** | 2014 |
| | | ***RMB'000*** | *RMB'000* |
| | *Notes* | **(Unaudited)** | (Unaudited) |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Cash used in operations | | **(403,414)** | (391,977) |
| Tax paid | | **(22,349)** | (35,614) |
| **NET CASH FLOWS USED IN OPERATING ACTIVITIES** | | **(425,763)** | (427,591) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchases of items of property, plant and equipment | | **(515)** | (565) |
| Bank interest income | 5 | **141** | 194 |
| 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** | | **(374)** | 2,974 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Interest paid | 6 | **(78,653)** | (86,732) |
| New interest-bearing bank loans and other borrowings | | **1,340,700** | 561,000 |
| Decrease/(increase) in other receivables | | **(122,707)** | 24,353 |
| Decrease in other payables | | **(14,397)** | (109,022) |
| Increase in due from other related parties | | **(1,173)** | (25,133) |
| Decrease in due from the Controlling Shareholder | | **4,042** | 23,207 |
| Increase/(decrease) in amount due to other related parties | | **(241,116)** | 34,204 |
| Increase in amount due to the Controlling Shareholder | | **–** | 60,794 |
| Repayment of interest-bearing loans and other borrowings | | **(320,000)** | (50,000) |
| **NET CASH FLOWS FROM FINANCING ACTIVITIES** | | **566,696** | 432,671 |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | | **140,559** | 8,054 |
| Cash and cash equivalents at beginning of period | | **40,301** | 161,412 |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | | **180,860** | 169,466 |

## 1. CORPORATE INFORMATION

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

The principal activity of the Company is investment holding. The Group was mainly involved in property development, 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 shares of the Company were listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 6 July 2015.

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

### 2.1 Basis of presentation

The unaudited interim condensed consolidated financial statements, which comprise the interim condensed consolidated statement of financial position of the Group as at 30 June 2015 and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-months period then ended, have been prepared in accordance with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2014.

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

### 2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2014, except for the adoption of new standards and interpretations effective as of 1 January 2015. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments apply for the first time in 2015, they do not have a material impact on the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group. The nature and the impact of each new standard or amendment is described below:

***Amendments to IAS 19 Defined Benefit Plans: Employee Contributions***

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. This amendment is not relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

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

### 2.2 New standards, interpretations and amendments adopted by the Group *(Continued)*

***Annual Improvements 2010-2012 Cycle***

These improvements are effective from 1 July 2014 and the Group has applied these amendments for the first time in these interim condensed consolidated financial statements. They include:

*IFRS 2 Share-based Payment*

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied

The above definitions are consistent with how the Group has identified any performance and service conditions which are vesting conditions in previous periods, and thus these amendments do not impact the Group's accounting policies.

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

### 2.2 New standards, interpretations and amendments adopted by the Group *(Continued)*

***Annual Improvements 2010-2012 Cycle*** *(Continued)*

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable). This is consistent with the Group's current accounting policy, and thus this amendment does not impact the Group's accounting policy.

*IFRS 8 Operating Segments*

The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are "similar".

- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

The amendment is not relevant for the Group as no judgements made by the management regarding to the "similar" business.

*IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets*

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. The Group did not record any revaluation adjustments during the current interim period.

*IAS 24 Related Party Disclosures*

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Group as it does not receive any management services from other entities.

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

### 2.2 New standards, interpretations and amendments adopted by the Group *(Continued)*

***Annual Improvements 2011-2013 Cycle***

These improvements are effective from 1 July 2014 and the Group has applied these amendments for the first time in these interim condensed consolidated financial statements. They include:

*IFRS 3 Business Combinations*

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself

The Group is not a joint arrangement, and thus this amendment is not relevant for the Group and its subsidiaries.

*IFRS 13 Fair Value Measurement*

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable). The Group does not apply the portfolio exception in IFRS 13.

*IAS 40 Investment Property*

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. In previous periods, the Group has relied on IFRS 3, not IAS 40, in determining whether an acquisition is of an asset or is a business acquisition. Thus, this amendment does not impact the accounting policy of the Group.

## 3 SEASONALITY OF OPERATIONS

The Group's operations are not subject to seasonality.

## 4. 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 six months ended 30 June 2014 and 2015.

## 4. SEGMENT INFORMATION *(Continued)*

**For the six months ended 30 June 2015 (unaudited)**

| | Property development *RMB'000* | Property leasing *RMB'000* | Property management *RMB'000* | Others *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|---|
| **Segment revenue:** | | | | | |
| Sales to external customers | 922,952 | 42,489 | 8,315 | – | 973,756 |
| Revenue | | | | | 973,756 |
| **Segment results:** | 176,066 | 23,883 | (3,566) | (9,394) | 186,989 |
| Profit before tax | | | | | 186,989 |
| **Segment assets** | 7,121,150 | 1,143,890 | 21,244 | 1,674,857 | 9,961,141 |
| *Reconciliation:* | | | | | |
| Elimination of intersegment receivables | | | | | (4,240,935) |
| Total assets | | | | | 5,720,206 |
| **Segment liabilities** | 6,091,425 | 402,160 | 109,820 | 1,619,641 | 8,223,046 |
| *Reconciliation:* | | | | | |
| Elimination of intersegment payables | | | | | (3,550,116) |
| Total liabilities | | | | | 4,672,930 |
| **Other segment information:** | | | | | |
| Depreciation | 1,980 | 41 | 23 | 1 | 2,045 |
| Bank interest income | (76) | (1) | (3) | (61) | (141) |
| Finance costs | – | 877 | – | – | 877 |
| Fair value gains on investment properties | – | (13,794) | – | – | (13,794) |
| Provision for impairment of trade receivables | – | 842 | – | – | 842 |
| Capital Expenditure | 492 | – | 17 | 6 | 515 |

## 4. SEGMENT INFORMATION *(Continued)*

For the six months ended 30 June 2014 (unaudited)

| | Property development *RMB'000* | Property leasing *RMB'000* | Property management *RMB'000* | Others *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|---|
| **Segment revenue:** | | | | | |
| Sales to external customers | 830,866 | 36,660 | 8,237 | – | 875,763 |
| Revenue | | | | | 875,763 |
| **Segment results:** | 370,757 | 7,574 | (2,082) | (1,558) | 374,691 |
| Profit before tax | | | | | 374,691 |
| **Segment assets** | 5,358,579 | 1,849,737 | 13,704 | 887,015 | 8,109,035 |
| *Reconciliation:* | | | | | |
| Elimination of intersegment receivables | | | | | (1,741,160) |
| Total assets | | | | | 6,367,875 |
| **Segment liabilities** | 6,384,526 | 338,976 | 49,877 | 838,920 | 7,612,299 |
| *Reconciliation:* | | | | | |
| Elimination of intersegment payables | | | | | (2,269,352) |
| Total liabilities | | | | | 5,342,947 |
| **Other segment information:** | | | | | |
| Depreciation | 2,621 | 3 | 19 | – | 2,643 |
| Bank interest income | (132) | (4) | (56) | (2) | (194) |
| Finance costs | – | 1,476 | – | – | 1,476 |
| Fair value gains on investment properties | – | (6,476) | – | – | (6,476) |
| Provision for impairment of trade receivables | – | 1,203 | – | – | 1,203 |
| Capital Expenditure | 565 | – | – | – | 565 |

## 5. REVENUE, OTHER INCOME AND GAINS

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

| | For the six months ended 30 June | |
|---|---|---|
| | **2015** | 2014 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| **Revenue** | | |
| Sales of properties | **979,118** | 880,747 |
| Rental income | **44,721** | 38,301 |
| Property management service income | **8,773** | 8,656 |
| | **1,032,612** | 927,704 |
| Less: Government surcharges | **(58,856)** | (51,941) |
| | **973,756** | 875,763 |

| | For the six months ended 30 June | |
|---|---|---|
| | **2015** | 2014 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| **Other income and gains** | | |
| Bank interest income | **141** | 194 |
| Government grants | **112** | 1,520 |
| Others | **141** | 83 |
| | **394** | 1,797 |

## 6. FINANCE COSTS

An analysis of finance costs is as follows:

| | For the six months ended 30 June | |
|---|---|---|
| | **2015** | 2014 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| **Finance costs** | | |
| Interest on interest-bearing bank loans and other borrowings wholly repayable within five years | **78,653** | 86,732 |
| Notional interest | **877** | 1,476 |
| Total interest expense on financial liabilities not at fair value through profit or loss | **79,530** | 88,208 |
| Less: Interest capitalised | **(78,653)** | (86,732) |
| | **877** | 1,476 |

## 7. PROFIT BEFORE TAX

The Group's profit for the six months ended 30 June 2015 and 2014 is arrived at after charging/(crediting):

| | For the six months ended 30 June | |
|---|---|---|
| | **2015** | 2014 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Cost of properties sold | **693,065** | 387,451 |
| Cost of property management service provided | **8,434** | 7,810 |
| Cost of leasing properties | **15,498** | 19,291 |
| Auditor's remuneration | **513** | 885 |
| Depreciation | **2,045** | 2,643 |
| Change in fair value of investment properties *(note 12)* | **(13,794)** | (6,476) |
| Provision for onerous operating lease *(note 16)* | **(382)** | 3,579 |
| Provision for impairment of trade receivables | **842** | 1,203 |
| Employee benefit expense: | | |
| Wages and salaries | **16,944** | 10,757 |
| Pension scheme and social welfare | **6,646** | 3,390 |

## 8. INCOME TAX

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

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

| | For the six months ended 30 June | |
|---|---|---|
| | **2015** | 2014 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| **Current tax:** | | |
| Income tax in the PRC for the Period | **16,024** | 102,992 |
| LAT | **36,765** | 85,462 |
| **Deferred tax** | **27,824** | (28,827) |
| **Total tax charge for the Period** | **80,613** | 159,627 |

## 9. DIVIDENDS

The Directors did not recommend the payment of an interim dividend during the Period (six months ended 30 June 2014: nil).

## 10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the Period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,410,000,000(six months ended 30 June 2014: 1,292,500,000) in issue during the Period.

The Group had no potentially dilutive ordinary shares in issue during the Period.

## 11. PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group acquired assets with a cost of RMB515,000 (six months ended 30 June 2014: RMB565,000), including property, plant and machinery in the People's Republic of China (the "PRC").

No assets were disposed of by the Group during the Period (six months ended 30 June 2014: nil).

No assets were pledged as security for interest–bearing bank loans and other borrowings granted to the Group (six months ended 30 June 2014: nil).

## 12. INVESTMENT PROPERTIES

| | **Completed** | **Under construction** | **Total** |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| At 1 January 2015 (audited) | 1,832,688 | – | 1,832,688 |
| Change in fair value of investment properties | 13,794 | – | 13,794 |
| At 30 June 2015 (unaudited) | 1,846,482 | – | 1,846,482 |

| | **30 June 2015** | 31 December 2014 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Carrying amount | **821,638** | 821,638 |
| Investment properties: | | |
| At fair value | **1,846,482** | 1,832,688 |

The Group's investment properties are situated in Mainland China and are held under medium term leases.

As at 30 June 2015 and 31 December 2014, the Group's investment properties with values of RMB1,846,482,000 and RMB1,832,688,000, respectively, were pledged to secure general interest-bearing bank loans and other borrowings granted to the Group (note 15).

## 12. INVESTMENT PROPERTIES *(Continued)*

### Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

| Recurring fair value measurement for: | 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* |
| 31 December 2014 (audited) | | | | |
| Commercial properties | – | – | 1,832,688 | 1,832,688 |
| 30 June 2015 (unaudited) | | | | |
| Commercial properties | **–** | **–** | **1,846,482** | **1,846,482** |

As at 30 June 2015 and 31 December 2014, 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 2015(audited) | 1,832,688 |
| Net gain from a fair value adjustment recognised in changes in fair value of investment properties in profit or loss | 13,794 |
| Carrying amount at 30 June 2015(unaudited) | 1,846,482 |

## 12. INVESTMENT PROPERTIES *(Continued)*

### Fair value and fair value hierarchy

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

## 13. TRADE RECEIVABLES

| | **30 June 2015** | 31 December 2014 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Trade receivables | **13,905** | 6,527 |
| Impairment | **(2,272)** | (1,430) |
| | **11,633** | 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.

## 13. TRADE RECEIVABLES *(Continued)*

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:

| | **30 June 2015 *RMB'000* (Unaudited)** | 31 December 2014 *RMB'000* (Audited) |
|---|---|---|
| Within one year | **11,633** | 5,097 |

The movements in provision for impairment of trade receivables are as follows:

| | *RMB'000* |
|---|---|
| As at 1 January 2015 and 31 December 2014(audited) | 1,430 |
| Impairment provision recognised | 842 |
| As at 30 June 2015(unaudited) | 2,272 |

Included in the above provision for impairment of trade receivables is provision for the impaired trade receivables of RMB2,272,000 and RMB1,430,000 with the carrying amount before provision of RMB13,905,000 and RMB6,527,000, as at 30 June 2015 and 31 December 2014, respectively.

The aged analysis of the trade receivables that are not individually or collectively considered to be impaired is as follows:

| | **30 June 2015 *RMB'000* (Unaudited)** | 31 December 2014 *RMB'000* (Audited) |
|---|---|---|
| Past due within one year but not impaired | **11,633** | 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.

## 14. TRADE PAYABLES

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

| | **30 June 2015** | 31 December 2014 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Less than one year | **591,959** | 684,526 |
| Over one year | **60,491** | 10,906 |
| | **652,450** | 695,432 |

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

## 15. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

| | | **30 June 2015** | 31 December 2014 |
|---|---|---|---|
| | | ***RMB'000*** | *RMB'000* |
| | | **(Unaudited)** | (Audited) |
| Bank loans, secured | | **920,700** | 600,000 |
| Other borrowings, secured | *(i)* | **1,500,000** | 800,000 |
| Bank loans and other borrowings | | **2,420,700** | 1,400,000 |
| Repayable within one year | | **85,000** | 85,000 |
| Repayable in the second year | | **295,000** | 295,000 |
| Repayable in the third to fifth years | | **1,950,700** | 930,000 |
| Repayable beyond five years | | **90,000** | 90,000 |
| | | **2,420,700** | 1,400,000 |
| Analysed into: | | | |
| Current | | **85,000** | 85,000 |
| Non-current | | **2,335,700** | 1,315,000 |
| | | **2,420,700** | 1,400,000 |

## 15. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS *(Continued)*

*(i)* The other borrowings represent borrowings from third-party financial institutions, which bear interest at the rate from 9.0% to 9.6% per annum.

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:

| | |
|---|---|
| For the six months ended 30 June 2015 | 6.33%-12.00% |
| 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 30 June 2015 and 31 December 2014 as follows:

| | | **30 June 2015** | 31 December 2014 |
|---|---|---|---|
| | | ***RMB'000*** | *RMB'000* |
| | | **(Unaudited)** | (Audited) |
| Equity interests in subsidiaries | *(ii)* | **369,283** | 290,038 |
| Investment properties | | **1,846,482** | 1,832,688 |
| Properties under development | | **2,059,743** | 1,056,334 |

*(ii)* As at 30 June 2015, the Group's other borrowings of RMB500,000,000, RMB150,000,000 and RMB150,000,000 (31 December 2014: RMB500,000,000, RMB150,000,000 and RMB150,000,000) are secured by the 100% equity interest of Taizhou Investment, Wenshang Times and Shangdong Xinmeng, the subsidiaries of the Company, respectively.

The Group's interest-bearing bank loans and other borrowings of RMB2,420,700,000 and RMB1,400,000,000 as at 30 June 2015 and 31 December 2014 were jointly guaranteed by the Controlling Shareholder, Mr. Chen Chengshou (the "Mr. Chen"), the non-executive Director, Ms. Gao Qiaoqin (the "Ms. Gao"), the Group's related company, Xinming Group Limited and Mr. Gao Liku, Ms. Hao Fang and Hangzhou Gaochuan Holding Co., Ltd,. the non-controlling shareholders of Shandong Xingmeng, a subsidiary of the Company; Mr. Shen Ming, Dongguan City Ouhai Shiye Co.,Ltd., Dongguan City Senxin Apparel Co., Ltd. and Zhejiang Xingji Elevators Co., Ltd., the non-controlling shareholders of Chongqing Xinming, a subsidiary of the Company, as set out in note 17(b)(v).

## 16. PROVISIONS

Onerous operating lease:

| | **30 June 2015** | 31 December 2014 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Current | **4,552** | 21,149 |
| Non-current | **1,441** | 3,161 |
| Total | **5,993** | 24,310 |

## 17. 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 |

## 17. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

**(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 six months ended 30 June 2015 and 2014:

***Nature of transactions***

*Recurring transactions*

| | For the six months ended 30 June | |
|---|---|---|
| | **2015** | 2014 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| **(i) Purchase of construction materials and receiving services from other related parties** | | |
| (1) Hangzhou Kaijie Decoration Co., Ltd. | **4,767** | 6,586 |
| (2) Zhejiang Shouchuang Industry Co., Ltd. | **–** | 6,187 |
| (3) Zhejiang Tianmao Landscape Engineering Co., Ltd. | **–** | 1,277 |
| | **4,767** | 14,050 |

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.

| | For the six months ended 30 June | |
|---|---|---|
| | **2015** | 2014 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| **(ii) Receiving property management services from other related party** | | |
| Shanghai Nanshuo Asset Operation and Management Co., Ltd. | **–** | 1,000 |

The property management services received from the above related party were made according to the prices and terms agreed between the related parties.

## 17. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

### (b) *(Continued)*

***Nature of transactions*** *(Continued)*

*Recurring transactions (Continued)*

| | For the six months ended 30 June | |
|---|---|---|
| | **2015** | 2014 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| **(iii) Leasing offices from other related party** | | |
| Hangzhou Taoyuan Shanzhuang Property Development Limited. | **75** | 75 |

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

**(iv)** 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*

**(v) Guarantees provided for interest-bearing bank loans and other borrowings by related parties**

As set out in note 15(ii), The Group's interest-bearing bank loans and other borrowings of RMB2,420,700,000 and RMB1,400,000,000 as at 30 June 2015 and 31 December 2014 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 Holding Co., Ltd., the non-controlling shareholders of Shandong Xingmeng, a subsidiary of the company; Mr. Shen Ming, Dongguan City Ouhai Shiye Co.,Ltd., Dongguan City Senxin Apparel Co., Ltd. and Zhejiang Xingji Elevators Co., Ltd., the non-controlling shareholder of Chongqing Xinming, a subsidiary of the Company.

## 17. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

### (c) Outstanding balances with related parties

| | **30 June 2015** | 31 December 2014 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| **Due from the Controlling Shareholder** | | |
| Mr. Chen Chengshou | **–** | 4,042 |
| **Due from other related parties** | | |
| Hangzhou Taoyuan Shanzhuang Property Development Limited | **3,009** | 3,492 |
| Shanghai Nanshuo Asset Operation and Management Co., Ltd. | **1,656** | – |
| | **4,665** | 3,492 |
| **Due to other related parties** | | |
| Xinming Group Limited | **–** | 215,291 |
| Zhejiang Tianmao Landscape Engineering Co., Ltd. | **1,529** | 12,053 |
| Hangzhou Kaijie Decoration Co., Ltd. | **7,027** | 18,452 |
| Zhejiang Shouchuang Industry Co., Ltd. | **7,097** | 9,991 |
| Shanghai Nanshuo Asset Operation and Management Co., Ltd. | **–** | 982 |
| | **15,653** | 256,769 |

## 18. 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.

As at 30 June 2015 and 31 December 2014, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

| | **30 June 2015** | 31 December 2014 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Within one year | **85,850** | 97,524 |
| In the second to fifth years, inclusive | **54,565** | 93,653 |
| | **140,415** | 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.

As at 30 June 2015 and 31 December 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

| | **30 June 2015** | 31 December 2014 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Within one year | **56,554** | 56,554 |
| In the second to fifth years, inclusive | **46,969** | 46,969 |
| | **103,523** | 103,523 |

## 19. COMMITMENTS

In addition to the operating lease commitment as detailed in note 18 above, the Group had the following capital commitments at the end of each reporting period:

| | **30 June 2015** *RMB'000* **(Unaudited)** | 31 December 2014 *RMB'000* (Audited) |
|---|---|---|
| *Contracted, but not provided for:* | | |
| Properties under development | **1,108,748** | 731,007 |

## 20. CONTINGENT LIABILITIES

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

| | **30 June 2015** *RMB'000* **(Unaudited)** | 31 December 2014 *RMB'000* (Audited) |
|---|---|---|
| Guarantees in respect of mortgage facilities granted to purchasers of the Group's properties *(1)* | **30,401** | 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 as at 30 June 2015 and 31 December 2014 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.

## 21. FINANCIAL INSTRUMENTS BY CATEGORY

The table below is an analysis of the carrying amounts of financial instruments by category as at 30 June 2015 and 31 December 2014:

| | **30 June 2015 RMB'000 (Unaudited)** | 31 December 2014 RMB'000 (Audited) |
|---|---|---|
| *Financial assets* | | |
| **Loans and receivables** | | |
| Trade receivables | **11,633** | 5,097 |
| Financial assets included in prepayments, deposits and other receivables | **277,502** | 650,767 |
| Due from the Controlling Shareholder | **–** | 4,042 |
| Due from other related parties | **4,665** | 3,492 |
| Restricted deposits | **511** | 18,401 |
| Cash and cash equivalents | **180,860** | 40,301 |
| | **475,171** | 722,100 |

| | **30 June 2015 RMB'000 (Unaudited)** | 31 December 2014 RMB'000 (Audited) |
|---|---|---|
| *Financial liabilities* | | |
| **Financial liabilities measured at amortised cost** | | |
| Trade payables | **652,450** | 695,432 |
| Other payables and accruals | **296,026** | 277,492 |
| Due to other related parties | **15,653** | 256,769 |
| Interest-bearing bank loans and other borrowings | **2,420,700** | 1,400,000 |
| | **3,384,829** | 2,629,693 |

## 22. FAIR VALUE AND FAIR VALUE HIERARCHY

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

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

*Liabilities measured at amortised cost:*

| | **Fair value measurement using Significant Unobservable Input (level 3)** | |
|---|---|---|
| | **30 June 2015** | 31 December 2014 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| **Fair Value** | | |
| Interest-bearing bank loans and other borrowings – non-current portion | **2,335,700** | 1,315,000 |

## 23. 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 30 June 2015 and 31 December 2014 the amounts due from other related parties, including the Controlling Shareholder, are RMB7,534,000 and RMB74,665,000 respectively. The Group did not record any significant bad debt losses as at 30 June 2015 and 31 December 2014.

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.

## 23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

### 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 30 June 2015 and 31 December 2014, based on the contractual undiscounted payments, was as follows:

| | Within 1 year *RMB'000* | Within 2 to 5 years *RMB'000* | More than 5 years *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|
| **30 June 2015(unaudited)** | | | | |
| Trade payables | **652,450** | – | – | **652,450** |
| Other payables and accruals | **296,026** | – | – | **296,026** |
| Due to other related parties | **15,653** | – | – | **15,653** |
| Interest-bearing bank loans and other borrowings | **266,747** | **2,607,483** | **115,554** | **2,989,784** |
| | **1,230,876** | **2,607,483** | **115,554** | **3,953,913** |
| Financial guarantee issued: Maximum amount guaranteed *(Note 20)* | **30,401** | – | – | **30,401** |

## 23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

### Liquidity risk *(Continued)*

| | Within 1 year *RMB'000* | Within 2 to 5 years *RMB'000* | More than 5 years *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|
| **31 December 2014 (audited)** | | | | |
| 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 20)* | 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.

## 23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

### 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:

| | **30 June 2015 *RMB'000* (Unaudited)** | 31 December 2014 *RMB'000* (Audited) |
|---|---|---|
| Interest-bearing bank loans and other borrowings | **2,420,700** | 1,400,000 |
| Less: Cash and cash equivalents | **(180,860)** | (40,301) |
| Net debt | **2,239,840** | 1,359,699 |
| Total equity | **1,047,276** | 940,900 |
| Total equity and net debt | **3,287,116** | 2,300,599 |
| Gearing ratio | **68%** | 59% |

## 24. EVENTS AFTER THE REPORTING PERIOD

The shares of the Company have been listed on the Main Board of the Stock Exchange since 6 July 2015.

In connection with the Company's Global Offering on the Stock Exchange on 6 July 2015, 470,000,000 ordinary shares of HK 0.01 each were issued at a subscription price of HKD1.43 per share for a total cash consideration, before expenses of HKD672,100,000 (approximately RMB530,327,000) Dealing in these shares on the Stock Exchange commenced on 6 July 2015.

Saved as above, there is no material subsequent event undertaken by the Group after 30 June 2015.

## 25. APPROVAL OF THE UNAUDITED INTERIM FINANCIAL INFORMATION

The unaudited interim financial information was approved and authorised for issue by the Board of Directors on 25 August 2015.