Chen Xing Development Holdings Limited

辰興發展控股有限公司

(Incorporated in Cayman Islands with limited liability)

(於開曼群島註冊成立的有限公司)

Stock code: 2286

股份代號：2286

2015 Annual Report

年報

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Bai Xuankui *(Chairman)*
Mr. Bai Wukui *(Chief executive officer)*
Mr. Bai Guohua
Mr. Dong Shiguang
Mr. Zhang Yongcheng

Independent Non-executive Directors

Mr. Gu Jiong
Mr. Qiu Yongqing
Mr. Tian Hua

COMPANY SECRETARY

Ms. Ng Wing Shan

AUTHORIZED REPRESENTATIVES

Mr. Bai Guohua
Ms. Ng Wing Shan

AUDIT COMMITTEE

Mr. Gu Jiong *(Chairman)*
Mr. Tian Hua
Mr. Qiu Yongqing

REMUNERATION COMMITTEE

Mr. Tian Hua *(Chairman)*
Mr. Gu Jiong
Mr. Bai Xuankui

NOMINATION COMMITTEE

Mr. Bai Xuankui *(Chairman)*
Mr. Qiu Yongqing
Mr. Gu Jiong

AUDITOR

Ernst & Young

COMPLIANCE ADVISOR

TC Capital Asia Limited

PRINCIPAL BANKERS

Industrial and Commercial Bank of China Limited
Bank of Communications Co., Ltd.
China Construction Bank Corporation
Bank of China Limited
Jinzhong Economic and
Technological Development Zone Rural Credit Union

LEGAL ADVISORS

As to Hong Kong law
Mayer Brown JSM

As to PRC law
Jingtian & Gongcheng

REGISTERED OFFICE

Cricket Square, Hutchins Drive, PO Box 2681
Grand Cayman, KY1-1111, Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

18 Anning Street
Yuci District, Jinzhong City
Shanxi Province
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

18/F, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive, PO Box 2681
Grand Cayman, KY1-1111, Cayman Islands

SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre, 183 Queen's Road East
Wanchai, Hong Kong

PLACE OF LISTING

The Stock Exchange of Hong Kong Limited
(the "Stock Exchange")

STOCK CODE

2286

COMPANY WEBSITE

www.chen-xing.cn

FINANCIAL HIGHLIGHTS

- For the year ended 31 December 2015 (the "**Reporting Period**"), contracted sales amounted to RMB1,284.0 million and the corresponding contracted gross floor area ("**GFA**") amounted to approximately 249,484 sq.m., representing an increase of 0.1% and 2.8% comparing with the same period last year, respectively;
- Revenue for the Reporting Period amounted to RMB966.2 million, of which RMB958.2 million was revenue from property development;
- Gross profit for the Reporting Period amounted to RMB281.4 million, of which RMB273.3 million was gross profit from property development;
- Net profit for the Reporting Period amounted to RMB288.0 million, of which RMB290.1 million was net profit attributable to equity holders of the Company;
- Total GFA of land bank amounted to 2,389,531 sq.m. and the average cost of land bank was RMB653.7 per sq.m. for the Reporting Period;
- Contracted average sales price ("**Average Sales Price**") for the Reporting Period was RMB5,146.6 per sq.m.;
- Basic earnings per share for the Reporting Period was RMB0.64; and
- The Board proposed a final dividend of HK$0.5 per share.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Chen Xing Development Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**"), I am pleased to present the annual results of the Group for the year ended 31 December 2015.

REVIEW OF ANNUAL RESULTS FOR 2015

According to the National Bureau of Statistics of the PRC, investment in property development for the whole country amounted to RMB9,597.9 billion in 2015, representing a nominal growth of 1.0% from the previous year. New housing construction area amounted to 1,544,540,000 sq.m., a decrease of 14.0% from the previous year. Commodity housing sales area in the whole country amounted to 1,284,950,000 sq.m., representing a growth of 6.5% from the previous year. Commodity housing sales amounted to RMB8,728.1 billion, representing a growth of 14.4% from the previous year.

In 2015, the State Council defined in its work report the policy tone of supporting demands for owner-occupied and upgraded housing, while the People's Bank of China cut the benchmark interest rate for deposits and loans and the reserve requirement ratio for five times. The property market picked up mildly due to the continuous promulgation of favorable policies.

In such market situation in 2015, the Company has always adhered to the advanced development ideas and adopted sales strategies in line with market changes for project promotion. As such, the Group achieved a growth in its results for 2015.

In 2015, the Group achieved contracted sales of RMB1,284 million, representing an increase of approximately 0.1% as compared to the same period last year. Contracted GFA was 249,484 sq.m., representing an increase of 2.8% as compared to the same period last year. The Group's revenue amounted to RMB966.2 million, of which RMB958.2 million was derived from property development, an increase of 17.0% as compared to the same period last year.

In respect of land bank, the Company has always adopted a prudent strategy for land acquisitions and project site selection and endeavors to obtain premium land parcels at competitive costs. In 2015, the Group acquired a new parcel of land in Hainan with a site area of 92,521.26 sq.m.. The land acquisition cost was approximately RMB1,238 per sq.m. on average with planned GFA of 126,161 sq.m.. As at 31 December 2015, the Group had a land bank with a total GFA of approximately 2.4 million sq.m. and average land cost of approximately RMB653.7 per sq.m..

PROSPECTS FOR 2016

Looking ahead to 2016, as the central government of the PRC continues to promote the structural reform from the supply side and focuses on the improvement of supply efficiency and quality in the supply system, the PRC economy will change the approach for driving development and continue to achieve steady growth. The approach adopted by the central government of the PRC towards the property sector has been adjusted to relieve real estate inventory and increase effective demand. A series of policies which are favorable for reducing real estate inventory will be promulgated and implemented successively. This, together with adjustment of the household registration system and implementation of policies relating to residence permits, shall bring new demand to the market and further propel the market to grow. The Group is cautiously optimistic about the development prospect of the real estate industry in the PRC for 2016.

In addition to a full understanding of the macro economy and market changes, the Group will implement an efficient project operation and management system in 2016. Leveraging on competitive land cost, good brand image and flexible sales policies, the Group intends to maintain continuous, rapid and healthy development.

As competition in the real estate industry intensified and industry differentiation strengthened, the central government of the PRC provided several policy guidances in 2015 on promoting merger and acquisition ("M&A") in the real estate industry and improving industry concentration. In 2016, the Group will make full use of the capital market and attach great importance to M&A opportunities by timely adopting measures such as project acquisition, equity M&A and participation in reorganisations, so as to obtain premium resources, effectively reduce land cost and expand operation scale. In view of the industry prospect and new development trend, the Group will also continue to optimize its business chain coverage, duly expand its business scope and try diversified development strategies to grow and strengthen its business continuously.

ACKNOWLEDGEMENT

Finally, I would like to express my sincere gratitude on behalf of the Board to all our staff for their hard work, and heartfelt thanks to investors, customers and business partners for their strong support for and trust in the Group.

Bai Xuankui
Chairman

Jinzhong, Shanxi, the PRC
24 March 2016

BUSINESS REVIEW

For the year ended 31 December 2015, the amount of Group's contracted sales were RMB1,284.0 million, an increase of 0.1% as compared to the same period last year. For the year ended 31 December 2015, the Group's revenue was RMB966.2 million, an increase of 17% as compared to the same period last year. Revenue derived from property development was RMB958.2 million, an increase of 17% as compared to the same period last year. For the year ended 31 December 2015, the Group had net profit of RMB288.0 million of which net profit attributable to equity holders of the Company was RMB290.1 million.

CONTRACTED SALES

The amount of Group's contracted sales for the year ended 31 December 2015 and the year ended 31 December 2014 were approximately RMB1,284.0 million and approximately RMB1,282.5 million, respectively, representing a growth of 0.1%. Contracted total GFA was approximately 249,484 sq.m. and approximately 242,776 sq.m., respectively, representing a growth of 2.8% as compared to the same period last year. The Group's contracted sales from Jinzhong, Taiyuan and Mianyang by geographic location were approximately RMB180.9 million, approximately RMB809.4 million and approximately RMB293.7 million, respectively, accounting for 14.1%, 63.0% and 22.9%, respectively of the total contracted sales.

The table below sets forth the Group's contracted sales for the year ended 31 December 2015 by geographic location:

	Contracted Sales for 2015 (RMB million)	Contracted Sales for 2014 (RMB million)	Contracted GFA for 2015 (sq.m.)	Contracted GFA for 2014 (sq.m.)	Contracted Average Sales Price for 2015 (RMB/sq.m.)	Contracted Average Sales Price for 2014 (RMB/sq.m.)
Jinzhong						
Grand International Apartments (君豪公寓)	13.1	16.6	2,727	3,498	4,806.8	4,747.2
Grand International Mall (君豪商城)	0.8	3.0	81	294	10,221.8	10,151.9
Shuncheng Street Underground Space (順城街地下空間)	11.4	—	897	—	12,682.4	—
Xin Xing International Cultural Town (新興國際文教城) (Phase IV and Phase V)	155.6	155.0	32,084	29,764	4,850.7	5,207.0
Taiyuan						
Yosemite Valley Town –Taiyuan (龍城優山美郡) (Phase I)	809.4	981.3	145,494	180,962	5,660.9	5,422.9
Mianyang						
Yosemite Valley Town–Mianyang (綿陽優山美郡)	43.7	15.1	10,806	3,461	4,047.9	4,353.9
Elite Gardens (綿陽天禦)	61.8	111.5	15,101	24,797	4,093.0	4,497.0
Chang Xing Star Gardens (綿陽長興星城)	188.2	—	42,294	—	4,448.6	—
Total	1,284.0	1,282.5	249,484	242,776	5,146.6	5,282.6

Note:

Contracted sales, total contracted GFA and contracted Average Sales Price in the above table also include car parking spaces sold, if applicable.

Property Projects

The Group's property projects are divided into the following three categories depending on their development stage: completed properties, properties under development and properties held for future development. As some of our projects are developed successively in several phases, a single project may involve different development phases like completed, under development and held for future development.

As at 31 December 2015, the Group had a completed total GFA of 1,839,018 sq.m. and a land bank with a total GFA of 2,389,531 sq.m., comprising: (i) a total GFA of 206,740 sq.m. which is completed but unsold; (ii) a total GFA of 1,288,480 sq.m. which is under development; and (iii) a total planned GFA of 894,311 sq.m. held for future development.

The Group selectively retains the ownership of substantially all self-developed commercial properties with a strategic value to generate sustainable and stable revenue. As at 31 December 2015, the Group had investment properties with a total GFA of 21,613 sq.m..

Property Portfolio Summary

Intended use[1]	Completed Total GFA (sq.m.)	Under development Total GFA (sq.m.)	Held for future development Total GFA (sq.m.)
Mid-rise (小高層)	740,213	47,408	28,592
High-rise (高層)	352,386	788,025	502,393
Townhouses (聯排)	27,625	—	—
Multi-story garden apartments (多層洋房)	576,829	—	54,452
Retail Outlets	115,350	171,159	114,657
SOHO apartments	6,931	—	—
Hotels	—	—	22,119
Parking Spaces	17,153	273,808	144,732
Ancillary [2]	2,531	8,080	27,366
Total GFA	1,839,018	1,288,480	894,311
Attributable GFA [3]	1,799,819	1,020,425	870,105

Notes:

(1) Includes the portion of GFA held by the Group as utilities not saleable or leasable.

(2) Comprises primarily utilities which are not available for sale.

(3) Comprises the portion of the total GFA attributable to the Group based on the Group's effective interest in the relevant projects or project phases.

Completed Projects

The following table sets forth a summary of information on the Group's completed projects and corresponding project phases if any as at 31 December 2015:

Project	Project type	Actual completion date	Site area (sq.m.)	Completed GFA (sq.m.)	Saleable/ Leasable GFA remaining unsold (sq.m.)	GFA held for investment (sq.m.)	GFA sold (sq.m.)	Other GFA(1) (sq.m.)	Ownership Interest(2) (%)
Jinzhong									
1. East Lake Mall (東湖井)	Retail Outlet	July 2000	1,330	17,886	–	10,610	7,276	–	100
2. Grand International Mall & Apartments (君豪國際)	Residential/ Commercial	June 2007	7,465	65,543	11,385	8,241	45,917	–	100
3. Blossom Gardens (錦繡新城)	Residential	April 2007	5,261	39,080	–	–	39,080	–	100
4. Xin Xing International Cultural Town (新興國際文教城)									
Phase I	Residential	December 2005	5,600	24,602	–	–	24,602	–	100
Phase II	Residential/Commercial	April 2012	17,968	93,060	161	–	92,748	151	100
Phase III	Residential/Commercial	December 2009	255,918	545,046	3,701	–	541,345	–	100
Phase IV (partial)	Residential/Commercial	September 2014	30,987	71,106	8,262	–	62,844	–	100
5. Upper East Gardens (上東庭院)									
Phase I	Residential/Commercial	November 2006	19,361	47,926	–	–	47,926	–	100
Phase II	Residential/Commercial	December 2011	24,343	75,889	2,219	–	73,670	–	100
6. Riverside Gardens–Zuoquan (左權濱河嘉園)	Residential/Commercial	December 2007	73,035	98,545	–	–	97,990	555	100
7. SOLO Apartments (尚座公寓)	Commercial/Complex	September 2009	2,411	9,783	312	–	9,471	–	100
8. Riverside Gardens–Heshun (和順濱河小區)									
Phase I	Residential	June 2008	60,100	62,507	833	–	61,334	340	100
Phase II	Residential	October 2012	5,898	51,217	–	–	51,217	–	100
9. Mandarin Gardens–Taigu (太谷文華庭院)	Residential/ Commercial	May 2011	30,690	51,525	–	–	51,525	–	100
10. Shuncheng Street Underground Space (順城街地下空間)	Retail Outlet	August 2015	–	897	–	–	897	–	100
Taiyuan									
1. Yosemite Valley Town–Taiyuan Phase I (Southern District) (龍城優山美郡一期南區)	Residential/ Commercial	December 2014	115,050	341,083	80,965	–	260,118	–	100
Mianyang									
1. Yosemite Valley Town–Mianyang (綿陽優山美郡)	Residential/ Commercial	May 2012	74,124	126,447	48,590	–	76,012	1,845	83.89
2. Elite Gardens (綿陽天禦)	Residential/ Commercial	September 2014	68,529	116,876	50,312	–	65,877	687	83.89
Total			**798,070**	**1,839,018**	**206,740**	**18,851**	**1,609,849**	**3,578**	
Total Attributable GFA(3)			**775,089**	**1,799,819**	**190,807**	**18,851**	**1,586,991**	**3,170**	

Notes:

(1) Includes the portion of GFA held by the Group as utilities not saleable or leasable.

(2) Calculated based on the Group's effective ownership interest in the respective project companies.

(3) Comprises the portion of the total GFA attributable to the Group based on the Group's effective interest in the relevant projects or project phases.

Properties under Development and Properties Held for Future Development

The following table sets forth a summary of information on the Group's projects under development and corresponding project stages if any and properties held for future development as at 31 December 2015:

				Under development			Held for future development		
Project	Project Type	Site area (sq.m.)	Actual/ Estimated completion date	GFA under development (sq.m.)	Saleable/ Leasable GFA (sq.m.)	GFA pre-sold (sq.m.)	Planned GFA (sq.m.)	GFA with the land use right certificate not yet obtained (sq.m.)	Ownership Interest [1] (%)
Jinzhong									
1. **Xin Xing International Cultural Town (新興國際文教城)**		22,578		73,278	59,625	45,288	–	–	100
Phase IV (partial)	Parking Space	–	March 2016	10,949	8,840				100
Phase V	Residential/Commercial	22,578	March 2016	62,329	50,785	45,288			100
2. **Phase I of Longtian Project (龍田項目一期)**		129,049		449,634	428,000	–	–	–	51
Stage I	Residential/Commercial/ Parking Space	14,346	September 2016	78,954	74,203	–	–	–	51
Stage II	Residential/Commercial/ Parking Space	24,367	June 2016	110,725	101,386	–	–	–	51
Stage III	Residential/Commercial/ Parking Space	26,682	December 2016	126,120	121,061	–	–	–	51
Stage IV	Commercial/Parking Space	13,422	June 2016	28,819	28,819	–	–	–	51
Stage V	Commercial/Parking Space	50,232	June 2016	105,016	102,531	–	–	–	51
Taiyuan									
1. **Yosemite Valley Town–Taiyuan (龍城優山美郡)**		303,440		469,264	393,577	183,573	617,900	617,900	100
Phase I (Southern District)	Commercial/Parking Space	2,078	December 2016	72,399	72,325	–	–	–	100
Phase I (Northern District)	Residential/Commercial	108,005	May 2017	396,865	321,252	183,573	–	–	100
Phase II	Residential/Commercial	111,477	December 2018	–	–	–	394,100	394,100	100
Phase III	Residential/Commercial	60,080	December 2019	–	–	–	212,400	212,400	100
Phase IV	Primary School	21,800	December 2017	–	–	–	11,400	11,400	100
Mianyang									
1. **Chang Xing Star Gardens (綿陽長興星城)**		104,308		296,304	291,754	42,294	150,250	–	83.89
Phase I	Residential/Commercial/ Hotel	68,150	January 2017	296,304	291,754	42,294	–	–	83.89
Phase II	Residential/Commercial	36,158	May 2019	–	–	–	150,250	–	83.89
Wuzhishan		92,522		–	–	–	126,161	–	100
Phase I	Commercial	28,745	December 2017	–	–	–	43,117	–	100
Phase II	Residential	23,827	October 2018	–	–	–	28,592	–	100
Phase III	Residential	18,244	October 2018	–	–	–	21,893	–	100
Phase IV	Residential	21,706	October 2019	–	–	–	32,559	–	100
Total		651,897		1,288,480	1,172,956	271,155	894,311	617,900	
Total Attributable GFA [2]				1,020,425	916,234	264,341	870,105	617,900	

Notes:

(1) Calculated based on the Group's effective ownership interest in the respective project companies.

(2) Comprises the portion of the total GFA attributable to the Group based on the Group's effective interest in the relevant projects or project phases.

The table below sets forth a summary of information on the Group's investment properties as at 31 December 2015:

Project	Type of property	Total GFA held for Investment (sq.m.)	Effective leased GFA (sq.m.)	Occupancy rate (%)	Rental income for the year ended 31 December 2015 (RMB million)	2014
Grand International Mall & Apartments (君豪國際)	Retail Outlet	8,241	4,847	87.4	4.3	3.8
East Lake Mall (東湖井)	Retail Outlet	10,610	9,584	100	1.8	1.6
Office Building of West Yingbin Street (迎賓西街辦公室)	Retail Outlet	2,762	2,762	100	2.0	–
Total		**21,613**	**17,193**	**–**	**8.1**	**5.4**

Land Bank

The table below sets forth a summary of the Group's land bank as at 31 December 2015 by geographic location:

	Completed	Under development	Future developemnt	Total land bank[1]	% of total land bank	Average land cost
	Saleable/ Leasable GFA remaining unsold	GFA Under Development	Planned GFA (sq.m.)	Total GFA	(%)	(RMB/sq.m.)
Jinzhong	26,872	522,911	–	549,783	23.0	825.3
Taiyuan	80,965	469,265	617,900	1,168,130	48.9	393.5
Mianyang	98,903	296,304	150,250	545,457	22.8	643.5
Wuzhishan	–	–	126,161	126,161	5.3	1238.4
Total	**206,740**	**1,288,480**	**894,311**	**2,389,531**	**100.0**	**653.7**

Note:

(1) Land bank equals the sum of (i) saleable/leasable GFA remaining unsold, (ii) total GFA under development and (iii) total planned GFA held for future development.

The table below sets forth a summary of the Group's land bank as at 31 December 2015 by type of property:

	Completed	Under development	Future development	Total land bank[1]	% of total land bank
	Saleable/ Leasable GFA remaining unsold	GFA Under Development	Planned GFA	Total GFA	
			(sq.m.)		(%)
Mid-rise (小高層)	7,907	47,408	28,592	83,907	3.5
High-rise (高層)	61,605	788,025	502,393	1,352,023	56.7
Townhouses (聯排)	3,033	—	—	3,033	0.1
Multi-story garden apartments (多層洋房)	80,406	—	54,452	134,858	5.6
Retail Outlets	37,338	171,159	114,657	323,154	13.5
SOHO apartments	113	—	—	113	0.0
Hotels	—	—	22,119	22,119	0.9
Parking	16,338	273,808	144,732	434,878	18.2
Ancillary [2]	—	8,080	27,366	35,446	1.5
Total	**206,740**	**1,288,480**	**894,311**	**2,389,531**	**100.0**

Notes:

(1) Land bank equals the sum of (i) saleable/leasable GFA remaining unsold, (ii) total GFA under development and (iii) total planned GFA held for future development.

(2) Comprises primarily utilities which are not available for sale.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2015, the Group's revenue was RMB966.2 million, representing an increase of 17% from RMB825.9 million for the same period last year. The increase was primarily due to the completion of Southern District of Phase I of Yosemite Valley Town — Taiyuan generated a substantial increase in revenue.

Revenue from property development for the year ended 31 December 2015 was RMB958.2 million, representing an increase of 17% as compared to the same period last year. The increase was primarily due to an increase in revenue from property development of the Company in relation to Southern District of Phase I of Yosemite Valley Town – Taiyuan.

Sales and Services Cost

The Group's sales and services cost increased by 17% from RMB587.4 million for the year ended 31 December 2014 to RMB684.8 million for the year ended 31 December 2015, which was primarily due to a corresponding increase in cost of sales with the increase in sales income.

Gross Profit

For the year ended 31 December 2015, the Group's gross profit was RMB281.4 million, representing an increase of 18% from RMB238.4 million for the year ended 31 December 2014. The gross profit margin was 29% for the year ended 31 December 2015, as compared to 29% for the year ended 31 December 2014.

For the year ended 31 December 2015, the gross profit of property development of the Group was RMB273.3 million, representing an increase of 17% from RMB233.1 million for the year ended 31 December 2014. The increase in the gross profit of property development of the Group was primarily due to the increase in the gross profit of property development of the project of Southern District of Phase I of Yosemite Valley Town — Taiyuan during the year ended 31 December 2015. The gross profit margin of property development was 29% for the year ended 31 December 2015, as compared to 28% for the year ended 31 December 2014.

Other Income and Gains

The Group's other income and gains were RMB292.9 million for the year ended 31 December 2015, as compared to RMB5.5 million for the year ended 31 December 2014, which was primarily due to government' grants recognized for the year. For the details of government' grants, please refer to page 303 to 304 of the Company's Prospectus (the "**Prospectus**") dated 22 June 2015.

Net Profit Attributable of Equity Holders of the Company

For the year ended 31 December 2015, net profit attributable of equity holders of the Company was RMB290.1 million, representing an increase of 178% from RMB104.3 million for the year ended 31 December 2014, which was primarily due to the increase in net profit of the Group.

Change in Fair Value of Investment Properties

Change in fair value of investment properties increased from nil for the year ended 31 December 2014 to RMB4.5 million for the year ended 31 December 2015, which was primarily due to the increase fair value of Grand International Mall.

Selling and Distributing Expenses

Selling and distributing expenses increased by 22% from RMB38.7 million for the year ended 31 December 2014 to RMB47.4 million for the year ended 31 December 2015, which was primarily due to the fact that more marketing efforts were put on the Group's projects, Yosemite Valley Town — Taiyuan and Chang Xing Star Gardens.

Administrative Expenses

Administrative expenses increased by 67% from RMB36.3 million for the year ended 31 December 2014 to RMB60.8 million for the year ended 31 December 2015. This was primarily due to the listing expenditures incurred for the listing process of the Company on the Stock Exchange in the year and a corresponding increase in the Group's headcount and increase in average salaries and benefits of the Group's staff with the expansion of the Group's operations.

Finance Costs

Finance costs increased by 214% from RMB2.2 million for the year ended 31 December 2014 to RMB6.9 million for the year ended 31 December 2015, which was primarily due to new loans were obtained by the Group during the Reporting Period.

Income Tax Expense

Income tax expense increased from RMB60.0 million for the year ended 31 December 2014 to RMB151.6 million for the year ended 31 December 2015, which was primarily due to the increase in profit before tax. The PRC corporate income tax and land appreciation tax of the Group for the year ended 31 December 2015 were RMB134.8 million and RMB16.8 million, respectively.

Profit and Total Comprehensive Income for the year

As a result of the foregoing, the Group's profit and total comprehensive income for the year increased from RMB106.4 million for the year ended 31 December 2014 to RMB321.6 million for the year ended 31 December 2015.

Cash Position

As at 31 December 2015, the Group's cash and cash equivalents were approximately RMB617.2 million, representing an increase of 57% as compared to RMB393.5 million as at 31 December 2014.

Net Operating Cash Flow

The Group recorded a positive operating cash flow of RMB204.1 million as at 31 December 2015, while the Group recorded a positive operating cash flow of RMB428.5 million as at 31 December 2014.

Borrowings

The Group had outstanding bank borrowings and borrowings from a related party of RMB662.0 million and RMB80.0 million as at 31 December 2015, respectively.

Pledged Assets

Some of the Group's borrowings were secured by its properties under development, investment properties and properties, plants and equipments or combinations of the above. As at 31 December 2015, the assets pledged to secure certain borrowing granted to the Company amounted to RMB1,395.5 million.

Financial Guarantees and Contingent Liabilities

In line with market practice, the Group has entered into schemes of arrangement with various banks for the provision of mortgage financing to its customers. The Group does not conduct any independent credit checks on customers, but rely on credit checks conducted by mortgagee banks. As with other property developers in the PRC, the banks usually require the Group to guarantee its customers' obligation to repay the mortgage loans on the properties. The guarantee period normally lasts until the bank receives the strata-title building ownership certificate (分戶產權證) from the customer as security of the mortgage loan granted. As at 31 December 2015, the Group's outstanding guarantees in respect of the mortgages of its customers amounted to RMB866.7 million.

The Group had no other material contingent liabilities as at 31 December 2015.

Gearing Ratio

As at 31 December 2015, based on the Group's total debt of approximately RMB742.9 million and total equity of approximately RMB1,123.3 million, the gearing ratio of the Group was 66.1% (31 December 2014: approximately 108.4%). The decrease in gearing ratio was mainly due to an increase in total equity in the year.

Foreign Currency Risk

The Group operates mainly in the PRC. Most of its revenue and expenses are settled in RMB, which is translated into foreign currencies at the exchange rate fixed by the People's Bank of China. Due to the effects of various factors, such as the changes in the political and economic conditions in the PRC, the exchange rate of RMB against US dollar and HK dollar may fluctuate. The Board expects that the fluctuation of RMB exchange rate will not have material and adverse effects to the Group. The Group does not have hedging policy in respect of the foreign currency risk.

Material Acquisitions and Disposals and Significant Investments

For the year ended 31 December 2015, the Group had completed the material acquisitions for the purpose of the reorganisation of the Group in preparation for its Listing and in the ordinary course of business of the Group. Please refer to the Prospectus for further details.

On 15 July 2015, Chenxing Real Estate Development Co., Ltd. (辰興房地產發展有限公司) ("**Chen Xing**"), an indirect wholly-owned subsidiary of the Company in the PRC, made a capital contribution of RMB49.66 million to Wuzhishan Kim Jin Yao Yang Real Estate Development Co., Ltd. (五指山金辰曜陽房地產開發有限公司) ("**Kim Jin Yao Yang**"). Following the capital contribution, Chen Xing would hold a stake of 55% in Kim Jin Yao Yang.

On 30 October 2015, Chen Xing entered into an equity transfer agreement with Wuzhishan Kim Tai De Yao Yang Vacation Elderly Care Development Co. Ltd.* (五指山金泰德曜陽度假養老產業發展有限公司) ("**Kim Tai De Yao Yang**"), pursuant to which, Chen Xing acquired 45% of the equity interest in the Kim Jin Yao Yang held by Kim Tai De Yao Yang at a consideration of RMB40,620,000.Upon Completion, the Company will indirectly hold 100% of the equity interest in Kim Jin Yao Yang and Kim Jin Yao Yang will become an indirect wholly-owned subsidiary of the Company. Kim Jin Yao Yang held land parcels which involve four state-owned land use rights cases and are situated in Wuzhishan City, Hainan Province, the PRC with an aggregate area of 92,521.26 sq.m., which will be used for property development. On 11 March 2016, the name Kim Jin Yao Yang was changed to Wuzhishan Chenxing Real Estate Development Co., Ltd. (五指山辰興房地產開發有限公司).

On 17 December 2015, Real Estate Development Company of Jinzhong Development District (晉中開發區房地產開發公司) ("**Jinzhong Development**"), an indirect wholly-owned subsidiary of the Company, succeeded in the bid for one land parcel located in Jinzhong Economic and Technology Development District with an aggregate area of 27,725.2 sq.m. at the listing-for-sale at an aggregate price of RMB79.1 million. The Group had received confirmation of completion in relation to successful bidding for transfer of land use rights on 17 December 2015. The Group is preparing to enter into land transfer contracts for completion of land acquisition.

On 24 December 2015, Jinzhong Development, an indirect wholly-owned subsidiary of the Company, succeeded in the bid for three land parcels located in Jinzhong Economic and Technology Development District with an aggregate area of 63,172.42 sq.m. at the listing-for-sale at an aggregate price of RMB112.8 million. The Group had received confirmation of completion in relation to successful bidding for transfer of land use rights on 24 December 2015. The Group is preparing to enter into land transfer contracts for completion of land acquisition.

Save as disclosed in the Prospectus and mentioned above, the Group did not have any material acquisitions and disposals and significant investments as at 31 December 2015.

Future Plans for Material Investments or Capital Assets

The Company will continue to invest in property development projects and acquire suitable land parcels in selected cities, if it thinks fit. It is expected that internal resources and bank borrowings will be sufficient to meet the necessary funding requirements. Save as disclosed in the Prospectus and mentioned above, the Group did not have any future plans for material investments as at the date of this report.

Development of Litigation

On 22 January 2016, the Company received the judgment (2015) Jin Min Zhong Zi No. (375) issued by the Supreme People's Court of Shanxi Province (the "**Supreme People's Court**") in relation to the relevant litigation between Chen Xing, the defendant, and Shanxi Yuci Huayi Company Limited (山西榆次華益型鋼有限公司) ("**Shanxi Yuci Huayi**"), the plaintiff, pursuant to which the Supreme People's Court rejected the Company's appeal and reaffirmed the following judgment of the Intermediate People's Court:

1. Chen Xing was ordered to pay Shanxi Yuci Huayi an aggregate sum of RMB7,150,650 for the compensation of residential units and shops; and

2. denied all other claims of Shanxi Yuci Huayi.

The Supreme People's Court also reaffirmed the orders on legal costs for proceedings in the Intermediate People's Court and ordered that RMB206,434 and RMB61,855 of the legal costs for these appeal proceedings shall be borne by Shanxi Yuci Huayi and Chen Xing respectively.

As disclosed in the Prospectus, a deed of indemnity dated 19 June 2015 was entered into by the controlling Shareholders in favour of the Company, pursuant to which the controlling Shareholders shall jointly and severally indemnify the Group for any claim to which the Company may be subject in respect of any disputes, arbitrations or legal proceedings occurring on or before 3 July 2015 (being the date on which the Company's shares were listed on the Stock Exchange) (the "**Listing Date**"). The Company considers that the results of the relevant litigation will have no material adverse effect on the business, results of operations and financial conditions of the Group.

Employees and Remuneration Policies

As at 31 December 2015, the Group had approximately 199 employees. For the year ended 31 December 2015, the Group incurred employee costs of approximately RMB19.0 million. Remuneration for the employees generally includes salary and performance-based quarterly bonuses. As required by applicable PRC laws and regulations, the Group participates in various employee benefit plans of the municipal and provincial governments, including housing provident funds, pension, medical, maternity, occupational injury and unemployment benefit plans.

USE OF PROCEEDS FROM LISTING

The net proceeds of the Company from initial public offering (after deducting underwriting fees and related expenses) amounted to approximately HK$239.4 million, are intended to be applied in the manner consistent with that set out in the Prospectus.

FINAL DIVIDEND

The Board recommended the payment of a final dividend ("**Final Dividend**") for the year ended 31 December 2015 of HK$0.5 per share, amounting to a total of HK$250 million (equivalent to RMB209.5 million) to the Shareholders whose names appeared on the register of members of the Company on 27 May 2016. Subject to the Shareholders' approval at the annual general meeting ("**AGM**") of the Company to be convened on 19 May 2016, the Final Dividend will be paid on or around 3 June 2016.

There is no arrangement that the Shareholder has waived or agreed to waive any dividend.

ANNUAL GENERAL MEETING

The AGM will be convened on 19 May 2016, a notice of AGM will be published and despatched to the Shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

(a) For ascertaining the Shareholders' entitlement to attend and vote at the AGM. The register of members of the Company will be closed from Tuesday, 17 May 2016 to Thursday, 19 May 2016, both days inclusive. In order to be eligible to attend and vote at the AGM, all share transfer documents must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 16 May 2016.

(b) For ascertaining the Shareholders' entitlement to the Final Dividend, subject to the Shareholders' approval at the AGM, the register of members of the Company will be closed from Wednesday, 25 May 2016 to Friday, 27 May 2016, both days inclusive. In order to be eligible to receive the Final Dividend, all share transfer documents must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 24 May 2016.

EXECUTIVE DIRECTORS

Mr. Bai Xuankui (白選奎), aged 63, is one of the founders and controlling shareholders of the Group. He is also an executive Director, chairman of the Board and chairman of the nomination committee of the Company as well as the chairman of Chenxing Real Estate Development Co., Ltd. (辰興房地產發展有限公司) ("Chen Xing"), being the principal operating subsidiary of the Group in the PRC. Mr. Bai Xuankui is also a director of White Empire (PTC) Limited, one of the Controlling Shareholders of the Company. Mr. Bai Xuankui has over 20 years of experience in property development, management and operation.

Mr. Bai Xuankui founded the Group in 2004 and since then has been leading the Group to engage in property development.

Before founding the Group, Mr. Bai Xuankui worked at Xinxing Construction Ltd. (新興建築公司) where he successively served as assistant manager and manager from April 1983 to May 1992. In July 1993, he was appointed as deputy director of Yuci City Enterprise Management Bureau (榆次市城區企業管理局). From April 1998 to October 2001, he was appointed by People's Congress of Yuci City as commissioner of Yuci City Industrial Economic Commission (榆次市工業經濟委員會). From December 2001 to October 2010, he served as the chairman of Jinzhong City Yuci Region Federation of Industry & Commerce (晉中市榆次區工商業聯合會). From June 2007 to present, Mr. Bai Xuankui has also been the vice chairman of Jinzhong City Federation of Industry & Commerce (晉中市工商業聯合會).

Mr. Bai Xuankui obtained a postgraduate certificate in master of business administration (工商管理碩士研究生文憑) issued by Tianjin University of Finance & Economics (天津財經學院), the PRC in November 2000. In December 2008, he obtained the qualification as a senior engineer from Shanxi Township Enterprise Engineering Series Senior Technical Position Evaluation Committee (山西鄉鎮企業工程系列高級技術職務評審委員會).

Mr. Bai Wukui (白武魁), aged 52, is the brother of Mr. Bai Xuankui and an executive Director and the chief executive officer of the Company. He is also the vice chairman and general manager of Chen Xing, executive director and general manager of Wuzhishan Kim Jin Yao Yang Real Estate Development Co., Ltd. (五指山金辰曜陽房地產開發有限公司), an indirect subsidiary of the Company, executive director of Sichuan Chenxing Real Estate Development Co., Limited (四川辰興房地產發展有限公司), an indirect holding company of the Company and the chairman of Jinzhong Development Zone Real Estate Development Co., Ltd. (晉中開發區房地產開發有限公司), an indirect holding company of the Company. Mr. Bai Wukui is also one of the founders of the Group. He has been the chief executive officer of the Group since December 2004. He was appointed as a director of the Group in February 2015. Mr. Bai Wukui is also a director of White Legend Global Holdings Limited which is interested in 54,120,000 Shares as at the date of this report.

Before founding the Group, Mr. Bai Wukui served as director and chief executive officer of Yuci Xinxing Real Estate Development Co., Ltd. (榆次新興房屋開發有限公司) from January 1997 to August 2007.

Mr. Bai Wukui obtained a professional certificate in civil engineering specialty (long distance learning) (工民建專業文憑(函授)) issued by Shanxi Radio & TV University (山西廣播電視大學), the PRC in July 1990 and later obtained a postgraduate certificate in master of business administration (工商管理碩士研究生文憑) issued by Tianjin University of Finance & Economics (天津財經學院), the PRC in November 2000. He obtained the qualification as an engineer from Shanxi Province Engineering Series Intermediate Professional Technical Position Evaluation Committee (山西省工程系列中級專業技術職務評審委員會) and Jinzhong Township (Privately-owned) Enterprise Engineering Series Intermediate Technical Position Evaluation Committee (晉中鄉鎮(民營)企業工程系列中級技術職務評審委員會) in February 2001 and December 2008, respectively. In February 2010, he obtained the qualification as a senior engineer from Shanxi Township Enterprise Engineering Series Senior Technical Position Evaluation Committee (山西鄉鎮企業工程系列高級技術職務評審委員會).

Mr. Bai Guohua (白國華), aged 39, is the son of Mr. Bai Xuankui and executive Director and executive vice president of the Company. He is also an executive director of Jinzhong Chenxing Commercial Management Co., Limited (晉中辰興商業管理有限責任公司), an indirect subsidiary of the Company, and executive director and general manager of Shanxi Chenxing Property Services Co., Limited (山西辰興物業服務有限公司), an indirect subsidiary of the Company. Mr. Bai Guohua joined the Group in December 2004 and successively served as associate administration manager, secretary of the board and assistant general manager. Mr. Bai Guohua was appointed as Director of the Company on 3 November 2014 and executive vice president of the Group in February 2016. Mr. Bai Guohua is also a director of White Dynasty Global Holdings Limited, one of the Controlling Shareholders of the Company.

Mr. Bai Guohua obtained a professional certificate in law (法學專業文憑) issued by Shanxi Politics and Law Institute for Administration (山西政法管理幹部學院), the PRC in July 1998. He then undertook and completed an undergraduate degree in law from Shanxi University (山西大學), the PRC, in June 2001. Mr. Bai Guohua is furthering his studies and is taking an executive master of business administration degree from Arizona State University, the United States.

Mr. Dong Shiguang (董世光), aged 58, is an executive Director of the Company and a director of Chen Xing.

Mr. Dong joined the Group in December 2005 and successively served as manager of branch offices in Heshun and Taigu, Shanxi. He served as the executive director of Sichuan Chenxing Real Estate Development Co., Limited (四川辰興房地產發展有限公司), a majority-owned subsidiary of the Group, from December 2007 to February 2012. Mr. Dong was appointed as a Director of the Group in November 2007. He was appointed as a Director of the Company in February 2015 and later was re-designated as an executive Director in June 2015. Mr. Dong Shiguang is also a director of Honesty Priority Global Holdings Limited which is interested in 25,880,000 shares of the Company as at the date of this report.

Mr. Dong obtained the qualification as an engineer granted by Shanxi Province Engineering Series Intermediate Professional Technical Position Evaluation Committee (山西省工程系列中級專業技術職務評審委員會) in December 2000 and then later as a senior engineer granted by Shanxi Township Enterprise Engineering Series Senior Technical Position Evaluation Committee (山西鄉鎮企業工程系列高級技術職務評審委員會) in February 2010.

Mr. Zhang Yongcheng (張永成), aged 60, is an executive Director of the Company and a director of Chen Xing.

Mr. Zhang joined the Group in December 2005 and successively served as project manager and landscape manager. Mr. Zhang was appointed as a Director of the Company in February 2015 and was re-designated as an executive Director in June 2015.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Gu Jiong (顧炯), aged 43, is an independent non-executive Director, the chairman of the audit committee and members of the remuneration committee and the nomination committee of the Company. He was appointed as an independent non-executive Director of the Company on 12 June 2015.

From July 1995 to April 2004, Mr. Gu worked at Ernst & Young's Shanghai office and was the senior manager of the audit department when he left the firm. He subsequently joined UT Starcom Inc. (stock code: UTSI), whose shares are listed on Nasdaq, from April 2004 to December 2009. Mr. Gu then served as the chief financial officer of BesTV New Media Co., Ltd. (stock code: 600637), whose shares are listed on Shanghai Stock Exchange, from January 2010 to September 2013. Mr. Gu has been the chief financial officer of CMC Capital Partners (華人文化基金), an investment fund specialized in media and entertainment investments in China and globally, from September 2013. He has been an independent non-executive director of Xinming China Holdings Limited (stock code: 2699), a company listed on the Stock Exchange, from 8 June 2015.

Mr. Gu obtained a bachelor degree in financial management from Fudan University (復旦大學), the PRC in July 1995. He has been a non-practicing member of The Chinese Institute of Certified Public Accountants (中國註冊會計師協會) since April 2004.

Mr. Tian Hua (田華), aged 52, is an independent non-executive Director, the chairman of the remuneration committee and a member of the audit committee of the Company.

Mr. Tian joined Shanxi Zhongyu Certified Public Accountants (山西中宇會計事務所) in August 1998 as the chief accountant until December 2008. From December 2008 to present, he has been working at Shanxi He Pu Hua Certified Public Accountants (山西禾譜華會計事務所) as an accountant.

Mr. Tian obtained a professional certificate in accountancy issued by Shanxi Finance & Taxation College (山西財政稅務專科學校), the PRC in July 2001. He has been a practicing member of The Chinese Institute of Certified Public Accountants (中國註冊會計師協會) since May 1999.

Mr. Qiu Yongqing (裘永清), aged 50, is an independent non-executive Director and members of the audit committee and the nomination committee of the Company.

Mr. Qiu was appointed as the chairman of Shanxi Jintai Venture Capital Co., Ltd. (山西金泰創業投資有限公司) in April 2004 and vice chairman and general manager of Shanxi Small & Medium Enterprises Financing Guarantee Co., Ltd. (山西中小企業發展融資擔保有限公司) in May 2012. He was also appointed as member of the Jinzhong City's Committee of Chinese People's Political Consultative Conference (晉中市政協委員) in April 2005, senior expert jointly appointed by Shanxi and Jinzhong Municipal Committee (山西省及晉中市委) in December 2011 and vice chairman of Taiyuan Professional Manager Association (太原職業經理人協會) in March 2014.

Mr. Qiu obtained a certificate in engineering issued by Shanxi Radio & TV University (山西廣播電視大學), the PRC in July 1989. He then undertook and completed a two year course in business administration from School of Management of Xian Jiaotong University (西安交通大學管理學院) in July 2000. He obtained a master of business administration degree from Arizona State University, the United State, in May 2011. In April 2013, Mr. Qiu obtained the qualification as a senior economist granted by Department of Human Resources and Social Security of Shanxi Province (山西省人力資源和社會保障廳).

SENIOR MANAGEMENT

Mr. Jiao Wuli (焦悟理), aged 54, is the deputy general manager in engineering of the Group.

He joined the Group in March 2008, responsible for managing the design, procurement, bidding and construction cost of the Group's projects. He was later promoted to the deputy general manager in engineering of Chen Xing in January 2011.

Before joining the Group, Mr. Jiao worked at Shanxi Third Construction Engineering Co., Ltd. (山西省第三建築工程公司) as technical deputy director from February 1990 to January 1994 and deputy manager and chief engineer from January 1994 to March 1996. In March 1996, he joined Shanxi Construction Engineering (Group) Corporation (山西省建築工程(集團)總公司) and worked at its Wuhan Branch as deputy manager and deputy chief engineer.

Mr. Jiao obtained a professional certificate in civil engineering specialty (工業與民用建築專業文憑) from Taiyuan Institute of Technology (太原工業學院), the PRC in December 1981. He obtained the qualification as a senior engineer granted by Shanxi Construction Profession Senior Engineer Technical Position Evaluation Committee (山西省建設工程專業高級工程師技術職務評審委員會) in April 2004.

Mr. Wang Binzhou (王斌周), aged 38, is the deputy general manager in administration of the Group.

Mr. Wang joined Chen Xing in March 2009 and later he served as the general counsel from March 2009 to January 2010 and administrative officer of the board and secretary of the chairman from January 2010 to February 2012. He was promoted to the deputy general manager in administration in February 2012.

Before joining the Group, Mr. Wang worked at Shanxi Shenghe Law Offices (山西聖合律師事務所) as a lawyer from May 2007 to March 2009.

Mr. Wang undertook and completed the bachelor degree in law from Tianjin School of Commerce (天津商學院), the PRC in July 1998 and then master degree in law from Tsinghua University (清華大學), the PRC in July 2008. In December 2002, Mr. Wang obtained the qualification as a legal advisor granted by Department of Personnel of Shanxi Province (山西省人事廳) and then was qualified to practice law in the PRC in March 2004.

Mr. Bai Aijing (白皚晶), aged 38, is nephew of Mr. Bai Xuankui and Mr. Bai Wukui and the chief financial officer of the Group.

Mr. Bai Aijing joined Chen Xing in March 2004 and since then he served as the accounting officer from March 2004 to March 2011 and officer of asset management centre from March 2011 to January 2013. He was later promoted to the chief financial officer in January 2013.

Mr. Bai Aijing obtained a professional certificate in enterprise management from Beijing Metallurgy Cadre College (北京冶金幹部學院), the PRC in July 1998. He then obtained a professional certificate in accountancy granted by Finance Commission of Yuci Region (榆次區財政局) in March 2011.

Mr. Zhao Haijun (趙海軍), aged 40, is the deputy general manager of operation of the Group.

Mr. Zhao joined the Group in December 2005 as the marketing manager and later he was promoted to the deputy general manager of operation in February 2009.

Mr. Zhao obtained a professional certificate in project cost and management, which is an online learning course, issued by Harbin Institute of Technology (哈爾濱工業大學), the PRC in July 2010. He obtained the qualification as an engineer granted by Jinzhong Township (Private-owned) Enterprise Engineering Series Intermediate Technical Position Evaluation Committee (晉中鄉鎮(民營)企業工程系列中級技術職務評審委員會) in December 2008. He then obtained the qualification as a registered real estate appraiser granted by Finance Commission of Shanxi Province (山西省財務局) in April 2005.

COMPANY SECRETARY

Ms. Ng Wing Shan (吳詠珊), is the company secretary of the Company. She was appointed as company secretary of the Company on 6 February 2015.

Ms. Ng is a fellow member of The Hong Kong Institute of Charted Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. Ms. Ng is the assistant vice president of SW Corporate Services Group Limited, primarily responsible for assisting listed companies in professional company secretarial work. She has over 10 years of professional experience in the company secretarial field.

The Board is pleased to present the annual report and audited consolidated financial statements of the Group for the year ended 31 December 2015.

PRINCIPAL BUSINESS

The Company is an investment holding company, the business of its principal subsidiaries is engaging in property development operations in China, and focusing mainly on the development of residential and, to a less extent, commercial property development projects. For the year ended 31 December 2015, analysis of the revenue generated by the principal business of the Group is set out in Note 5 of the Notes to the Consolidated Financial Statements.

PERFORMANCE OF PROVISION

The results of the Group for the year ended 31 December 2015 are set out in the Consolidated Statement of Comprehensive Income on page 168.

BUSINESS REVIEW

For details of discussions on business review of the year and future developments of the Group, please refer to the Chairman's Statement on pages 126 to 127.

The Group's financial risk management objectives and policies are set out in Note 42 of the Notes to the Consolidated Financial Statements.

The Group's analysis of its annual performance by using critical financial performance indicators is set out in Management Discussion and Analysis on pages 128 to 138.

PERMITTED INDEMNITY CLAUSE

For the year ended 31 December 2015, pursuant to the Articles of Association of the Company ("**Articles of Association**"), all legal costs, expenses, fees, losses, damages and expenditures incurred during the performance of duties by Executive Directors of the Company may be indemnified by the assets and profits of the Company.

ENVIRONMENTAL POLICY AND PERFORMANCE

The Group continued in utilizing new environmental construction materials to conform with or stay ahead of environmental standards. The Group kept on strengthening the management over construction sites of projects under construction to control and reduce dust and noise pollution.

The Group has implemented energy saving and water conservation measures persistently in office premises, and will continue to implement internal recovery plans for consumables (such as paper, etc.) to reduce the impact of operations on the environment and natural resources.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group always upholds the importance of understanding and compliance with the requirements of laws and regulations, non-compliance with the relevant laws and regulations may render the Company unable to operate normally. The Group has a specialized Legal Department to exercise comprehensive management and control over sustainable compliance in the operations of the Company, and good working relationship with various regulatory authorities has been maintained through effective communication.

MAJOR RISKS AND UNCERTAINTIES

The Group's businesses are mainly concentrated in Jinzhong and Taiyuan in Shanxi Province and Mianyang in Sichuan Province in China. As the development target of the Group is to further penetrate the markets in Shanxi Province, central and western China and southern China, the operations of our Group will be highly dependent on the performance of the real estate market in these areas.

The real estate market in China has continued growing rapidly over the years, however as there are increasing market concerns for purchasing power in housing and sustainable growth of the market, and there has been increasing divergence in the property market conditions between ultra-large cities in the eastern region and small- and medium-sized cities in the central and western regions, the Group's business may be affected by uncertainties.

RELATIONSHIPS WITH MAJOR STAKEHOLDERS

The Group's success is also dependent on the support from employees, customers, suppliers and shareholders of the Group.

EMPLOYEES

The Group's employees are regarded as the most important and most valuable assets of the Group. The highest objectives of human resources management of the Group are providing appropriate remuneration and benefits and implementing a comprehensive appraisal and evaluation system to reward employees with outstanding performance, and realizing career development and promotion of employees through the provision of proper training and available opportunities.

CUSTOMERS

Major customers of the Group are home purchasers. The Group strives to develop high quality residential properties to enhance the quality of living for customers in general. In order to realize the Group's pledge of enhancing customer satisfaction persistently, the Group has assured to adopt the best concepts and the best quality of products in development projects. In terms of customer service, the Group has always focused on the integrated quality of frontline staff, provides them with regular training to ensure the high quality of services.

SUPPLIERS

The major service providers of the Group are construction units and suppliers of construction materials, the Group has good cooperation relationship with suppliers in general, and strategic cooperation agreements have been signed with a number of high quality suppliers for the realization of higher quality in construction work and materials supplied. The Group will uphold the win-win principle to achieve joint developments with suppliers in general.

SHAREHOLDERS

One of the important corporate objectives of the Group is to maximize the value created for shareholders. The Group will continue to promote business developments for the realization of sustainable growth in profits. The Group will strive to deliver stable dividends as return for shareholders after considering the capital adequacy level, liquidity conditions and requirements for business development of the Group.

FINAL DIVIDEND

The Board of Directors has proposed the distribution of a final dividend of HK$0.5 per share, or an aggregate amount of HK$250 million (equivalent to RMB209.5 million), for the year ended 31 December 2015 to shareholders whose names appear on the Register of Shareholders of the Company on 27 May 2016. The proposed final dividend will be paid on or around 3 June 2016 after it has been approved by shareholders at the Annual General Meeting of the Company to be held on 19 May 2016.

CLOSURE OF REGISTER OF MEMBERS

(i) For the purpose of ascertaining eligible shareholders who are entitled to attend and vote at the Annual General Meeting, the Register of Members of the Company will be closed from Tuesday, 17 May 2016 to Thursday, 19 May 2016 (both days inclusive) during such period no transfer of shares will be registered. In order to be eligible to attend and vote at the forthcoming Annual General Meeting, all transfer documents of shares must be lodged for registration with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Monday, 16 May 2016.

(ii) For the purpose of ascertaining eligible shareholders who are entitled to receive the final dividend, subject to approval by shareholders at the Annual General Meeting, the Register of Members of the Company will be closed from Wednesday, 25 May 2016 to Friday, 27 May 2016 (both days inclusive) during such period no transfer of shares will be registered. In order to be eligible to receive the final dividend, all transfer documents of shares must be lodged for registration with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Tuesday, 24 May 2016.

SHARE CAPITAL

The details of changes in the share capital of the Company are set out in Note 31 of the Notes to the Consolidated Financial Statements.

EQUITY-LINKED AGREEMENT

The Company has not entered into any equity-linked agreement.

PROPERTY, PLANT AND EQUIPMENT

The details of changes in property, plant and equipment of the Group for the year ended 31 December 2015 are set out in Note 13 of the Notes to the Consolidated Financial Statements.

INVESTMENT PROPERTIES

The details of changes in the investment properties of the Group for the year ended 31 December 2015 are set out in Note 14 of the Notes to the Consolidated Financial Statements.

RESERVES

The details of changes in the reserves of the Group for the year ended 31 December 2015 are set out in the Consolidated Statement of Changes in Equity on pages 171 of this annual report.

DISTRIBUTABLE RESERVES

Distributable reserves of the Group amounted to RMB578.8 million for the year ended 31 December 2015 (Distributable reserves amounted to RMB322.6 million for the year ended 31 December 2014).

BANK LOANS AND OTHER BORROWINGS

The details of bank loans and other borrowings of the Group as at 31 December 2015 are set out in Note 28 of the Notes to the Consolidated Financial Statements.

DIRECTORS AND SERVICE CONTRACTS OF DIRECTORS

The current list of directors for the year ended 31 December 2015 and up to the date of this report is as follows:

Executive Directors

Mr. Bai Xuankui *(Chairman)* (appointed on 5 February 2015)
Mr. Bai Wukui (appointed on 5 February 2015)
Mr. Bai Guohua (appointed on 12 November 2014)
Mr. Dong Shiguang (appointed on 5 February 2015)
Mr. Zhang Yongcheng (appointed on 5 February 2015)

Independent Non-executive Directors

Mr. Gu Jiong (appointed on 12 June 2015)
Mr. Tian Hua (appointed on 12 June 2015)
Mr. Qiu Yongqing (appointed on 12 June 2015)

Biographies of all Directors and Senior Management members are set out in the section headed "**Biographies of Directors and Senior Management**".

Pursuant to the requirements of Articles 83(3) and 84(1) of the Articles of Association, Mr. Bai Xuankui, Mr. Bai Wukui, Mr. Bai Guohua, Mr. Dong Shiguang, Mr. Zhang Yongcheng, Mr. Gu Jiong, Mr. Tian Hua and Mr. Qiu Yongqing shall retire at the Annual General Meeting, and they are eligible and willing to be re-elected.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received the annual confirmation from each of the Independent Non-executive Directors on their independence issued pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**"). In the opinion of the Company, all Independent Non-executive Directors of the Company were independent persons during the period from the listing of the Company on 3 July 2015 on the Stock Exchange ("**Listing Date**") to 31 December 2015.

SERVICE CONTRACTS OF DIRECTORS

Each of the Executive Directors has entered into a service contract with the Company for a term of three years with effect from the Listing Date and may be terminated subject to the relevant terms of the service contracts.

Each of the Independent Non-executive Directors has entered into appointment letters with the Company for a term of three years with effect from the Listing Date and may be terminated subject to the relevant terms of the appointment letters.

None of the Directors has entered into any service contract with the Company which could not be terminated by the Group within one year without compensation payment (except statutory compensation in general).

INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

During the year or as at the end of 2015, none of the Directors or connected entities of the Directors and Controlling Shareholders had direct or indirect material interest in any transaction, arrangement or contract which was material or significant to the business of the Group and the Company or any of its subsidiary was a party thereof.

USE OF PROCEEDS

The amount of net proceeds received from the offering of new shares in Global Offering of the Company was approximately HK$239.4 million (after deducting underwriting fees and relevant expenses) and will be utilized for the purposes consistent with those set out in the prospectus of the Company.

MANAGEMENT CONTRACTS

For the year ended 31 December 2015, no contract was or had been signed in relation to the management and administrative matters of the Company's entire business or any material portion thereof.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2015, the amount of purchases from the largest supplier of the Group represented approximately 34.7% of the total purchases of the Group, and the amount of purchases from the five largest suppliers of the Group represented 80.7% of the total amount of purchases of the Group during the year.

For the year ended 31 December 2015, the amount of sales to the largest customer of the Group represented 0.5% of the total revenue of the Group, and the amount of sales to the five largest customers of the Group represented 1.7% of the total revenue of the Group during the year.

None of the directors or any of their close associates or any shareholders of the Company has any interest in the five largest customers and suppliers of the Group.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVES IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at 31 December 2015, the following Directors and Chief Executives of the Company had interests and short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance ("**SFO**")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or required to be entered into the register mentioned under Section 352 of the SFO, or required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") of Appendix 10 to the Listing Rules, as follows:

Long Positions in the Shares of the Company

Name of Director/chief executive	Capacity/Nature of interest	Number of shares held	Approximate percentage of equity interest (Note 1)
Mr. Bai Xuankui ("**Mr. Bai**") (Note 2)	Settlor of a discretionary trust	289,120,000	57.82%
Mr. Bai Wukui (Note 3)	Interest of a controlled corporation	54,120,000	10.82%
Mr. Bai Guohua (Note 4)	Beneficiary of a discretionary trust	289,120,000	57.82%
Mr. Dong Shiguang ("**Mr. Dong**") (Note 5)	Interest of a controlled corporation	25,880,000	5.18%
Mr. Zhang Yongcheng ("**Mr. Zhang**") (Note 6)	Interest of a controlled corporation	25,880,000	5.18%

Notes:

1. As at 31 December 2015, the total number of issued shares of the Company was 500,000,000 shares.

2. The shares were held by White Dynasty Global Holdings Limited ("**White Dynasty BVI**") in the capacity of a legal beneficial owner, White Dynasty BVI was a corporate controlling shareholder of the Company, and White Dynasty BVI was owned by White Empire (PTC) Limited ("**White Empire BVI**") in the capacity of a legal beneficial owner. White Empire BVI was the trustee of the family trust established for the benefit of Mr. Bai Guohua, Ms. Cheng Guilian ("Mrs. Bai", the spouse of Mr. Bai), and other beneficiaries to be nominated by the trustee from time to time. Since Mr. Bai was the settlor of the family trust, Mr. Bai was deemed to be interested in the shares held by White Dynasty BVI under the SFO.

3. The shares were held by White Legend Global Holdings Limited ("**White Legend BVI**") in the capacity of a legal beneficial owner, White Legend BVI was wholly-owned by Mr. Bai Wukui in the capacity of a legal beneficial owner. Since Mr. Bai Wukui held the entire issued share capital of White Legend BVI, Mr. Bai Wukui was deemed to be interested in the shares held by White Legend BVI under the SFO.

4. The shares were held by White Dynasty BVI in the capacity of a legal beneficial owner. Since (i) Mr. Bai Guohua was a beneficiary of the family trust; and (ii) Mr. Bai Guohua was a person acting in accordance with the instructions from Mr. Bai, the settlor of the family trust, at all times, hence Mr. Bai Guohua was deemed to be interested in the shares held by White Dynasty BVI under the SFO.

5. The shares were held by Honesty Priority Global Holdings Limited ("**Honesty Priority BVI**") in the capacity of a legal beneficial owner. Since Mr. Dong owned 34.87% shares in Honesty Priority BVI, Mr. Dong was deemed to be interested in the shares held by Honesty Priority BVI under the SFO.

6. The shares were held by Honesty Priority BVI in the capacity of a legal beneficial owner, and 31.70% of the issued share capital of Honesty Priority BVI was owned by Mr. Zhang in the capacity of a legal beneficial owner. Since Mr. Zhang held a controlling interest in Honesty Priority BVI, Mr. Zhang was deemed to be interest in the shares held by Honesty Priority BVI under the SFO.

Long Positions in the Shares of Associated Corporations of the Company

Name of Director/ chief executive	Name of associated corporation	Capacity/ Nature of interest	Number of shares held	Approximate percentage of equity interest (Note 1)
Mr. Bai	White Dynasty BVI (Note 1)	Settlor of a discretionary trust	10,000	100%
Mr. Bai	White Empire BVI (Note 1)	Settlor of a discretionary trust		100%
Mr. Bai Guohua	White Dynasty BVI (Note 1)	Beneficiary of a discretionary trust	10,000	100%
Mr. Bai Guohua	White Empire BVI (Note 1)	Beneficiary of a discretionary trust		100%

Notes:

1. White Dynasty BVI was a corporate controlling shareholder of the Company and was wholly-owned by White Empire BVI in the capacity of a legal beneficial owner. White Empire BVI was a company limited by guarantee incorporated in the British Virgin Islands and the trustee of the family trust which was held for the benefits of Mr. Bai Guohua, Mrs. Bai and other beneficiaries to be nominated by the trustee from time to time, and Mr. Bai was the settlor of the family trust.

As at 31 December 2015, save as disclosed above, none of the directors or chief executives of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or required to be recorded in the register mentioned under Section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At any time during the year or as at the end of the year, none of the Company, its holding company or any of their subsidiaries or fellow subsidiaries had participated in any arrangement which enabled the directors to gain benefits through the purchasing of shares or debentures of the Company or any other corporations.

INTERESTS AND/OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY HELD BY SUBSTANTIAL SHAREHOLDERS

As at 31 December 2015, to the best knowledge of the Company and our Directors, the following persons (who were not directors or chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company, which were required to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or required to be entered into the register mentioned under Section 336 of the SFO:

Long Positions in the Shares of the Company

Name of shareholder	Capacity/Nature of interest	Number of shares held	Approximate percentage of equity interest (Note 1)
White Dynasty BVI (Note 2)	Beneficial owner	289,120,000	57.82%
White Empire BVI (Note 1)	Interest of a controlled corporation	289,120,000	57.82%
White Legend BVI (Note 3)	Beneficial owner	54,120,000	10.82%
Mrs. Bai (Note 4)	Beneficiary of a discretionary trust	289,120,000	57.82%
Ms. Zhang Lindi (Note 5)	Interest of spouse	289,120,000	57.82%
Ms. Gan Xuelin (Note 6)	Interest of spouse	54,120,000	10.82%
Honesty Priority BVI	Beneficial owner	25,880,000	5.18%
Hwabao Trust Co., Ltd.	Trustee	51,800,000	10.36%

Notes:

1. As at 31 December 2015, the Company had a total number of 500,000,000 shares in issue.

2. White Dynasty BVI was wholly-owned by White Empire BVI, hence White Empire BVI was deemed to be interested in the shares owned by White Dynasty BVI under the SFO. White Empire BVI was the trustee for the family trust established for the benefit of Mr. Bai Guohua, Mrs. Bai and other beneficiaries to be nominated by the trustee from time to time. Mr. Bai was the settlor of the family trust.

3. White Legend BVI was wholly-owned by Mr. Bai Wukui in the capacity of a legal beneficial owner. Since Mr. Bai Wukui had a controlling interest in White Legend BVI, Mr. Bai Wukui was deemed to be interested in the shares held by White Legend BVI under the SFO.

4. Mrs. Bai was the wife of Mr. Bai. Since Mrs. Bai was a beneficiary of the family trust, Mr. Bai was deemed to be interested in the shares held by White Dynasty BVI under the SFO.

5. Ms. Zhang Lindi was the wife of Mr. Bai Guohua. Since Mr. Bai Guohua was a beneficiary of the family trust, Mr. Bai Guohua was deemed to be interested in the shares held by White Dynasty BVI under the SFO, therefore, Ms. Zhang Lindi was deemed to be interested in the shares held by White Dynasty BVI under the SFO.

6. Ms. Gan Xuelin was the wife of Mr. Bai Wukui. Since Mr. Bai Wukui was deemed to be interested in the shares held by White Legend BVI under the SFO, therefore, Ms. Gan Xuelin was deemed to be interested in the shares held by White Legend BVI under the SFO.

As at 31 December 2015, save as disclosed above, the Company was not aware of any other persons (except directors and chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company, which were required to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or required to be entered into the register mentioned under Section 336 of the SFO.

RELATED PARTY TRANSACTIONS

The details of related party transactions of the Group for the year ended 31 December 2015 are set out in Note 39 of the Notes to the Consolidated Financial Statements.

Pursuant to Chapter 14A of the Listing Rules, all transactions as set out in the Note 39 are fully exempt from complying with the requirement of approval by shareholders, annual review and all disclosure requirements.

Non-competition Undertaking

Each of Mr. Bai Xuankui, Mr. Bai Guohua, Ms. Cheng Guilian, White Dynasty Holdings Limited and White Empire (PTC) Limited (the "**Controlling Shareholders**") had entered into a Deed of Non-competition in favour of the Company. During the period from the date of signing the Deed of Non-competition until 31 December 2015, the Company or the Controlling Shareholders did not make any recommendation for any project or new business opportunity related to the Restricted Business. For definitions of "**Deed of Non-competition**", "**Restricted Business**" and "**New Business Opportunity**", please refer to the Prospectus.

All the Controlling Shareholders have confirmed in writing with the Company that they have complied with the undertakings under the Deed of Non-competition during the period from the date of signing the Deed of Non-competition until 31 December 2015.

The Independent Non-executive Directors have also reviewed such confirmations on the undertakings of the Deed of Non-competition by the Controlling Shareholders during the period from the date of signing the Deed of Non-competition until 31 December 2015 and confirmed that there was no breach of undertakings in the Deed of Non-competition by any of the Controlling Shareholders.

Annual Review and Disclosure Requirement of Directors' Interests in Competing Business

Save as disclosed in this annual report, for the year ended 31 December 2015, none of the Directors or their respective associates engaged in or had any interest in any business which was or might be in competition with the business of the Group.

Remuneration Policy

The Group has established the Remuneration Committee to review the remuneration policy and structure of the Group for the remuneration of all directors and the senior management of the Group after considering the operating results of the Group, individual performance and contribution, time commitment and responsibilities of the directors and senior management as well as the remuneration paid by comparable companies.

The Group has formulated and implemented remuneration policies to motivate employees and, in turn, support the long-term development of our Group. Such policies are consistent with the business strategies and development objectives of our Group, which will be helpful in attracting and retaining professional employees with the relevant knowledge and skills.

SHARE OPTION SCHEME

The Company has adopted the Share Option Scheme ("**Share Option Scheme**") on 12 June 2015. Since the adoption of the Share Option Scheme, the Company has not granted any share options under the Share Option Scheme.

A summary of the key terms of the Share Option Scheme is set out below. The terms of the Share Option Scheme have complied with the requirements of Chapter 17 of the Listing Rules.

(a) Purpose

The Share Option Scheme is a share incentive scheme and is established to recognize and acknowledge the contributions Eligible Participants (as defined in paragraph (b) below) had or may have made to our Group. The Share Option Scheme will provide Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives: (i) motivate Eligible Participants to optimize their performance efficiency for the benefit of the Group; and (ii) attract and retain or otherwise maintain on-going business relationship with Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

(b) Eligible Participants

The Board may, at its discretion and subject to such conditions as it thinks fit, offer to grant share options to the following persons (collectively, the "**Eligible Participants**"):

(i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;

(ii) any directors (including executive, non-executive directors and independent non-executive directors) of our Company or any of its subsidiaries;

(iii) any advisers (professional or otherwise), consultants, suppliers, customers and agents to our Company or any of its subsidiaries; and

(iv) related entities who, in the sole opinion of the Board, will contribute or have contributed to our Company or any of its subsidiaries.

(c) Maximum number of shares may be issued

The maximum number of shares may be issued pursuant to the Share Option Scheme is 50,000,000 shares, equivalent to 10% of the issued share capital of the Company after completion of the Global Offering.

(d) Maximum number of options granted to any individual

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including exercised, cancelled and outstanding options) to each Eligible Participant in any 12-month period shall not exceed 1% of the shares in issue of the Company.

Any further grant of options in excess of the above limit shall be subject to separate approval by the shareholders in a general meeting (such Eligible Participants and their associates are required to abstain from voting), and shall comply with other requirements prescribed under the Listing Rules and/or other applicable statutory regulations or rules.

(e) Maximum number of options granted to connected persons

Any grant of options to a director, chief executive or substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options).

If the Board determines to grant options to a substantial shareholder or any independent non-executive director or any of their respective associates, the maximum number of shares issued and to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Company (including exercised, cancelled and outstanding options) to each substantial shareholder or any independent non-executive director or any of their respective associates in any 12-month period shall not exceed 0.1% of the shares in issue of the Company or such other percentage as may be from time to time provided under the Listing Rules, and the aggregate value calculated based on the closing price of the shares of the Company as stated in the daily quotation sheets of the Stock Exchange as at each date of grant shall not exceed HK$5,000,000 or such other amount as may be from time to time provided under the Listing Rules.

If any further grant will exceed the above limit on options, such further grant shall be subject to a separate approval by the shareholders in a general meeting (such Eligible Participants and their associates shall abstain from voting), and shall comply with other requirements prescribed under the Listing Rules and/or other applicable statutory regulations or rules.

(f) Time to exercise the options

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted.

(g) Minimum holding period before the exercise of an option

There is no minimum holding period required before an option may be exercised.

(h) Acceptance of offer

Upon acceptance of an option, the grantee shall pay HK$1.00 to the Company as consideration for the grant.

(i) Basis for the determination of the exercise price

The share subscription price in respect of any specific option granted under the Share Option Scheme shall be determined at the sole discretion of the Board on the relevant price, but such price shall not be less than the highest of the following:

(i) the official closing market price of the shares as stated in the daily quotation sheet of the Stock Exchange as at the date of grant (must be on a day when the Stock Exchange is open for dealings in securities trading business);

(ii) the average official closing market price of the shares as stated in the daily quotation sheets of the Stock Exchange on five business days immediately before the date of grant; and

(iii) par value of the shares.

(j) Residual term of the Share Option Scheme

The Share Option Scheme shall remain valid until 11 June 2025. Unless its early termination is approved by the general meeting of shareholders or by the Board of the Company, the Share Option Scheme shall remain valid and effective for a period of 10 years from the date when it was adopted.

PURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY

For the period from the Listing Date to 31 December 2015, the Company or any of its subsidiaries did not conduct any purchase, sale or redemption of any listed securities of the Company.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or the laws of Cayman Islands that will oblige the Company to sell new shares to existing shareholders on pro-rata basis.

CORPORATE GOVERNANCE

The Company is dedicated to maintain a high standard in corporate governance practice. For the period from the Listing Date up to 31 December 2015, the Company has complied with the code provisions under the Corporate Governance Code ("**Corporate Governance Code**") contained in Appendix 14 to the Listing Rules except for Code Provision A.1.8 of the Corporate Governance Code. Information about the corporate governance practice adopted by the Company is set out in the Corporate Governance Report on pages 156 to 164 of this report.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Directors have confirmed that as at the date of this report, the Company has maintained a sufficient public float of our shares as required under the Listing Rules.

SUBSEQUENT EVENT

Save as disclosed in this annual report, no disclosable material event has occurred in our Company or our Group after 31 December 2015.

DONATION

During the year, the Company has donated HK$1,000,000 to the Community Chest of Hong Kong.

AUDITOR

The consolidated financial statements for the year ended 31 December 2015 have been audited by Ernst & Young Certified Public Accountants.

Ernst & Young Certified Public Accountants will retire and be eligible for re-appointment at the Annual General Meeting. The resolution on the re-appointment of Ernst & Young Certified Public Accountants as the auditor of the Company will be submitted to the Annual General Meeting for approval.

RECOMMENDATION TO CONSULT PROFESSIONAL TAX ADVICE

If the shareholders of the Company are not sure about the tax effect on the purchase, holding, sale, trading or exercise of any rights attached to the relevant shares of the Company, they are recommended to consult independent experts for advice.

By Order of the Board
Bai Xuankui
Chairman

Jinzhong, Shanxi, China, 24 March 2016

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report for the year ended 31 December 2015.

CORPORATE GOVERNANCE PRACTICE

The Company is always committed to maintain high standard of corporate governance with a view to assuring the conduct of management of the Company and protecting the interests of the Shareholders. The Company is fully aware that transparency and accountability in corporate governance are crucially important to the Shareholders. The Board considers that sound corporate governance can maximize Shareholders' interests.

The Company has adopted the Corporate Governance Code as its own code of corporate governance. From the Listing Date to 31 December 2015, the Company has complied with the code provisions as set out in the Corporate Governance Code, except for code provision A.1.8, which requires an issuer to arrange appropriate insurance cover in respect of legal action against its directors. The Company is selecting suitable insurance plans and shall arrange suitable liability insurance cover for Directors when appropriate, so as to protect them against liability claims arising from corporate activities.

The Company shall review and strengthen its corporate governance practice from time to time, and strengthen internal control with the help of its PRC and Hong Kong legal advisor and compliance advisor, so as to ensure compliance with the Corporate Governance Code.

THE BOARD

Duties

The Board is responsible for the overall leadership of the Group. It oversees strategic decision-making and monitors the business and performance of the Group. The Board has delegated the day-to-day management and operation powers and duties to the senior management. For overseeing particular areas of affairs of the Company, the Company has established three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee (together, the "Board Committees"). The Board has delegated to the Board Committees duties as set out in their terms of reference. Some of the independent non-executive Directors have certain qualifications and relevant management experience on financial accounting and corporate governance and provide professional opinions to the Board.

All the Board members should ensure that they shall exercise their duties with integrity and comply with applicable laws and regulations which is beneficial to the Company and its Shareholders.

Composition of the Board

The Board comprises of five executive Directors (namely Mr. Bai Xuankui, Mr. Bai Wukui, Mr. Bai Guohua, Mr. Dong Shiguang and Mr. Zhang Yongcheng) and three independent non-executive Directors (namely Mr. Gu Jiong, Mr. Tian Hua and Mr. Qiu Yongqing). The biographical details of each Director are set out in the "Biographical Details of Directors and Senior Management" section of this annual report. Save as disclosed in this annual report, to the best knowledge of the Company, none of the Board members have any financial, business, family, or any other substantial relationships.

For the period from the Listing Date to 31 December 2015, the Board has complied with the requirements under Rule 3.10(1) and Rule 3.10(2) of the Listing Rules that at least three independent non-executive Directors must be appointed and at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise. In addition, the number of independent non-executive Directors amounts to one-third of the Board members, which complies with the requirement under Rule 3.10A of the Listing Rules.

The Company has received confirmations from the Independent non-executive Directors of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considered all the independent non-executive Directors as independent.

All the Directors (including the independent non-executive Directors) have broad and valuable business experience, expertise and professional skills for the effective operation of the Board. The independent non-executive Directors are appointed as members of the Audit Committee, Remuneration Committee, Nomination Committee and Internal Control Committee.

Pursuant to code provision A.6.6 of the Corporate Governance Code, each director should disclose to the issuer at the time of his appointment, and in a timely manner for any change, the number and nature of offices held in public companies or organisations and other significant commitments. The identity of the public companies or organisations and an indication of the time involved should also be disclosed. All Directors have consented to disclose to the Company for the above provision on a timely basis.

Chairman and Chief Executive Officer

The Chairman and Chief Executive Officer of the Company are Mr. Bai Xuankui and Mr. Bai Wukui respectively. The separation of roles of Chairman and Chief Executive Officer enables balance of power and delegations, preventing the job responsibilities be concentrated on either one of them. The Chairman is responsible for leadership work and the effective operation of the Board, whilst the Chief Executive Officer is delegated for the effective management of business of the Group. The separation of responsibilities between the Chairman and the Chief Executive Officer is clearly defined and set out in written form.

Directors' Training and Continuous Professional Development

All the Board members understand the responsibilities as directors and the operation and business activities of the Company. The Company is responsible for arranging induction programmes, continuous training and professional development for the Directors, and providing funding of such. Accordingly, the Company shall arrange induction programmes for any newly appointed Director before formal appointment, ensuring that he/she has certain understanding on the business and operations of the Group and be fully aware of the responsibilities and obligations set out in the Listing Rules and relevant laws and regulations.

The Company arranges seminars regularly, providing the Directors with the development and amendment updates of the Listing Rules and other relevant laws and regulations. The Directors also regularly update the Board with the performance, conditions and outlook of the Board to enable the Board to work as a whole and the Directors to exercise each of their own duties. The Company updates and provides written training materials about Directors' roles, functions and duties from time to time, and encourages Directors to read such materials. Each Director has to submit a training record each year.

Before listing, all Directors (namely Mr. Bai Xuankui, Mr. Bai Wukui, Mr. Bai Guohua, Mr. Dong Shiguang, Mr. Zhang Yongcheng, Mr. Gu Jiong, Mr. Tian Hua and Mr. Qiu Yongqing) attended formal and all-rounded training. The Company has received each Director's training record for the year.

Appointment and Re-election of Directors

Nomination Committee is responsible for reviewing Board composition and monitoring the appointment, re-election and succession planning of Directors. Procedures and process for the appointment, re-election and removal of Directors are set out in the Memorandum and Articles of Association.

Each executive Director entered into service contract with the Company on 5 February 2015. The term of office is three years starting from the listing date. The service contract can be terminated according to its terms.

Each independent non-executive Director entered into service contract with the Company on 20 June 2015. The term of office is three years starting from the listing date. The service contract can be terminated according to its terms.

None of the Directors has entered into service contract with the Group which states that the contract is not terminable if compensation (except statutory compensation) is not paid within one year.

Pursuant to Article 84(1), at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

Pursuant to Article 83(3), the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Members after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

According to the requirement under Articles 83(3) and 84(1), Mr. Bai Xuankui, Mr. Bai Wukui, Mr. Bai Guohua, Mr. Dong Shiguang, Mr. Zhang Yongcheng, Mr. Gu Jiong, Mr. Tian Hua and Mr. Qiu Yongqing shall retire at the Annual General Meeting and are eligible for re-election.

Board Meetings

The Company has adopted a practice for regular Board meetings, i.e., to convene at least four regular meetings each year (approximately once in a quarter). Notice of regular Board meetings shall be distributed to all the Directors at least fourteen days before the meeting. Discussion matters shall be set out in the agenda of each meeting. Notices of other Board committee meetings shall normally be delivered according to the requirements of the terms of reference. Meeting agenda and relevant meeting papers shall be sent to the Directors and Board committee members at least 3 days before the meeting to ensure that they have adequate time for the review of the documents. If the directors and the Board committee members are unable to attend the meetings, they shall be notified of the discussion matters and provide their views to the chairman of meeting before the meeting. Minutes of Board meetings and Board committee meetings shall be kept by the Company, a copy of which shall be circulated to the Directors and relevant Board committee members for reference and for records.

Minutes of Board meetings and Board committee meetings shall record the matters considered and the decisions reached in the meetings, including the questions raised by the Directors and the Board committee members. Draft of the minutes of Board meetings and Board committee meetings shall be provided to Directors and relevant Board committee members in reasonable time for consideration and comments. The Directors are entitled to check the minutes of Board meetings and Board committee meetings.

During the year, the Company held three Board meetings and one general meeting. Attendance of directors at such meetings is set out in the following table:

Director	Attendance of Board meetings within his term of office/Number of Board meetings held within his term of office	Attendance of general meetings within his term of office/Number of general meetings held within his term of office
Bai Xuankui *(appointed on 5 February 2015)*	[3]/[3]	[1]/[1]
Mr. Bai Wukui *(appointed on 5 February 2015)*	[3]/[3]	[1]/[1]
Mr. Bai Guohua *(appointed on 12 November 2014)*	[3]/[3]	[1]/[1]
Mr. Dong Shiguang *(appointed on 5 February 2015)*	[3]/[3]	[1]/[1]
Mr. Zhang Yongcheng *(appointed on 5 February 2015)*	[3]/[3]	[1]/[1]
Mr. Gu Jiong *(appointed on 12 June 2015)*	[2]/[3]	[1]/[1]
Mr. Tian Hua *(appointed on 12 June 2015)*	[2]/[3]	[1]/[1]
Mr. Qiu Yongqing *(appointed on 12 June 2015)*	[2]/[3]	[1]/[1]

The Chairman of the Board convened a meeting with the independent non-executive Directors without the presence of the executive Directors during the year.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry to all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code for the period from the Listing Date to 31 December 2015.

DELEGATION OF THE BOARD

The Board retains the decision making rights for major affairs of the Company, including approving and monitoring all policy affairs, overall strategy and budget, internal control and risk management systems, major transactions (especially those with possible conflict of interests), financial information, appointment of directors and other major financial and operational matters. The Directors may seek independent professional advice when exercising their duties, the cost of which is borne by the Company. The Directors are also encouraged to conduct independent consultation with the senior management of the Company.

The Group's day-to-day management, administration and operation are delegated to the senior management of the Company. The Board regularly reviews the functions and duties delegated to the senior management of the Company.

CORPORATE GOVERNANCE FUNCTIONS

The Board understands that corporate governance is a shared responsibility among all Directors. The Board has delegated the corporate governance functions to the Audit Committee, including:

(i) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

(ii) to review and monitor the training and continuous professional development of Directors and senior management;

(iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(v) to review the Company's compliance with the code and disclosure in the Corporate Governance Report.

During the year, the Audit Committee has exercised the aforementioned corporate governance functions, and has reported to the Board.

BOARD COMMITTEES

Nomination Committee

The Nomination Committee comprises of one executive Director, Mr. Bai Xuankui (chairman), and two independent non-executive Directors, Mr. Qiu Yongqing and Mr. Gu Jiong. Therefore, the majority of members are indepenendent non-executive Directors.

The major duties of the Nomination Committee include:

(i) review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(ii) identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(iii) make recommendations to the Board on the appointment or reappointment of Directors and succession planning for Directors; and

(iv) assess the independence of independent non-executive Directors.

The Nomination Committee shall assess the candidates or the current candidates according to standards, including integrity, experience, skills, time commitment and dedication, and ability to exercise duties and responsibilities.

The terms of reference of the Nomination Committee is posted on the websites of the Stock Exchange and the Company.

In order to enhance the effectiveness of the Board and corporate governance standards, the Board shall maintain a balance of composition of executive and non-executive Directors (including independent non-executive Directors) to enable high level independence of the Board for effective demonstration of independent judgment.

Since the Board convened a Board meeting to handle items regarding the terms of reference of the Nomination Committee before listing of the Company, the Nomination Committee did not hold any meeting for the period from the Listing Date to 31 December 2015.

The Company has adopted board diversity policy and set measurable objectives. The Nomination Committee evaluates the balance and composition of the Board members' skills, experience and diverse points of views. In selection of candidates, the Nomination Committees considers different points of views, including but not limited to age, cultural and educational background, professional and industrial experience, skills, knowledge, ethnicity, other criteria which is crucial to the business of the Company, and the candidate's strengths and contributions to the Board. The Board shall review such measurable objectives from time to time, so as to ensure its appropriateness and the progress towards such objectives.

REMUNERATION COMMITTEE

The Remuneration Committee comprises of three members, including two independent non-executive Directors, Mr. Tian Hua (chairman) and Mr. Gu Jiong, and one executive Director, Mr. Bai Xuankui. Therefore, the majority of members are independent non-executive Directors.

Major duties of the Remuneration Committee include:

(i) to make recommendations to the board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

(ii) to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management. This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

(iii) to make recommendations to the Board on the remuneration of non-executive Directors;

(iv) to ensure that no Director or any of his associates is involved in deciding his own remuneration; and

(v) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group.

The terms of reference of the Remuneration Committee is posted on the websites of the Stock Exchange and the Company.

Since the Board has convened a Board meeting to handle items regarding the terms of reference of the Remuneration Committee before listing of the Company, the Remuneration Committee did not hold any meeting for the period from the Listing Date to 31 December 2015.

Details of the remuneration of senior management of the Company for the year ended 31 December 2015 is set out in Note 8 of the consolidated financial statements.

AUDIT COMMITTEE

The Audit Committee comprises of three independent non-executive Directors, including Mr. Gu Jiong (chairman), Mr. Tian Hua and Mr. Qiu Yongqing.

The major duties of the Audit Committee include:

(i) to monitor and review financial statements, annual report and account, interim report and quarterly report (if any)), and review material comments regarding financial reporting as set out therein, and consider any material or unusual items put forward by the internal control department or the external auditor before presenting relevant documents to the Board;

(ii) to review the relationship with the external auditor according to the duties of the auditor, their fees and engagement terms, and to make recommendations to the Board on the appointment, re-appointment and removal of auditor; and

(iii) to review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and relevant procedures, including resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting functions.

For the period from the listing date to 31 December 2015, the Audit Committee held one meeting. Attendance of Audit Committee members at such meeting is set out in the following table:

Committee member	Attendance of meetings within his term of office/Number of meetings held within his term of office
Mr. Gu Jiong	[1]/[1]
Mr. Tian Hua	[1]/[1]
Mr. Qiu Yongqing	[1]/[1]

During the year, the Audit Committee reviewed the interim results of the Group for the six months ended 30 June 2015, the financial reporting systems, compliance procedures, internal control (including the adequacy of resources, staff qualifications and experience, training programmes and budget for accounting and financial reporting functions), risk management systems and process. The Board has not deviated from the proposals of the Audit Committee on selection, appointment, resignation and removal of external auditor.

The Audit Committee also reviewed the annual results of the Company and its subsidiaries for the year ended 31 December 2015, and the audit report prepared by the external auditor related to accounting issues and material findings during the audit process. The Company has made certain arrangements for employees to raise questions about financial reporting, internal control and other matters in a confidential matter.

The terms of reference of the Audit Committee is posted on the websites of the Stock Exchange and the Company,.

REMUNERATION OF DIRECTORS AND FIVE EMPLOYEES WITH HIGHEST REMUNERATION

Details of the remuneration of the Directors and five employees with the highest remuneration are set out in note 8 and note 9 to the consolidated financial statements

DIRECTORS' FINANCIAL REPORTING RESPONSIBILITIES ON FINANCIAL STATEMENTS

The Directors understand their duties to prepare the financial statements for the year ended 31 December 2015 according to the legal requirements and applicable accounting standards, and to report truly and fairly on the Group's affairs as well as its results and cash flow. The Directors also understands they should publicate the Group's financial statements in a timely manner.

The management shall provide the Board with necessary presentation and information, allowing the Board to make information evaluation on the Company's financial statements presented to the Board for approval. The Company provides to the Board updated information about the Company's performance, financial status and outlook each month.

The Board is not aware of any substantial matters which may prevent the Group to continue to operate as a going concern.

The Company's auditor's statement on the reporting duties on the Company's consolidated financial statements is set out in the Independent Auditor's Report on p.165 to p.166 of this annual report.

REMUNERATION OF SENIOR MANAGEMENT

During the year, the remuneration of senior management of the Group fell within the following bands:

	Number of individuals
HK$500,000 or below	4
HK$500,001 to HK$1,000,000	0
HK$1,000,001 to HK$2,000,000	0

INTERNAL CONTROL

The Board understands its responsibility to maintain an effective and adequate internal control system to protect Shareholders' investments and the Company's assets. The Board has delegated to the Audit Committee to conduct a review on the effectiveness of internal control system annually (including financial control, operational control and compliance control as well as risk management functions), and the adequacy of the Company's resources for accounting and financial reporting functions, staff qualifications and experience, and staff training courses and relevant budget.

The Group has set up an internal control department which performs a vital role on the Company's internal control functions. The major duties of the internal control department include to review the Group's financial position and internal control, and to conduct regular overall review of the Company's branch corporations and associated companies.

The Board conducted a review on the effectiveness of the internal control system during the year, and considered that the current internal control system effective and adequate.

The Controlling Shareholders being Mr. Bai Xuankui, Mr. Bai Guohua, Ms. Cheng Guilian, White Dynasty Holdings Limited and White Empire (PTC) Limited have confirmed in writing with the Company that they have complied with the undertakings under the Deed of Non-competition during the period for the date of signing the Deed of Non-Competition until 31 December 2015.

The Independent Non-executive Directors have also reviewed such confirmations on the undertakings of the Deed of Non-competition by the Controlling Shareholders during the period from the date of signing the Deed of Non-competition until 31 December 2015 and confirmed that there was no breach of undertakings in the Deed of Non-competition by any of the Controlling Shareholders.

AUDITOR'S FEES

For the year ended 31 December 2015, the audit services fees payable to its external auditor, Ernst & Young, amounted to RMB1.7 million. No non-audit services fee was incurred.

COMPANY SECRETARY

To maintain sound corporate governance and ensure the compliance with the Listing Rules and applicable Hong Kong laws, the Company engaged the assistant vice president of SW Corporate Services Group Limited (company secretarial services provider), Ms Ng Wing Shan, to act as the Company Secretary of the Company, the primary point of contact at the Company of whom is Mr. Bai Guohua, an executive Director of the Company. According to the requirements of Rule 3.29 of the Listing Rules, Ms. Ng Wing Shan took no less than 15 hours of relevant professional training during the year.

SHAREHOLDERS' COMMUNICATIONS AND INVESTOR RELATIONS

The Company believes that effective communication with Shareholders is very important for strengthening investor relations and allowing investors to understand the Group's business, performance and strategy. The Company is also convinced of the importance of timely and non-selective disclosure of Company information for shareholders and investors to make informed investment decisions.

The Annual General Meeting of the Company provides opportunities for Shareholders to communicate with the Directors directly. Chairman of the Board and chairmen of each Board committee will attend the Annual General Meeting and answer questions raised by the Shareholders. The external auditor will also attend the Annual General Meeting and answer questions regarding audit work, preparation of auditor's report and its content, accounting policies and independence of auditor.

To promote effective communication, the Company has adopted the Shareholders' Communication Policy, with a view to establishing relationship and communication between the Company and its Shareholders. A website (www. chen-xing.cn) is also established. The Company shall post on its website updated information related to its business operations and development, financial information, corporate governance practices and other information for the review of the public.

SHAREHOLDERS' RIGHTS

For the protection fo shareholders' benefits and rights, the Company shall propose independent resolutions for each question (including the election of each Director) at the Annual General Meeting.

All resolutions proposed at the Annual General Meeting shall be voted on by poll according to the Listing Rules, the results of which shall be posted on the websites of the SEHK and the Company in due course.

CONVENING OF EXTRAORDINARY GENERAL MEETING AND THE PROPOSAL OF RESOLUTIONS

Pursuant to Article 58, any one or more Members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company. The procedures for Shareholders to convene an extraordinary general meeting are set out in the document entitled "Procedures for Shareholders to Convene an Extraordinary General Meeting", which is posted on the Company's website.

The Memorandum and Articles of Association and the laws of the Cayman Islands do not stipulate the procedures for Shareholders to propose resolutions at annual general meetings. Should the Shareholders wish to propose resolutions, they may refer to the "Procedures for Shareholders to Convene an Extraordinary General Meeting".

Regarding the procedures for nomination of Directors, please refer to "Procedures for Shareholders to Nominate Directors" posted on the website of the Company.

ENQUIRY TO THE BOARD

Shareholders may send by email to the Company's email address (cxfz@chen-xing.cn) or by post to the Hong Kong principal place of business (18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong) to raise enquiry regarding the Company to the Board.

AMENDMENT TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION

The amended and restated Memorandum and Articles of Association of the Company was approved by shareholders on 12 June 2015, effective from the listing date. Such amended and restated Memorandum and Articles of Association has been uploaded to the websites of HKEx and the Company. Save as disclosed above, the Company has not made any other amendments to the Memorandum and Articles of Association.

To the shareholders of Chen Xing Development Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Chen Xing Development Holdings Limited (the "Company") and its subsidiaries set out on pages 167 to 242, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirement of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong

24 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
REVENUE	5	966,213	825,888
Cost of sales		(684,824)	(587,443)
Gross profit		281,389	238,445
Other income and gains	5	292,871	5,528
Selling and distribution expenses		(47,420)	(38,655)
Administrative expenses		(60,778)	(36,301)
Other expenses		(19,553)	(224)
Finance costs	6	(6,894)	(2,161)
Share of loss of a joint venture		–	(151)
PROFIT BEFORE TAX	7	439,615	166,481
Income tax expense	10	(151,583)	(60,046)
PROFIT FOR THE YEAR		288,032	106,435
Attributable to:			
Owners of the parent		290,103	104,342
Non-controlling interests		(2,071)	2,093
		288,032	106,435
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
– For profit for the year	12	RMB0.64	RMB0.26

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
PROFIT FOR THE YEAR		288,032	106,435
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		10,235	—
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		10,235	—
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Gains on property revaluation		31,108	—
Income tax effect	30	(7,777)	—
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		23,331	—
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		33,566	—
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		321,598	106,435
Attributable to:			
Owners of the parent		323,669	104,342
Non-controlling interests		(2,071)	2,093
		321,598	106,435

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	67,718	54,043
Investment properties	14	161,000	127,000
Properties under development	15	157,473	792,186
Intangible assets	17	711	998
Deferred tax assets	30	54,130	132,286
Prepaid land lease payments	16	1,464	1,509
Total non-current assets		442,496	1,108,022
CURRENT ASSETS			
Properties under development	15	3,689,517	1,537,681
Completed properties held for sale	19	569,910	1,209,436
Inventories	18	2,271	1,840
Trade receivables	20	—	2,090
Prepayments, deposits and other receivables	21	377,329	99,012
Tax recoverable		15,868	12,911
Due from a director	39(c)	—	8,689
Due from a related party	39(c)	159	—
Available-for-sale investments	22	91,900	36,000
Pledged deposits	23	42,159	40,880
Cash and cash equivalents	23	617,215	393,515
Total current assets		5,406,328	3,342,054
CURRENT LIABILITIES			
Trade payables	24	991,184	701,490
Other payables, deposits received and accruals	25	1,179,898	602,042
Advances from customers	27	1,689,073	1,374,023
Interest-bearing bank borrowings	28	369,000	267,000
Due to a related party	39(c)	892	3,124
Due to directors	39(c)	85	184,426
Tax payable	10	90,216	102,332
Provision	26	7,213	—
Total current liabilities		4,327,561	3,234,437
NET CURRENT ASSETS		1,078,767	107,617
TOTAL ASSETS LESS CURRENT LIABILITIES		1,521,263	1,215,639

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,521,263**	1,215,639
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	28	**293,000**	360,000
Due to a related party	39(c)	**80,000**	—
Deferred tax liabilities	30	**24,983**	—
Government grants	29	**—**	277,378
Total non-current liabilities		**397,983**	637,378
Net assets		**1,123,280**	578,261
EQUITY			
Equity attributable to owners of the parent			
Share capital	31	**4,003**	—
Reserves	32	**1,034,873**	491,786
		1,038,876	491,786
Non-controlling interests		**84,404**	86,475
Total equity		**1,123,280**	578,261

Bai Xuankui
Director

Bai Wukui
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

	Attributable to owners of the parent						
	Share capital RMB'000 (note 31)	Capital reserves RMB'000	Statutory surplus reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2014	—	305,658	57,983	319,377	683,018	35,575	718,593
Total comprehensive income for the year	—	—	—	104,342	104,342	2,093	106,435
Acquisition of a subsidiary (note 33)	—	—	—	—	—	48,807	48,807
Disposal of a subsidiary	—	—	(50)	—	(50)	—	(50)
Deemed distribution to controlling shareholders	—	(203,809)	—	—	(203,809)	—	(203,809)
Transfer to statutory reserves	—	—	9,423	(9,423)	—	—	—
Dividends paid to the then shareholders	—	—	—	(91,715)	(91,715)	—	(91,715)
At 31 December 2014	—	101,849	67,356	322,581	491,786	86,475	578,261

	Attributable to owners of the parent									
	Share capital RMB'000 (note 31)	Share premium account RMB'000 (note 31)	Capital reserves RMB'000	Statutory surplus reserve RMB'000	Asset revaluation reserve# RMB'000	Exchange fluctuation reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2015	–	–	101,849	67,356	–	–	322,581	491,786	86,475	578,261
Profit for the year	–	–	–	–	–	–	290,103	290,103	(2,071)	288,032
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	–	–	–	–	–	10,235	–	10,235	–	10,235
Gains on property revaluation, net of tax	–	–	–	–	23,331	–	–	23,331	–	23,331
Total comprehensive income for the year	–	–	–	–	23,331	10,235	290,103	323,669	(2,071)	321,598
Issue of shares	801	239,350	–	–	–	–	–	240,151	–	240,151
Capitalisation issue	3,202	(3,202)	–	–	–	–	–	–	–	–
Share issue expenses	–	(16,730)	–	–	–	–	–	(16,730)	–	(16,730)
Transfer to statutory reserves	–	–	–	33,877	–	–	(33,877)	–	–	–
At 31 December 2015	4,003	219,418*	101,849*	101,233*	23,331*	10,235*	578,807*	1,038,876	84,404	1,123,280

* These reserve accounts comprise the consolidated reserves of RMB1,034,873,000 at 31 December 2015 (2014: RMB491,786,000) in the consolidated statement of financial position.

The asset revaluation reserve arose from a change in use from an owner-occupied property to an investment property carried at fair value during the year.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		439,615	166,481
Adjustments for:			
Depreciation	13	7,191	3,775
Amortisation of intangible assets	17	287	268
Amortisation of prepaid land lease payments	16	45	45
(Gain)/loss on disposal of items of property, plant and equipment	7	(223)	2
Loss on disposal of investment properties	7	11,303	—
Income from available-for-sale investments	5	(1,666)	(2,912)
Finance costs	6	6,894	2,161
Recognition of government grants	5	(283,883)	—
Share of loss of a joint venture		—	151
Gain on disposal of a subsidiary	5	—	(244)
Changes in fair value of investment properties	14	(4,483)	—
Interest income	5	(1,836)	(2,338)
		173,244	167,389
Decrease/(increase) in properties under development		(1,471,756)	114,271
Decrease/(increase) in completed properties held for sale		639,526	(597,922)
Decrease/(increase) in inventories		(431)	98
Decrease in trade receivables		2,090	12,295
Decrease/(increase) in prepayments, deposits and other receivables		(280,528)	3,748
Increase in an amount due from a related party		(159)	—
Increase in pledged deposits		(1,279)	(7,847)
Increase in trade payables		289,694	489,885
Increase in advances from customers		315,050	421,749
Increase/(decrease) in other payables, deposits received and accruals		605,769	(49,338)
Increase in provision		7,213	—
Increase in an amount due to a director		85	—
Increase/(decrease) in an amount due to a related party		(3,124)	732
Cash generated from operations		275,394	555,060
Tax paid		(71,294)	(126,560)
Net cash flows from operating activities		204,100	428,500

	Notes	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment and construction in progress		(14,932)	(23,642)
Purchases of intangible assets		—	(231)
Purchases of available-for-sale investments		(91,900)	(36,000)
Decrease in amounts due to directors		(184,426)	—
Decrease in other payables, deposits received and accruals		(19,383)	—
Sales of available-for-sale investments		36,000	20,000
Proceeds from disposal of items of property, plant and equipment		594	22
Proceeds from disposal of items of investment properties		2,180	—
Purchase of shareholding in a joint venture		—	(51,000)
Acquisition of a subsidiary	33	—	83,873
Disposal of a subsidiary	34	—	(36)
Income from available-for-sale investments		1,666	2,912
Interest received		1,836	2,338
Net cash flows used in investing activities		(268,365)	(1,764)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		231,366	—
Increase in prepayments, deposits and other receivables		—	(2,211)
Share issue expenses		(5,734)	—
Increase in government grants		6,505	70,752
New bank loans		540,000	247,000
Repayment of bank loans		(505,000)	(239,000)
Repayment of loans from a director		—	(140,000)
Loan from a related party		80,000	—
Increase in amounts due to directors		—	733
Dividends paid		(18,344)	(73,371)
Interest paid		(51,063)	(85,762)
Net cash flows generated from/(used in) financing activities		277,730	(221,859)
NET INCREASE IN CASH AND CASH EQUIVALENTS		213,465	204,877
Cash and cash equivalents at beginning of year		393,515	188,638
Effect of foreign exchange rate changes, net		10,235	—
CASH AND CASH EQUIVALENTS AT END OF YEAR	23	617,215	393,515

1. CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 3 November 2014. The registered office address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

During the year, the Group was principally engaged in property development:

In the opinion of the directors, the ultimate controlling shareholders of the Group are Mr. Bai Xuankui and Mr. Bai Guohua.

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Chen Xing Investments Limited	British Virgin Islands	US$10,000	100%	–	Investment holding
Chen Xing International Holdings Limited	Hong Kong	HK$100	–	100%	Investment holding
Jinzhong Chen Xing Hui Technology And Trade Company Limited*	People's Republic of China/ Mainland China	RMB1,000,000	–	100%	Investment holding
Chenxing Real Estate Development Co., Ltd. ("Chen Xing")**	People's Republic of China/ Mainland China	RMB204,000,000	–	100%	Property development and sale
Sichuan Chenxing Real Estate Development Co., Limited ("Chen Xing Sichuan")**	People's Republic of China/ Mainland China	RMB100,000,000	–	83.89%	Property development and sale
Jinzhong Chenxing Commercial Management Co., Limited**	People's Republic of China/ Mainland China	RMB1,000,000	–	100%	Property leasing

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Particulars of the Company's subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Jinzhong City Yuci Chenxing Doors &Windows Co., Ltd.**	People's Republic of China/ Mainland China	RMB1,500,000	–	100%	Manufacture and installation of windows
Shanxi Chenxing Property Services Co., Limited**	People's Republic of China/ Mainland China	RMB6,000,000	–	100%	Property management
Jinzhong Development Zone Real Estate Development Co., Ltd. ("Jinzhong Development")**	People's Republic of China/ Mainland China	RMB100,000,000	–	51%	Property development and sale
Wuzhishan Kim Jin Yao Yang Real Estate Development Co., Ltd. ("Kim Jin Yao Yang")**/***	People's Republic of China/ Mainland China	RMB90,280,000		100%	Property development and sale

* The entity is registered as a wholly-foreign-owned enterprise under PRC law.

** These entities are limited enterprises established under PRC law.

*** During the year, the Group acquired Wuzhishan Kim Jin Yao Yang Real Estate Development Co., Ltd. from a third party, Wuzhishan Kim Tai De Yao Yang Vacation Elderly Care Development Co., Ltd.. Further details of this acquisition are included in note 33 to the financial statements.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirement of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and available-for-sale investments which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICES AND DISCLOSURES

The Group has adopted the following revised standards for the first time for the current year's financial statements.

Amendments to HKAS 19 *Defined Benefit Plans: Employee Contributions*
Annual Improvements to HKFRSs 2010-2012 Cycle
Annual Improvements to HKFRSs 2011-2013 Cycle

The adoption of the above revised standards has had no significant financial effect on these financial statements.

In addition, the Company has adopted the amendments to the Listing Rules issued by the Hong Kong Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Ventur*[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKAS 1	*Disclosure Initiative*[1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[1]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group
4 No mandatory effective date yet determined but is available for adoption

The Group anticipates that the application of the new and revised HKFRSs will have no material impact on the financial position or performance of the Group upon adoption.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its joint ventures are eliminated to the extent of the Group's investments in the joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of joint ventures is included as part of the Group's investments in joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its available-for-sale investments and investment properties at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement *(continued)*

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the statement of profit or loss. Any subsequent revaluation surplus is credited to the statement of profit or loss to the extent of the deficit previously charged. An annual transfer from the asset revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	1.90%-4.75%
Motor vehicles	9.50%-19.40%
Machinery and equipment	9.50%-19.40%
Computer and office equipment	9.50%-32.33%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above. For a transfer from completed properties held for sale to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

The Group determines whether completed properties held for sale would be transferred to investment properties when, and only when, there is a change in use, evidenced by the following criteria: (a) the Group has prepared a business plan that reflects the future rental income generated by the property and this is supported with evidence that there is demand for rental space; (b) the Group can demonstrate that it has the resources, including the necessary financing or capital, to hold and manage an investment property; (c) the change in use is legally permissible; (d) if the property must be further developed for the change in use, and the development has commenced; and (e) change in use is approved by a board resolution.

Properties under development

Properties under development are intended to be held for sale after completion. On completion, the properties are transferred to completed properties held for sale.

Properties under development are stated at the lower of cost and net realisable value and comprise land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

Properties under development are classified as current assets unless they will not be realised in the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Completed properties held for sale

Completed properties held for sale are stated in the statement of financial position at the lower of cost and net realisable value. Cost is determined by an apportionment of the total costs of land and buildings attributable to the unsold properties. Net realisable value takes into account the price ultimately expected to be realised, less estimated costs to be incurred in selling the properties.

Allocation of property development costs

Land costs are allocated to each unit according to their respective saleable gross floor areas ("GFA") to the total saleable GFA. Construction costs relating to units were identified and allocated specifically. Common construction costs have been allocated according to the saleable GFA similar to land costs.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables and available-for-sale financial investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate method. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income and gains in accordance with the policies set out for "Revenue recognition" below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Subsequent measurement *(continued)*

Available-for-sale financial investments (continued)

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets, if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss — is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity investments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the statement of profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amounts due to directors and a related party and interest-bearing bank borrowings.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

Subsequent measurement

The subsequent measurement of loans and borrowings is as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the country in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. For the government grant received to support the Group's listing application process, it is recognised as a liability upon receipt and is recognised as income when all attaching conditions will be complied with.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) Sale of completed properties

Revenue from the sale of properties is recognised when the risks and rewards of the properties are transferred to the purchasers. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under current liabilities.

(b) Property leasing income

Revenue derived from the leasing of the Group's properties is recognised on a time proportion basis over the lease terms.

(c) Interest income

Revenue is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute 14% of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate ranging from 4.75% to 7.38% has been applied to the expenditure on the individual assets.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. In prior years, final dividends proposed by the directors were classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

These financial statements are presented in Renminbi ("RMB"), which is the Company's presentation currency because the Group's principal operations are carried out in Mainland China. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates ruling at the end of the reporting period and their statements of profit or loss and other comprehensive income are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Estimation of fair value of investment properties

Investment properties were revalued based on the appraised market value by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimate, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of the reporting period. In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location or subject to different leases or other contracts, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The principal assumptions for the Group's estimation of the fair value include those related to current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs. The carrying amount of investment properties was RMB161,000,000 as at 31 December 2015 (2014: RMB127,000,000).

Net realisable value of properties under development and completed properties held for sale

The Group's properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Based on the Group's historical experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion of properties under development, and the costs to be incurred in selling the properties based on prevailing market conditions.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in a provision for properties under development and completed properties held for sale. Such provision requires the use of judgements and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the period in which such estimate is changed will be adjusted accordingly.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

PRC land appreciation tax ("LAT")

The Group is subject to LAT in the PRC. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT calculation and payments with the tax authorities for all its property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences will impact on the LAT expenses and the related provision in the period in which the differences realise.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2015 was RMB882,000 (2014: Nil). The carrying amount of gross deferred tax assets at 31 December 2015 was RMB87,072,000 (2014: RMB159,286,000). Further details are included in note 30 to the financial statements.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Useful lives and residual values of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset and the legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way.

Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at each financial year end date based on changes in circumstances.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business units based on their products and services and only has one reportable operating segment. Management monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resources allocation and performance assessment.

No geographical information is presented as the Group's revenue from the external customers is derived solely from its operations 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 sales to a single customer individually contributed to over 10% of the Group's revenue for the reporting period.

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents income from the sale of properties and lease of properties, net of business tax and other sales related to taxes and discounts allowed.

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

	2015 RMB'000	2014 RMB'000
Revenue		
Sale of properties	1,016,055	870,856
Property leasing income	8,530	5,717
	1,024,585	876,573
Less: Business tax and government surcharges	(58,372)	(50,685)
	966,213	825,888

5. REVENUE, OTHER INCOME AND GAINS *(continued)*

An analysis of revenue, other income and gains is as follows: *(continued)*

	2015 RMB'000	2014 RMB'000
Other income		
Government grants	283,883	—
Bank interest income	1,836	2,338
Income from available-for-sale investments	1,666	2,912
Gross rental income	211	—
Others	569	34
	288,165	5,284
Gains		
Fair value gains on investment properties	4,483	—
Gain on disposal of property, plant and equipment	223	—
Gain on disposal of a subsidiary	—	244
	4,706	244
	292,871	5,528

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2015 RMB'000	2014 RMB'000
Interest on bank loans	50,518	43,300
Interest on loans from a related party	1,743	11,317
Less: Interest capitalised	(45,367)	(52,456)
Total finance costs	6,894	2,161

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2015 RMB'000	2014 RMB'000
Cost of properties sold		684,824	587,443
Depreciation	13	7,191	3,775
Amortisation of intangible assets	17	287	268
Minimum lease payments under operating leases		1,156	584
Amortisation of prepaid land lease payments	16	45	45
Auditors' remuneration		1,700	250
Employee benefit expense (excluding directors' remuneration (note 8)):			
Wages and salaries		9,461	9,789
Pension scheme contributions		1,316	2,490
Staff welfare expenses		1,791	1,443
		12,568	13,722
Changes in fair value of investment properties	14	(4,483)	—
Government grants		(283,883)	—
Bank interest income		(1,836)	(2,338)
Income from available-for-sale investments		(1,666)	(2,912)
Gain on disposal of a subsidiary	34	—	(244)
Gain on disposal of property, plant and equipment		(223)	—
Other expenses:			
Loss on disposal of items of property, plant and equipment		—	2
Loss on disposal of investment properties		11,303	—

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The Company was incorporated in the Cayman Islands on 3 November 2014. Mr. Bai Xuankui, Mr. Bai Guohua, Mr. Dong Shiguang and Mr. Zhang Yongcheng were appointed as executive directors of the Company on 5 February 2015, 12 November 2014, 5 February 2015 and 5 February 2015, respectively. Mr. Bai Wukui was appointed as an executive director and the chief executive officer of the Company on 5 February 2015.

Certain of the directors received remuneration from the subsidiaries now comprising the Group for their appointment as directors of these subsidiaries. Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1) (a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2015 RMB'000	2014 RMB'000
Fees	90	—
Other emoluments:		
Salaries, allowances and benefits in kind	1,056	1,052
Performance related bonuses	374	303
Pension scheme contributions	115	112
	1,635	1,467

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2015 RMB'000	2014 RMB'000
Mr. Gu Jiong	50	—
Mr. Tian Hua	20	—
Mr. Qiu Yongqing	20	—
	90	—

There were no other emoluments payable to the independent non-executive directors during the year (2014: Nil).

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(continued)*

(b) Executive directors and the chief executive

Year ended 31 December 2015

Executive directors:

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Mr. Bai Xuankui	—	392	108	—	500
Mr. Bai Wukui	—	360	120	30	510
Mr. Zhang Yongcheng	—	100	25	28	153
Mr. Dong Shiguang	—	100	25	28	153
Mr. Bai Guohua	—	104	96	29	229
	—	1,056	374	115	1,545

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(continued)*

(b) Executive directors, non-executive directors and the chief executive *(continued)*

Year ended 31 December 2014

Executive directors:

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Mr. Bai Xuankui	—	392	108	—	500
Mr. Bai Wukui	—	360	120	29	509
Mr. Zhang Yongcheng	—	100	25	28	153
Mr. Dong Shiguang	—	100	25	28	153
Mr. Liu Changzeng[(1)]	—	100	25	27	152
Ms. Zhang Shuping[(1) (2)]	—	—	—	—	—
	—	1,052	303	112	1,467

(1) These directors are not the directors of the Company.

(2) Ms. Zhang Shuping resigned on 24 December 2014.

Mr. Bai Wukui is the chief executive officer and an executive director of the Group.

There were no emoluments payable to the non-executive directors during the year (2014: Nil).

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

The directors did not receive any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2014: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2014: two directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2014: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2015 RMB'000	2014 RMB'000
Salaries, allowances and benefits in kind	754	644
Performance related bonuses	336	316
Pension scheme contributions	88	55
	1,178	1,015

The number of non-director highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2015	2014
Nil to HK$1,000,000	3	3

The five highest paid employees did not receive any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2014: Nil).

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group's subsidiaries incorporated in the Cayman Islands and British Virgin Islands are not subject to any income tax. Pursuant to the relevant tax law of the Hong Kong Special Administrative Region, Hong Kong profits tax is based on a tax rate of 16.5% (2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits in Hong Kong during the year (2014: Nil).

The provision for Mainland China current income tax is based on the statutory rate of 25% of the assessable profits of certain PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008.

According to the requirements of the provisional regulations of the PRC on the land appreciation tax ("LAT") effective from 1 January 1994 onwards, and the detailed implementation rules on the provisional regulations of the PRC on LAT effective from 27 January 1995 onwards, all income from the sale or transfer of state-owned leasehold interests on land, buildings and their attached facilities in Mainland China is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for property sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

10. INCOME TAX *(continued)*

The Group has estimated, made and included in tax provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated.

Major components of the Group's income tax expense are as follows:

	2015 RMB'000	2014 RMB'000
Current tax:		
Income tax charge	39,409	85,336
LAT	16,812	19,833
Deferred tax	95,362	(45,123)
Total tax charge for the year	151,583	60,046

A reconciliation of the tax expense applicable to profit before tax using the statutory rate to the tax expense at the effective tax rate is as follows:

	2015 RMB'000	2014 RMB'000
Profit before tax	439,615	166,481
Tax at the statutory tax rate	113,780	41,620
Provision for LAT	16,812	19,833
Tax effect of LAT provision	(4,203)	(4,958)
Effect of withholding tax at 10% on distributable profits of the Group's PRC subsidiaries (note 30)	24,983	—
Expenses not deductible for tax	211	3,551
Tax charge at the Group's effective rate	151,583	60,046

Tax payable in the consolidated statement of financial position represents:

	2015 RMB'000	2014 RMB'000
Tax payable		
– PRC corporate income tax	50,943	51,152
– PRC LAT	39,273	51,180
	90,216	102,332

11. DIVIDENDS

	2015 RMB'000	2014 RMB'000
Proposed final – HK50 cents (2014: Nil) per ordinary share	209,450	–

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

On 30 May 2014, Chen Xing declared and approved a dividend of RMB91,715,000 to its then shareholders. The dividend was fully paid in September 2014.

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

The calculation of the basic earnings per share amounts for the year is based on profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 450,278,000 (2014: 399,997,000) in issue and issuable during the year, on the assumption that the reorganisation and capitalisation issue, as further detailed in note 31 below, had been completed on 1 January 2014.

The calculation of basic earnings per share is based on:

	2015 RMB'000	2014 RMB'000
Earnings:		
Profit for the year attributable to ordinary equity holders of the parent	290,103	104,342

	2015 '000	2014 '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of the basic earnings per share calculation	450,278	399,997

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2015 and 2014.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Motor vehicles RMB'000	Machinery and equipment RMB'000	Computer and office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2015						
At 31 December 2014 and 1 January 2015:						
Cost	46,657	10,337	779	9,165	–	66,938
Accumulated depreciation	(3,362)	(4,013)	(520)	(5,000)	–	(12,895)
Net carrying amount	43,295	6,324	259	4,165	–	54,043
At 1 January 2015, net of accumulated depreciation	43,295	6,324	259	4,165	–	54,043
Additions	–	4,706	12	1,456	26,955	33,129
Disposals	–	(337)	–	(34)	–	(371)
Transfers	15,063	–	–	–	(26,955)	(11,892)
Depreciation provided during the year	(2,902)	(2,149)	(74)	(2,066)	–	(7,191)
At 31 December 2015, net of accumulated depreciation	55,456	8,544	197	3,521	–	67,718
At 31 December 2015:						
Cost	61,720	14,478	791	10,587	–	87,576
Accumulated depreciation	(6,264)	(5,934)	(594)	(7,066)	–	(19,858)
Net carrying amount	55,456	8,544	197	3,521	–	67,718

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Buildings RMB'000	Motor vehicles RMB'000	Machinery and equipment RMB'000	Computer and office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2014						
At 1 January 2014:						
Cost	17,991	7,609	4,927	6,510	10,849	47,886
Accumulated depreciation	(2,996)	(2,587)	(2,373)	(4,272)	–	(12,228)
Net carrying amount	14,995	5,022	2,554	2,238	10,849	35,658
At 1 January 2014, net of accumulated depreciation	14,995	5,022	2,554	2,238	10,849	35,658
Additions	210	2,823	–	3,002	17,607	23,642
Acquisition of a subsidiary (note 33)	–	–	–	131	–	131
Transfer	28,456	–	–	–	(28,456)	–
Disposals	–	(21)	–	(3)	–	(24)
Disposal of a subsidiary (note 34)	–	–	(1,576)	(13)	–	(1,589)
Depreciation provided during the year	(366)	(1,500)	(719)	(1,190)	–	(3,775)
At 31 December 2014, net of accumulated depreciation	43,295	6,324	259	4,165	–	54,043
At 31 December 2014:						
Cost	46,657	10,337	779	9,165	–	66,938
Accumulated depreciation	(3,362)	(4,013)	(520)	(5,000)	–	(12,895)
Net carrying amount	43,295	6,324	259	4,165	–	54,043

The Group's buildings, included above at cost, were valued at RMB133,000,000 as at 31 December 2014 as disclosed in the prospectus issued on 22 June 2015 in connection with the listing of the Company's shares on 3 July 2015. Had the Group's buildings been included in these financial statements at such valuation amount throughout the year ended 31 December 2015, an additional depreciation charge of RMB4,772,000 would have been recognised in the consolidated statement of profit or loss for the year ended 31 December 2015.

At 31 December 2015, certain of the Group's property, plant and equipment with a net carrying amount of approximately RMB44,762,000 (2014: Nil) were pledged to secure bank loans granted to the Group (note 28).

14. INVESTMENT PROPERTIES

	2015 RMB'000	2014 RMB'000
Carrying amount at 1 January	**127,000**	127,000
Transfer from owner-occupied property	**43,000**	—
Disposals	**(13,483)**	—
Net gain from a fair value adjustment	**4,483**	—
Carrying amount at 31 December	**161,000**	127,000

The Group's investment properties consist of two commercial properties and one property held for own use in China. The Group's investment properties were revalued on 31 December 2015 based on valuations performed by DTZ Debenham Tie Leung Limited ("DTZ"), an independent professionally qualified valuer, at RMB161,000,000 (2014: RMB127,000,000).

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 36.

At 31 December 2015, the Group's investment properties with a carrying value of RMB118,000,000 (2014: RMB57,000,000) were pledged to secure bank loans granted to the Group (note 28).

14. INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy

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

	Fair value measurement as at 31 December 2015 using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for:				
Commercial properties	—	—	118,000	118,000
Property held for own use	—	—	43,000	43,000
	—	—	161,000	161,000

	Fair value measurement as at 31 December 2014 using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for:				
Commercial properties	—	—	127,000	127,000

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2014: Nil).

14. INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy *(continued)*

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Commercial properties RMB'000	Property held for own use RMB'000
Carrying amount at 1 January 2014, 31 December 2014 and 1 January 2015	127,000	—
Additions	—	43,000
Disposal	(13,483)	—
Net gain from a fair value adjustment recognised in other expenses in statement of profit or loss	4,483	—
Carrying amount at 31 December 2015	118,000	43,000

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

Investment properties	Valuation techniques	Significant unobservable inputs	Range of unobservable inputs 2015	2014
Commercial properties	Income approach	Prevailing market rents	RMB22 to RMB130 per square metre per month	RMB21 to RMB139 per square metre per month
		Yield rate	7%	7%
Properties held for own use	Income approach	Prevailing market rents	RMB68 to RMB114	N/A
		Yield rate	7%	N/A

Prevailing market rents are estimated based on the independent valuer's view of recent letting transactions within the subject properties and other comparable properties. A significant increase (decrease) in the estimated rental value in isolation would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the yield rate in isolation would result in a significant decrease (increase) in the fair value of the investment properties. Generally, a change in the assumption made for the estimated rental value is accompanied by an opposite change in the yield rate.

15. PROPERTIES UNDER DEVELOPMENT

	2015 RMB'000	2014 RMB'000
Carrying amount at 1 January	**2,329,867**	1,687,588
Additions	**1,562,421**	1,123,550
Acquisition of a subsidiary (note 33)	**—**	704,094
Transferred to completed properties held for sale (note 19)	**(45,298)**	(1,185,365)
Carrying amount at 31 December	**3,846,990**	2,329,867
Less: Current portion	**(3,689,517)**	(1,537,681)
Non-current portion	**157,473**	792,186

At 31 December 2015, certain of the Group's properties under development with a carrying value of approximately RMB1,232,706,000 (2014: RMB1,041,711,000) were pledged to secure bank loans granted to the Group (note 28).

16. PREPAID LAND LEASE PAYMENTS

	2015 RMB'000	2014 RMB'000
Carrying amount at 1 January	**1,554**	1,599
Recognised during the year	**(45)**	(45)
Carrying amount at 31 December	**1,509**	1,554
Less: Current portion included in prepayments, deposits and other receivables	**(45)**	(45)
Non-current portion	**1,464**	1,509

17. INTANGIBLE ASSETS

	Software RMB'000
31 December 2015	
Cost at 1 January 2015, net of accumulated amortisation	998
Amortisation provided during the year	(287)
At 31 December 2015	711
At 31 December 2015:	
Cost	1,402
Accumulated amortisation	(691)
Net carrying amount	711
31 December 2014	
At 1 January 2014:	
Cost	1,171
Accumulated amortisation	(136)
Net carrying amount	1,035
Cost at 1 January 2014, net of accumulated amortisation	1,035
Additions	231
Amortisation provided during the year	(268)
At 31 December 2014	998
At 31 December 2014 and at 1 January 2015:	
Cost	1,402
Accumulated amortisation	(404)
Net carrying amount	998

18. INVENTORIES

	2015 RMB'000	2014 RMB'000
Raw materials	720	137
Work in progress	1,493	1,681
Low value consumables	58	22
	2,271	1,840

19. COMPLETED PROPERTIES HELD FOR SALE

	2015 RMB'000	2014 RMB'000
Carrying amount at 1 January	1,209,436	611,514
Transfer from properties under development (note 15)	45,298	1,185,365
Transfer to cost of properties sold	(684,824)	(587,443)
Carrying amount at 31 December	569,910	1,209,436

20. TRADE RECEIVABLES

	2015 RMB'000	2014 RMB'000
Trade receivables	–	2,090

The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. In view of the aforementioned, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

There was no provision made for impairment of trade receivables during the year (2014: Nil).

20. TRADE RECEIVABLES *(continued)*

An aged analysis of the trade receivables, based on the invoice date, is as follows:

	2015 RMB'000	2014 RMB'000
Less than 1 year	–	–
1 to 2 years	–	2,090
	–	2,090

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2015 RMB'000	2014 RMB'000
Neither past due nor impaired	–	2,090

Trade receivables that were neither past due nor impaired relate to a number of independent customers for whom there was no recent history of default.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015 RMB'000	2014 RMB'000
Prepayments	54,347	19,786
Prepaid land lease payment	45	45
Other receivables	226,789	13,245
Other tax recoverable	96,148	65,936
	377,329	99,012

Other receivables are unsecured and non-interest-bearing and have no fixed terms of repayment.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

22. AVAILABLE-FOR-SALE INVESTMENTS

	2015 RMB'000	2014 RMB'000
Unlisted investments, at fair value	91,900	36,000

Unlisted investments represented investments in certain financial assets issued by licensed financial institutions in Mainland China. The financial assets in the investments bear expected yield rates of 2.2% to 4.35% per annum upon maturity in the current year (2014:1.8%).

23. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2015 RMB'000	2014 RMB'000
Total cash and bank balances, including pledged deposits	659,374	434,395
Less: Pledged deposits	(42,159)	(40,880)
Cash and cash equivalents	617,215	393,515

At 31 December 2015, the cash and bank balances of the Group denominated in RMB amounted to RMB419,116,000 (2014: RMB434,316,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

At 31 December 2015, RMB30,000,000 (2014: RMB30,000,000) in pledged deposits were frozen pursuant to a civil ruling issued by the Jinzhong Intermediate People's Court in relation to the lawsuit filed by Shanxi Yuci Huayi Section Steel Industrial Co., Ltd. ("Shanxi Yuci Huayi") (note 26).

24. TRADE PAYABLES

An aged analysis of the trade payables, based on the payment due date, is as follows:

	2015 RMB'000	2014 RMB'000
Less than 1 year	685,943	645,456
1 to 2 years	254,540	8,495
2 to 3 years	8,250	5,120
3 to 4 years	3,360	5,668
4 to 5 years	3,780	26,633
Over 5 years	35,311	10,118
	991,184	701,490

Trade payables are unsecured and interest-free and are normally settled based on the progress of construction.

25. OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUALS

	2015 RMB'000	2014 RMB'000
Payroll and welfare payable	7,944	6,680
Payables to government authority	15,844	15,334
Deposits related to sales of properties	3,100	11,509
Deposits related to construction	3,479	2,216
Sales commission payable	2,200	689
Payables to third parties	87,839	28,946
Interest payable	2,307	2,001
Advance from government(1)		
– Phase I of Longtian Project	1,056,536	471,799
– social security housing	—	15,243
Payable to the then shareholders	—	19,383
Taxes payable other than corporate income tax	649	28,242
	1,179,898	602,042

(1) Advances from government represented payment from the management committee of the Economic Technology Development District, Jinzhong as development costs for the construction of Phase I of Longtian Project and the social security housing, which would be paid to the suppliers.

Other payables are unsecured, non-interest-bearing and repayable on demand.

26. PROVISION

	Litigation compensation RMB'000
At 1 January 2014, 31 December 2014 and 1 January 2015	–
Additional provision	7,213
At 31 December 2015	7,213

On 16 March 2013, Shanxi Yuci Huayi filed an action in the Jinzhong Intermediate People's Court against Chen Xing, claiming compensation and damages in an aggregate amount of RMB40,077,420 on the grounds that Chen Xing failed to sell residential units and retail outlets at favorable prices agreed in accordance with the resettlement compensation agreement and supplemental agreement which Chen Xing entered into with Shanxi Yuci Huayi in November 2006.

At 31 December 2015, RMB30,000,000 (2014: RMB30,000,000) in pledged deposits were frozen pursuant to a civil ruling issued by the Jinzhong Intermediate People's Court.

On 22 January 2016, the Group received the judgement issued by the Supreme People's Court in relation to the litigation between Chen Xing and Shanxi Yuci Huayi that Chen Xing was ordered to pay Shanxi Yuci Huayi an aggregate sum of RMB7,150,650 for the compensation of the residential units and retail outlets. The Supreme People's Court also ordered that RMB61,855 of the legal costs for these appeal proceedings shall be borne by Chen Xing. A provision has been made at the end of the reporting period according to the judgement.

27. ADVANCES FROM CUSTOMERS

Advances from customers represented the sales proceeds received from buyers in connection with the Group's pre-sale of properties at the end of the reporting period.

28. INTEREST-BEARING BANK BORROWINGS

	2015			2014		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans - secured	6.63	2016	47,000	7.68	2015	47,000
Current portion of long term bank loans - secured	6.15-6.77	2016	322,000	6.77-7.38	2015	220,000
			369,000			267,000
Non-current						
Bank loans - secured	4.75-6.60	2018	293,000	6.15-6.77	2016	360,000
			662,000			627,000

	2015 RMB'000	2014 RMB'000
Analysed into:		
Bank loans:		
Within one year or on demand	369,000	267,000
In the second year	—	360,000
In the third to fifth years, inclusive	293,000	—
	662,000	627,000

Certain of the Group's bank loans are secured by:

(i) mortgages over the Group's buildings, which had an aggregate carrying value at the end of the reporting period of approximately RMB44,762,000 (2014: Nil) (note 13);

(ii) mortgages over the Group's investment properties, which had an aggregate carrying value at the end of the reporting period of approximately RMB118,000,000 (2014: RMB57,000,000) (note 14);

(iii) mortgages over the Group's properties under development, which had an aggregate carrying value at the end of the reporting period of approximately RMB1,232,706,000 (2014: RMB1,041,711,000) (note 15).

In addition, the Company's controlling shareholders have guaranteed certain of the Group's bank loans up to RMB93,000,000 as at the end of the reporting period (2014: Nil).

29. GOVERNMENT GRANTS

	2015 RMB'000	2014 RMB'000
Carrying amount at 1 January	**277,378**	206,626
Additions	**6,505**	70,752
Recognise as income	**(283,883)**	—
Carrying amount at 31 December	**—**	277,378

The government grants received by the Group as financial subsidies were for listing expenses and were recognised as income when all conditions have been fulfilled.

30. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Fair value adjustment arising from investment properties RMB'000	Withholding tax RMB'000	Gain on property revaluation RMB'000	Total RMB'000
Gross deferred tax liabilities at 1 January 2014, 31 December 2014 and 1 January 2015	27,000	—	—	27,000
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	(1,835)	24,983	—	23,148
Deferred tax charged to other comprehensive income during the year	—	—	7,777	7,777
Gross deferred tax liabilities at 31 December 2015	25,165	24,983	7,777	50,148

30. DEFERRED TAX *(continued)*

Deferred tax assets

	Accrued LAT RMB'000	Prepaid corporate income tax RMB'000	Tax losses RMB'000	Accrued payroll RMB'000	Unrealised profit attributable to the intra-group transactions RMB'000	Government grants RMB'000	Total RMB'000
Gross deferred tax assets at 1 January 2014	28,774	30,837	1,209	1,110	576	51,657	114,163
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	(17,723)	47,893	(1,209)	285	(170)	16,047	45,123
Gross deferred tax assets at 31 December 2014 and 1 January 2015	11,051	78,730	–	1,395	406	67,704	159,286
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	(5,406)	(703)	882	876	(159)	(67,704)	(72,214)
Gross deferred tax assets at 31 December 2015	5,645	78,027	882	2,271	247	–	87,072

30. DEFERRED TAX *(continued)*

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2015 RMB'000	2014 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	54,130	132,286
Net deferred tax liabilities recognised in the consolidated statement of financial position	(24,983)	—

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprise established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty/arrangement between Mainland China and the jurisdiction of the foreign investors and the foreign investors are the beneficial owners of the dividends. The Group is therefore liable to withholding taxes on dividends distributed by those foreign invested subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. For the Group, the applicable rate is 10%.

Deferred tax liabilities are recognised based on the estimated dividend of RMB209,450,000 to be distributed from the distributable earnings of the year ended 31 December 2015 from the subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries established in Mainland China will distribute the remaining earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised was approximately RMB369,677,000 as at 31 December 2015 (2014: RMB324,413,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

31. SHARE CAPITAL

Shares

	2015 RMB'000	2014 RMB'000
Issued and fully paid:		
500,000,000 (2014: 7,228) ordinary shares	4,003	—

A summary of movements in the Company's share capital and share premium is as follows:

	Notes	Number of shares in issue	Share capital RMB'000	Share premium account RMB'000	Total RMB'000
At 1 January 2014		—	—	—	—
Issue of shares on 3 November 2014		7,228	—	—	—
At 31 December 2014 and 1 January 2015		7,228	—	—	—
Issue of shares on 16 January 2015	(a)	2,772	—	—	—
Capitalisation issue	(b)	399,990,000	3,202	(3,202)	—
Issue of shares on 3 July 2015	(c)	100,000,000	801	239,350	240,151
Share issue expenses		—	—	(16,730)	(16,730)
At 31 December 2015		500,000,000	4,003	219,418	223,421

Notes:

(a) Pursuant to an ordinary resolution passed on 12 January 2015, a total of 2,772 ordinary shares of HK$.001 each were issued at par to the existing shareholders.

(b) Pursuant to an ordinary resolution passed on 12 June 2015, 399,990,000 ordinary shares of HK$0.01 each were allotted and issued, credited as fully paid at par, by way of capitalisation from the share premium account to the holders of shares whose names appeared on the register of members of the Company at the close of business on 12 June 2015 in proportion to their respective shareholdings. This allotment and capitalisation issue were conditional on the share premium account being credited as a result of the issue of new shares to the public in connection with the Company's initial public offering as detailed in note (c) below.

(c) In connection with the Company's initial public offering, 100,000,000 ordinary shares of HK$0.01 each were issued at a price of HK$3.00 per share for a total cash consideration, before expenses, of approximately HK$300,000,000 (equivalent to RMB240,151,000). Dealings in the shares of the Company on the Stock Exchange commenced on 3 July 2015.

32. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity on page 171 of the financial statements.

Statutory surplus reserves

In accordance with the Company Law of the PRC, certain subsidiaries of the Group which are registered in the PRC as domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserves may be converted to increase share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

Capital reserve

Capital reserve of the Group represents the aggregate amount of the paid-up capital of those companies comprising the Group prior to the incorporation of the Company.

On 12 September 2013, Sichuan Changxing (Holdings) Limited ("Sichuan Changxing") injected additional capital of RMB139,200,000 into Chen Xing Sichuan. Upon completion of the capital contribution, the shareholding of the Group in Chen Xing Sichuan decreased from 100% to 83.89%. The difference between the contributed amount of RMB139,200,000 net of tax of RMB1,375,000 and the share of net assets of Chen Xing Sichuan by Sichuan Changxing was recorded as capital reserve.

On 24 December 2014 and as part of the reorganisation, the Group acquired Chen Xing from the shareholders of Chen Xing for a cash consideration of RMB203,809,00 which was fully paid in January 2015.

33. BUSINESS COMBINATION

Acquisition in 2015

On 15 July 2015, the Group acquired 55% equity interest in Kim Jin Yao Yang by way of capital injection into Kim Jin Yao Yang of RMB49,660,000 and took control over Kim Jin Yao Yang. Kim Jin Yao Yang is engaged in property development and the acquisition was made as part of the Group's strategy to expand its business network to other geographic locations across the PRC. Upon the acquisition, Kim Jin Yao Yang became a subsidiary of the Group.

The fair values of the identifiable assets and liabilities of Kim Jin Yao Yang on the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000
Other receivables	70,620
Cash and bank balances	49,660
Other payables	(30,000)
Total identifiable net assets at fair value	90,280
Non-controlling interests	(40,620)
Satisfied by cash	49,660

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	(49,660)
Cash and bank balances acquired	49,660
Net inflow/(outflow) of cash and cash equivalents included in cash flows from investing activities	–

Since the acquisition, Kim Jin Yao Yang contributed nil amount to the Group's revenue and a net loss of RMB847,000 to the consolidated profit for the year ended 31 December 2015.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been RMB966,213,000 and RMB292,070,000, respectively, in 2015.

On 30 October 2015, the Group acquired the residual 45% equity interest in Kim Jin Yao Yang at a cash consideration of RMB40,620,000.

Acquisition in 2014

On 14 August 2014, the Group acquired 51% equity interest in Jinzhong Development by way of capital injection into Jinzhong Development of RMB51,000,000. Jinzhong Development is engaged in property development and the acquisition was made as part of the Group's strategy to undertake the Longtian Project. The non-controlling shareholder of Jinzhong Development has substantive participating rights over significant financial and operating policies and the ability to approve or veto decisions that relate to the relevant activities of Jinzhong Development. Accordingly, the Group did not have control over Jinzhong Development. Jinzhong Development was jointly controlled by the Group and the non-controlling shareholder, despite the fact that the Group owns 51% voting rights of Jinzhong Development. Jinzhong Development was therefore accounted for as a joint venture.

33. BUSINESS COMBINATION *(continued)*

Acquisition in 2014 *(continued)*

On 19 December 2014, the key term in relation to the decision-making powers of the shareholders of Jinzhong Development was changed so that a shareholder resolution is passed if 50% or more than 50% votes are cast for such resolution. The Group owns 51% voting rights of Jinzhong Development and holds the majority members of the board of directors. Accordingly, the Group has the ability to approve decisions that are related to the relevant activities of Jinzhong Development and has control over Jinzhong Development. Jinzhong Development was therefore accounted for as a subsidiary of the Group with effect from 19 December 2014.

The fair values of the identifiable assets and liabilities of Jinzhong Development on the date of acquisition were as follows:

	Notes	**Fair value recognised on acquisition RMB'000**
Property, plant and equipment	13	131
Properties under development	15	704,094
Other receivables		20,755
Cash and bank balances		83,873
Other payables, deposits received and accruals		(559,247)
Interest-bearing bank borrowings		(150,000)
Total identifiable net assets at fair value		99,606
Non-controlling interests		(48,807)
Fair value of the 51% equity interest previously recognised as a joint venture		50,799
Goodwill on acquisition		—

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	—
Cash and bank balances acquired	83,873
Net inflow of cash and cash equivalents included in cash flows from investing activities	83,873

Since the acquisition, Jinzhong Development contributed nil amount to the Group's revenue and RMB58,000 to the consolidated profit for the year ended 31 December 2014.

Had the combination taken place at the beginning of 2014, the revenue of the Group and the profit of the Group for the year of 2014 would have been RMB825,888,000 and RMB106,338,000, respectively, in 2014.

34. DISPOSAL OF A SUBSIDIARY

Disposal in 2014

On 15 November 2014, the Group entered into a sale and purchase agreement to dispose of its entire interest in Beijing Chen Xing Real Estate Agency Company Limited ("Beijing Chen Xing") to an independent third party for a total consideration of RMB100,000.

	Notes	2014 RMB'000
Net liabilities disposed of:		
Property, plant and equipment	13	1,589
Cash and bank balances		136
Prepayments and other receivables		655
Tax recoverable		180
Other payables and accruals		(2,704)
		(144)
Gain on disposal of a subsidiary	5	244
		100
Satisfied by:		
Cash		100

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2014 RMB'000
Cash consideration	100
Cash and bank balances disposed of	(136)
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	(36)

35. PLEDGE OF ASSETS

Details of the Group's bank loans which are secured by the assets of the Group, are included in notes 13, 14, 15 and 28 to the financial statement.

36. OPERATING LEASE ARRANGEMENTS

As lessor

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from one to ten years. The terms of the leases generally require the tenants to pay security deposits.

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2015 RMB'000	2014 RMB'000
Within one year	9,223	4,105
In the second to ten years, inclusive	15,458	980
	24,681	5,085

As lessee

The Group leases certain of its properties under operating lease arrangements. Leases for properties are negotiated for terms of one year.

As at the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2015 RMB'000	2014 RMB'000
Within one year	262	262

37. COMMITMENTS

In addition to the operating lease commitments detailed in note 36 above, the Group had the following capital commitments at the end of the reporting period:

	2015 RMB'000	2014 RMB'000
Contracted, but not provided for:		
Property development activities	1,579,416	1,036,807

38. CONTINGENT LIABILITIES

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

	2015	2014
	RMB'000	RMB'000
Guarantees given to banks in respect of mortgage facilities granted to the purchasers of the Group's properties	**866,697**	518,507

The Group provided guarantees in respect of mortgage facilities granted by certain banks to the purchasers of the Group's completed properties held for sale. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible for repaying the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to those 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 at the execution of individual purchaser's collateral agreement.

The Group did not incur any material losses during the reporting period in respect of the guarantees provided for mortgage facilities granted to the 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.

(b) In 2015, Shanxi Third Construction Co., Ltd. ("Shanxi Third Construction") filed an action in Jinzhong City Yuci District People's Court against Chen Xing, claiming payment of a construction fee and a material cost in an aggregate amount of RMB873,000 (the "Claim"). The directors believe, and the Group's legal counsel is of the view, that Chen Xing has a valid defence against the Claim and, accordingly, no provision arising from the Claim, other than the related legal and other costs, has been made.

39. RELATED PARTY TRANSACTIONS

Details of the Group's principal related parties are as follows:

Name	Relationship
Mr. Bai Xuankui	Director, the ultimate controlling shareholder
Mr. Bai Wukui	Director
Mr. Bai Guohua	Director, the ultimate controlling shareholder
Shanxi Wanjia Property Management Co., Ltd. ("Shanxi Wanjia")	Company controlled by the daughter of Mr. Bai Xuankui
Mr. Dong Shiguang	Director
Mr. Zhang Yongcheng	Director
Shanghai Xuanyu Investment Management Center ("Shanghai Xuanyu")	Company controlled by Mr. Bai Xuankui

(a) In addition to the transactions detailed elsewhere in the financial statements, the Group had the following transactions with related parties during the reporting period:

	Note	2015 RMB'000	2014 RMB'000
Repayment of loans from a director			
Mr. Bai Wukui	(i)	–	(140,000)
Interest expense to a director			
Mr. Bai Wukui		–	11,317
Repayment of interest expense to a director			
Mr. Bai Wukui		–	(43,810)
Advance from a director			
Mr. Bai Guohua		–	733
Settlement of advance from a director			
Mr. Bai Guohua		(733)	–

39. RELATED PARTY TRANSACTIONS *(continued)*

(a) In addition to the transactions detailed elsewhere in the financial statements, the Group had the following transactions with related parties during the reporting period: *(continued)*

	Notes	2015 RMB'000	2014 RMB'000
Refund of advance from a related party			
Shanxi Wanjia		(3,124)	–
Refund of repayment of advance from a related party			
Shanxi Wanjia		–	732
Property management fee to a related party			
Shanxi Wanjia	(ii)	–	364
Loans from a related party			
Shanghai Xuanyu	(iii)	80,000	–
Interest expense to a related party			
Shanghai Xuanyu		1,747	–
Payment by a related party on behalf of the Group			
Shanxi Wanjia		159	–

(i) The loans were repayable on demand and unsecured and bore interest at 12% per annum.

(ii) The property management service from a related party was determined according to the prices and terms agreed between the parties.

(iii) The loans of RMB50,000,000 and RMB30,000,000 were unsecured, due in September 2017 and August 2017, respectively, and bore interest at 6.98% per annum.

(b) Other transactions with related parties:

(i) On 24 December 2014 and as part of the reorganisation, the Group acquired Chen Xing from the shareholders of Chen Xing at a cash consideration of RMB203,809,000, among which, RMB147,334, RMB27,575, RMB4,606 and RMB4,178 were due to directors, Mr. Bai Xuankui, Mr. Bai Wukui, Mr. Dong Shiguang and Mr. Zhang Yongcheng, respectively, which was fully paid in January 2015.

(ii) The Company's controlling shareholders have guaranteed certain of the Group's bank loans up to RMB93,000,000 (2014: Nil) as at the end of the reporting period, as further detailed in note 28 to the financial statements.

39. RELATED PARTY TRANSACTIONS *(continued)*

(c) Outstanding balances with related parties:

The Group had the following significant balances with its related parties during the reporting period:

	Notes	2015 RMB'000	2014 RMB'000
Due from a director			
Mr. Bai Wukui	(i)	—	8,689
Due from a related party			
Shanxi Wanjia	(i)	159	—
Due to directors			
Mr. Bai Xuankui	(i)	—	147,334
Mr. Bai Guohua	(i)	85	733
Mr. Bai Wukui	(i)	—	27,575
Mr. Dong Shiguang	(i)	—	4,606
Mr. Zhang Yongcheng	(i)	—	4,178
		85	184,426
Due to a related party-current			
Shanxi Wanjia	(i)	—	3,124
Shanghai Xuanyu	(i)	892	—
		892	3,124
Due to a related party-non-current			
Shanghai Xuanyu	(ii)	80,000	—

Notes:

(i) The balances were repayable on demand, unsecured and interest-free.

(ii) The balances of RMB50,000,000 and RMB30,000,000 were unsecured, due in September 2017 and August 2017, respectively, and bore interest at 6.98% per annum.

(d) Compensation of key management personnel of the Group:

	2015 RMB'000	2014 RMB'000
Short term employee benefits	2,220	2,355
Pension scheme contributions	214	218
Total compensation paid to key management personnel	2,434	2,573

Future details of directors' and chief executive's emoluments are included in note 8 to the financial statements.

40. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2015

Financial assets

	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Available-for-sale investments	–	91,900	91,900
Financial assets included in prepayments, deposits and other receivables	226,789	–	226,789
Cash and cash equivalents	617,215	–	617,215
Pledged deposits	42,159	–	42,159
Due from a related party	159	–	159
	886,322	91,900	978,222

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	991,184
Financial liabilities included in other payables, deposits received and accruals	114,247
Interest-bearing bank borrowings	662,000
Due to a related party	80,892
Due to a director	85
	1,848,408

40. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

2014

Financial assets

	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Trade receivables	2,090	—	2,090
Available-for-sale investments	—	36,000	36,000
Financial assets included in prepayments, deposits and other receivables	13,245	—	13,245
Cash and cash equivalents	393,515	—	393,515
Pledged deposits	40,880	—	40,880
Due from a director	8,689	—	8,689
	458,419	36,000	494,419

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	701,490
Financial liabilities included in other payables, deposits received and accruals	68,569
Interest-bearing bank borrowings	627,000
Due to directors	184,426
Due to a related party	3,124
	1,584,609

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivables, financial assets included in prepayments, deposits and other receivables, trade payables, financial liabilities included in other payables, deposits received and accruals, the current portion of interest-bearing bank borrowings, amounts due from/to directors and a related party approximate to their carrying amounts largely due to the short term maturities of these instruments.

Management has assessed that the fair values of the non-current portion of interest-bearing bank borrowings approximate to their carrying amounts largely due to the fact that such borrowings were made between the Group and an independent third party financial institution based on prevailing market interest rates.

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

The fair values of the available-for-sale investments have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for available-for-sale investments as at the end of the reporting period was assessed to be insignificant.

Fair value hierarchy

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

Assets measured at fair value:

As at 31 December 2015

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Available-for-sale investments	—	91,900	—	91,900

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy *(continued)*

Assets measured at fair value: *(continued)*

As at 31 December 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Available-for-sale investments	—	36,000	—	36,000

The Group did not have any financial liabilities measured at fair value as at the end of the reporting period.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2014: Nil).

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly include cash and bank balances, pledged deposits, trade receivables and trade payables, which arise directly from its operations. The Group has other financial assets and liabilities such as interest-bearing bank borrowings, amount due to directors and a related party, other receivables and other payables. 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, foreign currency risk, credit risk and liquidity risk. Generally, the Group introduces conservative strategies on its risk management. To keep the Group's exposure to these risks to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The chief financial officer reviews and agrees policies for managing each of these risks and they are summarised below:

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Interest rate risk

The Group's exposure to risk for changes in market interest rates relates primarily to the Group's interest-bearing bank borrowings set out in note 28. The Group does not use derivative financial instruments to hedge interest rate risk. The Group manages its interest cost using variable rate bank borrowings.

The following table demonstrates the sensitivity to a reasonably possible change in the RMB interest rate, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000
2015		
RMB	**0.5%**	**(3,310)**
RMB	**(0.5%)**	**3,310**
2014		
RMB	0.5%	(3,135)
RMB	(0.5%)	3,135

Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between the RMB and other currencies in which the Group conducts business may affect the Group's financial condition and results of operations. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in a foreign currency exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in HK$ rate %	Increase/ (decrease) in profit before tax RMB'000
2015		
If RMB weakens against HK$	**5**	**11,455**
If RMB strengthens against HK$	**(5)**	**(11,455)**
2014		
If RMB weakens against HK$	5	—
If RMB strengthens against HK$	(5)	—

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its contractual obligations.

The Group has no concentrations of credit risk in view of its large number of customers. The Group did not record any significant bad debt losses during the reporting period.

The credit risk of the Group's other financial assets, which mainly comprise pledged deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings. Cash flows are closely monitored on an ongoing basis.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on contractual undiscounted payments, is as follows:

Year ended 31 December 2015

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank borrowings	–	88,218	325,339	323,544	–	737,101
Trade payables	991,184	–	–	–	–	991,184
Financial liabilities included in other payables, deposits received and accruals	114,247	–	–	–	–	114,247
Due to a related party	–	–	–	90,315	–	90,315
Due to a director	85	–	–	–	–	85
	1,105,516	88,218	325,339	413,859	–	1,932,932
Financial guarantees issued: Maximum amount guaranteed (note 38)	866,697	–	–	–	–	866,697

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk *(continued)*

Year ended 31 December 2014

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank borrowings	—	89,878	176,295	413,716	—	679,889
Trade payables	701,490	—	—	—	—	701,490
Financial liabilities included in other payables, deposits received and accruals	68,569	—	—	—	—	68,569
Due to a related party	3,124	—	—	—	—	3,124
Due to directors	184,426	—	—	—	—	184,426
	957,609	89,878	176,295	413,716	—	1,637,498
Financial guarantees issued: Maximum amount guaranteed (note 38)	518,507	—	—	—	—	518,507

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle 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 reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain a strong credit rating and healthy capital ratios 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. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2015 and 31 December 2014.

The Group monitors capital using a gearing ratio, which is total debt divided by total equity. Total debt includes interest-bearing bank borrowings and an amount due to a related party. The gearing ratios as at the end of the reporting periods were as follows:

	2015 RMB'000	2014 RMB'000
Interest-bearing bank borrowings	662,000	627,000
Due to a related party	80,892	—
Total debt	742,892	627,000
Total equity	1,123,280	578,261
Gearing ratio	66.14%	108.43%

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS		
Investment in a subsidiary	838	61
Total non-current assets	838	61
CURRENT ASSETS		
Due from subsidiaries	1,173	—
Cash and cash equivalents	229,016	—
Total current assets	230,189	—
CURRENT LIABILITIES		
Due to a director	1	—
Due to subsidiaries	12,756	61
Total current liabilities	12,757	61
NET CURRENT ASSETS	217,432	(61)
TOTAL ASSETS LESS CURRENT LIABILITIES	218,270	—
NET ASSETS	218,270	—
EQUITY		
Share capital	4,003	—
Reserves (note)	214,267	—
TOTAL EQUITY	218,270	—

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium account RMB'000	Exchange fluctuation reserve RMB'000	Accumulated loss RMB'000	Total RMB'000
At 1 January 2014, 31 December 2014 and 1 January 2015	—	—	—	—
Total comprehensive loss for the year	—	—	(15,362)	(15,362)
Exchange differences on translation of foreign operations	—	10,211	—	10,211
Issue of shares	239,350	—	—	239,350
Capitalisation issue	(3,202)	—	—	(3,202)
Share issue expenses	(16,730)	—	—	(16,730)
At 31 December 2015	219,418	10,211	(15,362)	214,267

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 24 March 2016.

FOUR-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last four financial years, as extracted from the published audited financial statements, is set out below. The summary does not form part of the notes to financial statements.

RESULTS

	Year ended 31 December			
	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE	**966,213**	825,888	303,200	258,504
Cost of sales	**(684,824)**	(587,443)	(219,920)	(184,018)
Gross profit	**281,389**	238,445	83,280	74,486
Other income and gains	**292,871**	5,528	1,795	16,248
Selling and distribution expenses	**(47,420)**	(38,655)	(18,590)	(22,224)
Administrative expenses	**(60,778)**	(36,301)	(23,670)	(22,994)
Other expenses	**(19,553)**	(224)	(753)	(3)
Finance costs	**(6,894)**	(2,161)	(5,753)	(6,483)
Share of loss of a joint venture	**—**	(151)	—	—
PROFIT BEFORE TAX	**439,615**	166,481	36,309	39,030
Income tax expense	**(151,583)**	(60,046)	(22,216)	(18,172)
PROFIT FOR THE YEAR	**288,032**	106,435	14,093	20,858
Attributable to:				
Owners of the parent	**290,103**	104,342	14,434	20,858
Non-controlling interests	**(2,071)**	2,093	(341)	—
	288,032	106,435	14,093	20,858

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December			
	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
TOTAL ASSETS	**5,848,824**	4,450,076	2,901,015	2,556,145
TOTAL LIABILITIES	**(4,725,544)**	(3,871,815)	(2,182,422)	(1,989,470)
NON-CONTROLLING INTERESTS	**(84,404)**	(86,475)	(35,575)	—
	1,038,876	491,786	683,018	566,675

CHEN XING

Chen Xing Development Holdings Limited

辰興發展控股有限公司