新明中国控股
XINMING CHINA

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

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

2015 ANNUAL REPORT

Contents

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Chen Chengshou
(Chairman and Chief Executive Officer)
Ms. Quan Xiaolin
Mr. Zhou Yongkui
Mr. Feng Cizhao

Non-Executive Director

Ms. Gao Qiaoqin

Independent Non-Executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUTHORIZED REPRESENTATIVES

Mr. Chen Chengshou
Ms. Lam Yuen Ling Eva

COMPANY SECRETARY

Ms. Lam Yuen Ling Eva

COMPLIANCE ADVISER

China Everbright Capital Limited

REGISTERED OFFICE

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

HEADQUARTERS IN THE PRC

Block I, 5th Floor Hengli Building
Hangzhou Zhejiang Province, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2612
Tower 1,
Admiralty Centre,
18 Harcourt Road, Admiralty,
Hong Kong

COMPANY'S WEBSITE ADDRESS

http://www.xinm.com.cn

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKERS

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

AUDITOR

Ernst & Young
Certified Public Accountants

LEGAL ADVISERS TO THE COMPANY

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

LISTING INFORMATION

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

CHAIRMAN'S STATEMENT

Dear Shareholders,

Xinming China Holdings Limited ("Xinming China" or the "Company") was listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") in July 2015, which marks our successful foray into the international capital markets. The board (the "Board") of directors (the "Directors") is pleased to announce the annual results of the Group for the year ended 31 December 2015, the first annual results reported to global investors since our listing.

China was not immune from the global economic doldrums. Despite a series of supportive policies launched by the central government last year, the overall operating environment for the property industry was challenging. Domestic residential property market was plagued by an oversupply problem, while the commercial property market was dragged by high inventories and increasing supply. Xinming China confronted a combination of unfavorable external and internal factors.

In the face of the challenging environment during the year ended 31 December 2015 (the "Year under Review"), the Company and its subsidiaries (collectively, the "Group") united together under our corporate value of upholding traditional Chinese virtues, operating our business with integrity; safeguarding the spirits of the time and fulfilling our social responsibilities. Leveraging on our insight and extensive knowledge of the Chinese property industry in conjunction with our extensive strengths and management experience, the Group has successfully developed a variety of premier projects and expanded our reach to various cities in China with great potential, with the aim of developing ourselves into an integrated residential and commercial property developer which provides a one-stop, full-range service to customers, including property development, leasing and quality property management. In order to take advantage of the "two-child policy' introduced by the government, the Group vigorously expanded into the Child-Centric Property market, while continuing to strengthen the competitive advantages of our core businesses. We integrated all the resources of our maternity-babies-children industrial chain to open up new horizons for the future growth of our brand, thereby promoting co-development, co-sharing and a win-win between different segments of our industrial chain.

The successful listing of Xinming China on Hong Kong Stock Exchange marks an important milestone for the Group's development. It demonstrated the Group's extensive experience in property development, our mature business model, solid market positioning and excellent execution capability, which have gained wide recognition in the international capital markets.

The Group received various honors in different competitions, including the "2015 Research on the Brand Value of China's Real Estate Enterprises (2015中國房地產品牌價值研究)" organized by the Enterprise Institute of Development Research Center of the State Council and other authoritative institutions, as well as the "2015 China's Commercial Real Estate Value Chart (2015中國商業地產價值榜)" organized by the Economic Observer. The Group also gained fruitful results from the trade fair for our core Child-Centric commercial project, "Children Bambino (中童巴比尼)", which further proved that Xinming China's unique business model and promising prospects are widely recognized in the market.

Looking forward, Xinming China will adhere to the Chinese government's macro-policies which will bring the Chinese economy to the 'new normal' condition with emphasis on "adjustment of economic structure and maintenance of stable growth". With a visionary mind, Xinming China will capture the demographic dividends arising from a new round of baby-boom to further expand our commercial property development business, with a primary focus on the development of commercial complexes addressing the spending needs of maternity, babies and children. They will not only ensure our sustainable development, but will also promote commercial development in cities and catalyze their economic vitality. We would like to give back to our Shareholders through outstanding operating results.

On behalf of the Board, I would like to take this opportunity to express my heartfelt gratitude to the Board, our management and entire staff members for their continuous efforts. I would also like to thank our Shareholders for their support and trust placed in us.

Mr. Chen Chengshou
Chairman and Chief Executive Officer

Hangzhou, China
30 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

During the Year under Review, the Chinese government continued to pursue proactive measures to drive economic transformation from export and investment-driven towards one driven by domestic demand with greater emphasis on sustainable development and a greener environment. Dragged by adjustments in the domestic economy coupled with tough global trade environment, the growth rate of China's Gross Domestic Product ("GDP") slowed down to 6.9% last year, a record low in 25 years. Nevertheless, underpinned by a series of stimulus policies introduced by the government, domestic property sector experienced a noticeable recovery with property sales picking up modestly. Yet, the inventory pileup and financing problems continued to plague developers.

During the Year under Review, the central government announced full implementation of the two-child policy. According to estimates by demographic experts, this policy will bring the country millions of newborns every year, which will generate increasing rigid demand for domestic maternity-baby-children market, thereby creating a favorable business environment for the rapid growth of the child-centric businesses. Xinming China took a visionary move to further expand its commercial property development business and enrich its project mix. It preempted its peers by focusing on the development of thematic commercial complexes targeted at addressing spending needs of the maternity, babies and children.

The year of 2015 was a year for Xinming China to upgrade and transform its operations. With its listing on the Hong Kong Stock Exchange, the Group successfully connected with international capital markets, laid a solid foundation for its sustainable and healthy development in the future.

BUSINESS OVERVIEW

During the Year under Review, the Group recorded a total revenue of approximately RMB1,348.8 million, a decrease of approximately 36.8% year-on-year from approximately RMB2,135.6 million in 2014; the recorded sales of properties and Gross Floor Area ("GFA") delivered were approximately RMB1,253 million and approximately 145,980 sq.m., representing a decrease of approximately 39% and 37% over last year, respectively; the average selling price for the contracted sales was RMB8,595 per sq.m., representing a decrease of approximately 3% year-on-year.

Profit attributable to the owner of the parent during the year was approximately RMB367.6 million, an increase of approximately 11.3% as compared to approximately RMB330.2 million in 2014. The increase in profit was mainly attributable to the substantial increase in fair value gain of the investment properties of Shanghai Xinming • Children's World and Chongqing Xinming • China South-western city this year. Earnings per share was approximately RMB0.30.

The Board does not recommend the payment of final dividends for the Year under Review.

As at 31 December 2015, total assets of the Group was amounted to approximately RMB7,563.0 million (31 December 2014: approximately RMB5,552.6 million); total liabilities were approximately RMB5,652.7 million (31 December 2014: approximately RMB4,611.7 million); total equity was approximately RMB1,910.2 million (31 December 2014: approximately RMB940.9 million); and net assets per share were approximately RMB1.02 (31 December 2014: approximately RMB0.67).

BUSINESS REVIEW

Property Development

As at 31 December 2015, the Group's property portfolio comprised 16 property development projects with an aggregate GFA of approximately 2,344,450 sq.m. under various stages of development in various cities in the PRC.

The following table sets forth a summary of our portfolio of property development projects as at 31 December 2015:

				COMPLETED				UNDER DEVELOPMENT			FUTURE DEVELOPMENT			
Project	Location	Existing use	Site area (sq.m.)	GFA completed (sq.m.)	Saleable GFA (sq.m.)	Non-saleable GFA (sq.m.)	Saleable GFA remaining unsold (sq.m.)	GFA under development (sq.m.)	Saleable GFA (sq.m.)	Saleable GFA pre-sold (sq.m.)	Planned GFA (sq.m.)	Estimated date of completion	Estimated stage of completion	Equity attributable to the Group
Completed														
Taizhou Xinming Peninsular	Taizhou													
Phase 1	Xinming Peninsula, West Road, Baiyunshan, Jiaojiang District, Taizhou City	Residential, Commercial	86,667	189,387	157,005	32,382	4,941	–	–	–	–	–	–	100%
Phase 2 – Stage 1	Xinming Peninsula, West Road, Baiyunshan, Jiaojiang District, Taizhou City	Residential, Commercial	66,600	121,498	111,723	9,775	414	–	–	–	–	–	–	100%
Phase 2 – Stage 2	Xinming Peninsula, West Road, Baiyunshan, Jiaojiang District, Taizhou City	Residential, Commercial	52,540	152,624	125,824	26,800	2,418	–	–	–	–	–	–	100%
Xinming International Household Products Mall and Exhibition Center	No.8, North Section, Taizhou boulevard, Jiaojiang District; No. 27 Building, No. 8, North Section, Taizhou boulevard, Jiaojiang District, Taizhou City	Commercial	131,768	207,908	100,151	107,757	2,957	–	–	–	–	–	–	100%
Xinming International Logistic Centre	No.2000, No. 2001, Gongren West Road, Jiaojiang District, Taizhou City	Warehouse	49,711	20,862	–	20,862	–	–	–	–	–	–	–	100%
Xinming Lijiang Garden	Xinming Lijiang Garden, No. 8, North Section, Taizhou Boulevard, Jiaojiang District, Taizhou City	Residential, Commercial	63,431	210,988	177,466	33,522	11,615	–	–	–	–	–	–	100%
Wenshang Times • Red Star Macalline Household Products Market	No.1990, East Ring boulevard, Jiaojiang District, Taizhou City	Commercial	11,000	67,239	–	67,239	–	–	–	–	–	–	–	100%
Wenshang Times • Xinming Household Decorations and Fittings City	No.1990, East Ring Boulevard, Jiaojiang District, Taizhou City (Xinming Household Decorations and Fittings City)	Commercial	44,871	67,251	44,415	22,836	23,056	–	–	–	–	–	–	100%
Wenshang Times • Xinming Apartment	No.1990-1, East Ring boulevard, Jiaojiang District, Taizhou City	Residential	10,263	39,942	35,605	4,337	1,342	–	–	–	–	–	–	100%
Xingmeng Commercial City	Xingmeng International Commercial City, Wulitunzhuanpan, Tengzhou City, Shandong Province	Commercial	37,814	62,664	60,288	2,376	58,616	–	–	–	–	–	–	55%
Shanghai Xinming • Children's World	No.2800, Fengxiang Road, Nanxiang Town, Jiading District, Shanghai Municipality/No. 699, Liuxiang Road, Nanxiang Town, Jiading District, Shanghai Municipality	Commercial	39,720	186,261	93,216	48,725	79,296	–	–	–	–	–	–	79%
Under Development														
Chongqing Xinming • China South-western City Phase 1	Distribution Center, China South-western City, No. 229, Five Star Avenue, Dazu District, Chongqing	Commercial	175,531	108,636	105,966	2,670	56,848	171,550	64,743	9,382	–	2016.04	90%	60%
Hangzhou Xinming • Children's World	No.698, River Road, Gongshu District, Hangzhou	Commercial	30,499	–	–	–	–	162,927	101,656	1,575	–	2016.12	70%	100%
Future Development														
Xingmeng International Commercial City	Xingmeng International Commercial City, Wulitunzhuanpan, Tengzhou City, Shandong Province	Commercial	106,112	–	–	–	–	–	–	–	285,333	2018.04	–	55%
Commercial Building Project	Business Office Building of Taizhou Investment, No. 8, North Section, Taizhou Boulevard, Jiaojiang District (East side of Jiaojiang Bridge)	Commercial	16,236	–	–	–	–	–	–	–	68,204	2016.12	–	100%
Chongqing Xinming • China South-western City Phase 2	Distribution Center, China South-western City, No. 229, Five Star Avenue, Dazu District, Chongqing	Commercial	73,582	–	–	–	–	–	–	–	110,373	2017.05	–	60%
Chongqing Xinming • China South-western City Phase 3	Distribution Center, China South-western City, No. 229, Five Star Avenue, Dazu District, Chongqing	Residential	44,321	–	–	–		–	–	–	110,803	2017.11	–	60%
Total			**1,040,666**	**1,435,260**	**1,011,659**	**379,281**	**241,503**	**334,477**	**166,399**	**10,957**	**574,713**			

Property Sales

During the Year under Review, the Group recorded property sales (net of government surcharges) of approximately RMB1,253.8 million, a decrease of approximately 38.9% as compared to approximately RMB2,050.5 million in 2014. Total GFA delivered during the Year under Review was approximately 145,980 sq.m., representing a decrease of approximately 37% from previous year. During the Year under Review, we delivered properties in several residential and commercial projects including Taizhou Xinming Lijiang Garden, Wenshang Times-Xinming Household Decorations and Fittings City, and Wenshang Times-Xinming Apartment in Taizhou, Chongqing Xinming-China South-western City in Chongqing and Shanghai Xinming • Children's World. The average selling price was RMB8,595 per sq.m., a decrease of approximately 3% as compared to that of previous year. Property sales remained the largest revenue source to the Group, representing approximately 93% of its total revenue. Property sales decreased during the Year under Review, mainly due to China's economic slowdown. For further details, please refer to page 13 of this annual report. The Chinese property market faces uncertainties, which affect the Group's annual property sales.

The following table sets forth a summary of our total contracted sales for the year ended 31 December 2015:

Project	**Contracted sales**	**Contracted GFA**	**Contracted average selling price**
	(RMB'000)	*(sq.m.)*	*(RMB per sq.m)*
Taizhou Xinming Peninsular Phase 1	2,160	918	2,353
Taizhou Xinming Peninsular Phase 2 Stage 1	1,020	610	1,672
Taizhou Xinming Peninsular Phase 2 Stage 2	7,595	1,743	4,357
Xinming Lijiang Garden	44,651	7,447	5,996
Wenshang Times • Xinming Household Decorations and Fittings City	3,265	265	12,321
Wenshang Times • Xinming Apartment	100	77	1,299
Shanghai Xinming • Children's World	272,493	15,746	17,306
Chongqing Xinming • China South-western City Phase 1	68,846	7,642	9,009
Xingmeng International Commercial City	31,052	3,169	9,799
Hangzhou Xinming • Children's World	32,274	1,575	20,491
Total	463,456	39,192	11,825

Property Leasing

We conducted our property leasing business through leasing of our investment properties and leasing of properties owned by third party purchasers of our commercial properties. As at 31 December 2015, the actual area of our investment properties leased out was approximately 126,160 sq.m., representing approximately 90.0% of the Group's total investment properties held-for-lease.

During the Year under Review, the rental income (net of government surcharges) was approximately RMB78.5 million, an increase of approximately 18.0% as compared to RMB66.5 million in previous year mainly due to increase in occupancy rates of Wenshang Times • Red Star Macalline Household Products Market and Taizhou Xinming Property • Red Star Macalline.

Property Management

The Group provides property management services to the owners of residential properties developed by the Group through Zhejiang Xinming Property Services Limited* (浙江新明物業服務有限公司) until the owners of such development projects are allowed by the law to select their own property management companies.

During the Year under Review, revenue from the provision of property management services (net of governmnent surcharges) was approximately RMB16.5 million, a decrease of 11.3% as compared to RMB18.6 million of previous year, mainly due to reduction of the number of property management service projects during the Year under Review.

Land Reserve

In 2015, the Group newly acquired one land project located at Tengzhou, with a total GFA of approximately 177,469 sq.m. Total land costs for acquiring this land project was approximately RMB97.3 million.

As at 31 December 2015, the Group's property portfolio included 16 property development projects located in different cities throughout China. They were at different development stages, with total GFA amounting to approximately 1,431,000 sq.m., of which approximately 521,810 sq.m. was completed, approximately 334,477 sq.m. was under development, and approximately 574,713 sq.m. was held for future development.

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

	Saleable GFA Remaining Unsold/GFA held for investment *(sq.m.)*	GFA Under Development *(sq.m.)*	Planned GFA of Future Development *(sq.m.)*	Total Land Reserves *(sq.m.)*	% of Total Land Reserves *(%)*
Taizhou	164,249	–	68,204	232,453	16.3
Shanghai	186,261	–	–	186,261	13.0
Chongqing	108,636	171,550	221,176	501,362	35.0
Tengzhou	62,664	–	285,333	347,997	24.3
Hangzhou	–	162,927	–	162,927	11.4
TOTAL	521,810	334,477	574,713	1,431,000	100.0

Prospect

Looking ahead into 2016, we believe the Chinese economy will continue to face strong headwinds, as the central government leads domestic economy to the new normal condition through economic restructuring while maintaining its stable growth. In order to safeguard the stability of domestic economy, the government is expected to loosen monetary policy at appropriate times. Despite various uncertainties ahead, there are still plenty of opportunities for China's property market, in particular the child-centric property sector is expected to receive a strong boost from the implementation of "two-child policy".

In addition, the Group has leveraged its sound business sense and sharp insight to formulate the "one body, four prongs" business strategy, which features the expansion of branding of "Chinese Bambino (中童巴比尼)" business, to be complemented by a development fund, trade fairs and exhibitions, cultural and e-commerce businesses tailor-made for Chinese children. We are planning to create a complete value chain for our maternity-baby-children business in China, thereby capturing massive opportunities brought about by the two-child policy.

In March 2016, the trade fair for the "Chinese Bambino (中童巴比尼)" project was successfully held in Shanghai, which attracted representatives from nearly 300 maternity-baby-children business operators to attend. The Group concluded cooperation agreements with several famous brands from Europe and Asia, and also entered into solid negotiation and contract-signing process with a number of top-tier and second-tier domestic and foreign brands. The trade fair produced fruitful results and laid a solid foundation for the rapid development of our child-centric property business, "Chinese Bambino (中童巴比尼)" project.

Going forward, the Group shall implement various measures to control costs, enhance efficiency, and accelerate inventory turnover and cash return. Moreover, we will seize the market opportunities brought about by favorable policies and seek to actively expand new land investment projects with promising growth potential in more diversified regions, so as to further expand our commercial property development business and enrich our project mix. At the same time, we will focus on the development of commercial complexes targeted at addressing the spending needs of the maternity, babies and children.

We expect that our future development will be funded by the Group's internal resources.

FINANCIAL REVIEW

Revenue

The Group's revenue is primarily generated from property sales, property leasing and property management services, which contributed about 93.0%, 5.8% and 1.2% respectively to the revenue of 2015. The Group's revenue decreased by RMB786.8 million, or 36.8%, to RMB1,348.8 million for 2015 from RMB2,135.6 million for 2014. This decrease was primarily attributable to the slowdown of economy in China and a decrease in revenue from the sales of properties as a result of the reduced GFA of properties delivered.

According to the National Bureau of Statistics of the PRC, the GDP of China was RMB 67,670.8 billion in 2015, with an annual grow rate of 6.9%, which is the lowest growth rate in 25 years. One of the attributing reasons for the lowest growth rate of GDP ever is the drop in the investment or purchase of properties in China by investors or end users. On the other hand, the gross floor area of new properties delivered in 2015 across China is 154,454 million sq.m in 2015, decreased by 14.0% compared with 2014. To a larger extent, the drop in supply of housing across China implies that the demand for the properties has slowed down during 2015.

In spite of the existence of adverse factors mentioned, we continue to maintain our corporate value and pricing strategy of high price for high quality. We did not cut the selling price to accommodate the dropping demand. This leads to a decrease in our revenue.

Cost of sales

The Group's cost of sales decreased by RMB450.0 million, or 32.5%, to RMB934.3 million for 2015 from RMB1,384.3 million for 2014. The decrease was primarily attributable to the decrease in the total GFA of properties delivered as compared with last year, which led to the decrease in the cost of property sales.

Gross profit

During the Year under Review, the gross profit amounted to approximately RMB414.6 million, representing a decrease of approximately RMB336.7 million or 44.8% as compared to RMB751.3 million in the last year; the gross profit margin was approximately 30.7%, representing a decrease of approximately 4.5% as compared to approximately 35.2% in the last year. It was mainly due to the higher cost of land acquisition for three major property projects we delivered this year. Higher land price of the Wenshang Times' projects in Taizhou city was recorded at RMB2,389 per sq.m. as compared to RMB907 per sq.m. for Taizhou Xinming Peninsular which was substantially delivered in 2014.

Other income and revenue

Other income and revenue during the Year under Review amounted to approximately RMB16.1 million, increased by approximately RMB13.3 million or 475% as compared to approximately RMB2.8 million, which was mainly due to the increase of foreign exchange gain of RMB14.7 million.

Selling and administrative expenses

During the Year under Review, the selling and distribution costs amounted to approximately RMB73.4 million, representing a decrease of approximately RMB13.4 million or 15.4% as compared to approximately RMB86.8 million in the last year. The proportion of selling and distribution costs to the sales increased to approximately 5.4% from approximately 4.1% of the last year, mainly due to the decrease of approximately RMB12 million from advertisement and market promotion expense as compared with last year. On the contrary, administrative expense increased by approximately RMB16.7 million as compared with last year, mainly due to the increase of approximately RMB2.6 million in employee benefit cost and increase of approximately RMB11 million in the listing preparation expense.

Change in fair value of investment properties

During the Year under Review, the change in fair value of investment properties amounted to approximately RMB532.3 million, representing an increase of approximately RMB515.4 million or 30.5 times compared to approximately RMB16.9 million for the last year, mainly due to appreciation of investment properties evaluation of Shanghai Xinming • Children's World and Chongqing Xinming • China South-western city.

Finance costs

During the Year under Review, the net interest costs amounted to approximately RMB1.8 million, representing a decrease of approximately RMB1.2 million or approximately 40.0% as compared to approximately RMB3.0 million of last year. The decrease of the financial cost was mainly due to the decrease of notional interest which is caused by the decrease of the balance of provision for the onerous contract.

Operation profit

During the Year under Review, the operation profit amounted to approximately RMB766.6 million, representing an increase of approximately RMB190.8 million or approximately 33.1% as compared to approximately RMB575.8 million in the last year.

Income tax expenses

During the Year under Review, the income tax expenses amounted to approximately RMB274.7 million, representing an increase of approximately RMB9.9 million or approximately 3.7% as compared to approximately RMB264.8 million in the last year, mainly due to the significant increase in change of deferred income tax. On the contrary, the income tax and land appreciation tax decreased by approximately RMB131.3 million.

Profit attributable to the shareholders

During the Year under Review, the profit attributable to the shareholders amounted to approximately RMB367.6 million, representing an increase of approximately RMB37.4 million or approximately 11.3% as compared to approximately RMB330.2 million of last year. The basic earnings per share increased from approximately RMB0.23 per share of last year to approximately RMB0.3 per share.

Cash flows

As at 31 December 2015, cash and cash equivalents of the Group, including restricted cash, were approximately RMB931.6 million (31 December 2014: approximately RMB58.7 million), representing a substantial increase of approximately RMB872.9 million or 14.9 times, which was mainly due to the increase in bank loans. The Group was listed on the Hong Kong Stock Exchange on 6 July 2015 (the "Listing Date") and the net proceeds raised from the issuance of shares was approximately HK$623.2 million.

During the Year under Review, the net cash used in operating activities was approximately RMB1,138.7 million (year ended 31 December 2014: net cash used of approximately RMB935.0 million). The net cash used in investing activities was approximately RMB0.2 million (year ended 31 December 2014: net cash generated of approximately RMB2.0 million). The net cash generated from financing activities was approximately RMB1,527.1 million (year ended 31 December 2014: net cash generated of approximately RMB812.0 million).

Pursuant to the exclusive management and operation agreement entered into between the Company's commercial properties with third party purchasers, the Company is required to pay certain percentages of the selling price of the property to the purchasers regardless whether such properties leased by the Group or were for generating rental income purpose. Based on the terms of the existing exclusive management and operation agreements and lease agreements as at 31 December 2015 and for the exclusive management and operation agreement entered into by the Company, in the period from 1 January 2016 to 30 June 2019, we would have a maximum net cash outflow of approximately RMB12.3 million and RMB6.9 million for years 2018 and 2019, respectively, and net cash inflow of approximately RMB9.6 million and RMB20,000 for years 2016 and 2017. We are not obliged to pay any agreed fees for the period from 1 July 2019 to 30 June 2024 under the exclusive management and operation agreements we had entered into as at 31 December 2015.

Borrowings

As at 31 December 2015, the total bank borrowings of the Group and other borrowings were approximately RMB2,998.1 million, representing an increase of approximately RMB1,598.1 million as compared to approximately RMB1,400.0 million as at 31 December 2014.

The borrowings repayable within one year of the Group was approximately RMB405.1 million, representing an increase of approximately RMB320.1 million as compared to approximately RMB85.0 million as at 31 December 2014. Borrowings repayable above one year was approximately RMB2,593.0 million, representing an increase of approximately RMB1,278.0 million as compared to approximately RMB1,315.0 million as at 31 December 2014.

Trade receivables, prepayments, deposits and other receivables

As at 31 December 2015, the total assets of trade receivables, prepayments, deposits and other receivables of the Group were approximately RMB397.0 million, representing a decrease of approximately RMB334.1 million as compared to approximately RMB731.1 million as at 31 December 2014. The increase of approximately RMB128.1 million in the trade receivables was mainly due to the rental fee remedied by tenants to Wenshang Times • Red Star Macalline Household Products Market, Xinming International Household Products Mall and Xinming International Logistic Centre, and receivables arising from sale of properties in Shanghai Xinming • Children's World. On the contrary, guarantee deposit and tender bond decreased by approximately RMB408.6 million.

Trade payables, advances from customers and other payables

As at 31 December 2015, the total trade payables, advances from customers and other payables of the Group was approximately RMB1,635.2 million, representing a decrease of approximately RMB468.3 million as compared to approximately RMB2,103.5 million as at 31 December 2014. The decrease was mainly due to the decrease in advances from customers of approximately RMB870.3 million in association with the increase in trade payables of approximately RMB374.8 million.

Assets and liabilities

As at 31 December 2015, the total assets of the Group were approximately RMB7,563.0 million, representing an increase of approximately RMB2,010.4 million as compared to approximately RMB5,552.6 million as at 31 December 2014. The total current assets were approximately RMB4,487.0 million, representing approximately 59.3% (31 December 2014: approximately 64.7%) of the total assets, increased by approximately RMB893.5 million as compared to approximately RMB3,593.5 million as at 31 December 2014. However, the total non-current assets were approximately RMB3,076.0 million, representing approximately 40.7% (31 December 2014: approximately 35.3%) of the total assets, increased by approximately RMB1,116.9 million as compared to approximately RMB1,959.1 million as at 31 December 2014.

As at 31 December 2015, the total liabilities of the Group were approximately RMB5,652.8 million, representing an increase of approximately RMB1,041.0 million as compared to approximately RMB4,611.7 million as at 31 December 2014. The total current liabilities were approximately RMB2,678.5 million, representing approximately 47.4% (31 December 2014: approximately 66.5%) of the total liabilities, decreased by approximately RMB386.6 million as compared to approximately RMB3,065.1 million as at 31 December 2014. However, the total non-current liabilities were approximately RMB2,974.3 million, representing approximately 52.6% (31 December 2014: approximately 33.5%) of the total liabilities, increased by approximately RMB1,427.7 million as compared to approximately RMB1,546.6 million as at 31 December 2014.

As at 31 December 2015, the net current assets of the Group were approximately RMB1,808.5 million, representing an increase of approximately RMB1,280.1 million as compared to approximately RMB528.4 million as at 31 December 2014.

Current ratio

As at 31 December 2015, the current ratio of the Group, being the ratio of the current assets divided by the current liabilities, was 1.7:1 (31 December 2014: 1.2:1).

Gearing ratio

As at 31 December 2015, the gearing ratio of the Group which is total bank borrowings and other borrowings as a percentage of total equity, was 157.0% (31 December 2014: 148.8%).

Material event after the reporting period

There is no material event after 31 December 2015.

Significant investments

During the Year under Review, the Group has not held any significant investment.

Material acquisitions and disposals of subsidiaries and affiliated companies

During the Year under Review, there is no material acquisitions and disposals of subsidiaries and affiliated companies.

Guarantees on mortgage facilities

As at 31 December 2015, the Group provided guarantees over the mortgage loans given by certain purchasers of approximately RMB15.2 million (31 December 2014: approximately RMB191.0 million).

Assets guarantees

As at 31 December 2015, the Group has pledged and restricted deposits in the bank deposits of approximately RMB501.3 million (31 December 2014: approximately RMB18.4 million). In addition, partial bank borrowings of the Group were secured by the Group's certain properties under development, completed properties held for sale, investment properties and the 100% equity interest in certain subsidiaries of the Group, and jointly guaranteed by the controlling shareholder of the Group, Mr. Chen Chengshou ("Mr. Chen"), the non-executive Director, Ms. Gao Qiaoqin ("Ms. Gao"), the Group's related company, Xinming Group Limited, and other minority shareholders of certain subsidiaries of the Group free of charge. The guarantees provided by the controlling shareholder of the Group, Mr. Chen, and his respective close associates for the bank loans and other borrowings were discharged prior to the listing by replacing such guarantees with the guarantee provided by the Group and/or financing from the independent third parties, including the bank loans. As at 31 December 2015, the pledged assets secured certain borrowings granted to the Group was RMB2,336 million.

Capital expenditure

During the Year under Review, the Group's total capital expenditure was approximately RMB100.5 million, mainly included construction facilities expenses (31 December 2014: approximately RMB1.5 million).

Capital commitments

As at 31 December 2015, the capital commitments related to activities of properties under development was approximately RMB1,309.2 million (31 December 2014: approximately RMB731.0 million).

Exposure to exchange rate fluctuations

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

Contingent liabilities

Details of contingent liabilities are set on in note 34 of the financial statements.

Employees and remuneration policy

As at 31 December 2015, the Group has a total of 443 employees (31 December 2014: total 443 employees). The Group continued to promote the upgrading of talents, cultivating and recruiting excellent talents with sales and management experience, improving the allocation system of remuneration linked to performance and maintaining harmonious labor relations. The remuneration of employees of the Group will be based on their performance, experience and the prevailing market remuneration. The total remuneration of employees includes basic salaries and cash bonus. Moreover, the Group has also adopted a share option scheme and a share award scheme.

Use of proceeds

The Group's business objectives and planned use of proceeds as stated in the prospectus dated 23 June 2015 (the "Prospectus") were based on the best estimation of future market conditions made by the Group at the time of preparing the Prospectus. The actual use of proceeds was based on the actual market development. The net proceeds from the public offer and placing of the Company's shares (the "Global Offering") were approximately HK$623.2 million. During the period from the Listing Date to the date of this annual report, the net proceeds from the Global Offering had been applied as follows:

Business objectives as stated in the Prospectus	**Actual net proceeds**	**Amount utilized up to 31 December 2015**	**Balance as at 31 December 2015**
	RMB'000	*RMB'000*	*RMB'000*
Development for existing projects	363,417	(327,175)	36,242
Development for potential projects	103,833	(83,178)	20,655
General working capital purposes	51,917	(51,917)	–
	519,167	(462,270)	56,897

The unused net proceeds have been placed on short-term deposits with licensed banks or financial institutions in Hong Kong in accordance with the intention of the Board as disclosed in the Prospectus.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Chen Chengshou (陳承守), aged 50, was appointed as the executive Director, chairman, chief executive officer, chairman of nomination committee and the authorized representative of the Company on 16 January 2014. He is the founder of our Group and primarily responsible for corporate strategic planning and overall business development of our Group. Mr. Chen had approximately 30 years of experience in the real estate industry. He has been the chairman of the board of 台州市新明房地產開發有限公司(Taizhou City Xinming Real Estate Development Company Limited*) since February 2007 and the director of our certain subsidiaries. Mr. Chen has been first participated in the management of the property development business in the PRC since June 2001 when he was appointed as chairman of 杭州桃源山莊房地產開發有限公司(Hangzhou Taoyuan Shanzhuang Property Development Limited*).

Mr. Chen is the chairman of the 杭州市溫州商會(Hangzhou City Wenzhou Chamber of Commerce*), the chairman of the 全國泰順企業家聯誼會(Nationwide Taishun Entrepreneurs Fellowship Association*), the vice-chairman of 杭州市總商會(Hangzhou City Chamber of Commerce*), the vice-chairman of 杭州公共外交協會(Hangzhou Public Diplomacy Association*), a member of the standing committee of 浙江省工商聯(Federation of Industry & Commerce of Zhejiang Province*) and a member of the 中國人民政治協商會議第十屆杭州市委員會(Tenth Hangzhou City Committee of the Chinese People's Political Consultative Conference*). He was appointed as the deputy director of the market committee of 中國商業聯合會(Chinese General Chamber of Commerce*) in March 2013. He has also been a director of Wenzhou Bank since November 2012 and a part-time tutor of master degree in international business of Zhejiang University (浙江大學) since February 2014.

Mr. Chen was awarded "品質杭商(Entrepreneur with Good Character of Hangzhou*)" jointly by 中共杭州市委(Hangzhou Municipal Committee of the Communist Party of China*) and 杭州市人民政府(The People's Government of Hangzhou*) in October 2013, "「誠信溫商」傑出代表(Outstanding Representative of Credible Entrepreneurs of Wenzhou*)" jointly by 溫州市委宣傳部(Promotion Department of Wenzhou Municipal Committee of the Communist Party of China *) and 溫州市信用辦公室(Wenzhou Credibility Office*) in August 2011, "優秀社會主義事業建設者(Outstanding Builder of Socialist Undertaking*)" jointly by 中共杭州市委(Hangzhou Municipal Committee of the Communist Party of China*) and 杭州市人民政府(The People's Government of Hangzhou*) in September 2010 and "關愛員工優秀企業家(Staff Caring Excellent Entrepreneur*)"jointly by 杭州市總工會(Federation of Trade Union of Hangzhou*) and 杭州市工商聯合會(Hangzhou Federation of Industry and Commerce) in December 2009.

Mr. Chen is the spouse of Ms. Gao Qiaoqin, the non-executive Director of the Company.

Mr. Chen obtained a graduation certificate in Administrative Management (through online courses) from Huazhong University of Science and Technology (華中科技大學) in the PRC in July 2013. He is currently pursuing his Executive Master degree in Business Administration in CheungKong Graduate School of Business (長江商學院) in the PRC.

Ms. Quan Xiaolin (全筱琳), aged 44, was appointed as our executive Director on 10 June 2014. She is mainly responsible for risk management and general secretarial matters of the Board. Ms. Quan has approximately 10 years of experience in the real estate industry.

Ms. Quan obtained a graduation certificate in Financial Accounting from Zhejiang Radio & Television University (浙江廣播電視大學) in the PRC in January 2002.

Mr. Zhou Yongkui (周永魁), aged 38, was appointed as our executive Director on 10 June 2014. He is mainly responsible for the compliance of Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules") and capital management of our Group and serving as a member on the remuneration committee. Mr. Zhou has approximately 10 years of experience in the real estate industry. Mr. Zhou worked as the finance assistant of the chairman in Xinming Group Limited* (新明集團有限公司) ("XG Limited") (the holding company of our operating subsidiaries before reorganisation of the Group) from February 2013 to June 2014, responsible for, among others, capital management of our property development projects.

Mr. Zhou obtained a bachelor degree in Accounting from Zhengzhou University (鄭州大學) in the PRC in June 2004 and a Master of Science degree in International Real Estate from the Hong Kong Polytechnic University (香港理工大學) in Hong Kong in October 2013.

Mr. Feng Cizhao (豐慈招), aged 41, has been appointed as an executive Director of the Company with effect from 31 October 2015. He also serves as the chief financial officer of the Company.

He graduated from Zhejiang University of Finance & Economics (浙江財經學院) and obtained his college degree in accounting in 2005, and then obtained the MBA degree from Zhejiang Gongshang University (浙江工商大學) in 2013.

Mr. Feng has extensive experiences in financing and management. He served as deputy chief financial officer of Taidi Holdings Group Co. Ltd.* (泰地控股集團有限公司) from August 2011 to September 2015. He worked with the finance department of Shaoxing Wantong Real Estate* (紹興萬通房產) and Margaret Business Management Company* (瑪格麗特商業管理公司) (both subsidiaries of Taidi Holdings Group Co. Ltd.* (泰地控股集團有限公司)) as the chief financial officer from September 2006 to July 2011. Mr. Feng acted as the head of office for Hangzhou Qingcheng Real Estate Development Co., Ltd.* (杭州青城房地產開發有限公司) from October 2002 to September 2006. He held several positions in Zhejiang Quzhou Transportation Group Co., Ltd.* (浙江衢州汽車運輸集團有限公司) from July 1996 to September 2002, including accountant with the planning and finance department of Zhejiang Quzhou Transportation Group Co., Ltd.* (浙江衢州汽車運輸集團有限公司), finance manager with the cargo container company and the automobile repair company under Zhejiang Quzhou Transportation Group Co., Ltd.* (浙江衢州汽車運輸集團有限公司).

NON-EXECUTIVE DIRECTOR

Ms. Gao Qiaoqin (高巧琴), aged 47, was appointed as our non-executive Director on 10 June 2014. She is responsible for advising on overall strategic planning of our Group but not participate in the day-to-day management of our Group's business operation. She has approximately 9 years of experience in the real estate industry.

Ms. Gao obtained a graduation certificate in computer information management (through online courses) from Huazhong University of Science and Technology (華中科技大學) in the PRC in June 2005.

Ms. Gao is the spouse of Mr. Chen, who is the chairman, executive Director and chief executive officer of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Gu Jiong (顧炯), aged 43, was appointed as our independent non-executive Director, the chairman of remuneration committee, member of audit committee and nomination committee on 8 June 2015. He is the independent non-executive director of Chen Xing Development Holdings Limited (stock code:2286) listed on the Hong Kong Stock Exchange. Mr. Gu has been the chief financial officer of CMC Capital Partners, an investment fund specialized in media and entertainment investments in China and globally, from September 2013. He served as the chief financial officer in BesTV New Media Co., Ltd (stock code:600637), whose shares are listed on Shanghai Stock Exchange from January 2010 to September 2013.

Mr. Gu has been a non-practising member of the Chinese Institute of Certified Public Accountants since April 2004. Mr. Gu obtained a bachelor degree in finance management from Fudan University in the PRC in July 1995.

Mr. Lo Wa Kei, Roy (盧華基), aged 44, was appointed as our independent non-executive Director, and the chairman of audit committee on 8 June 2015. Mr. Lo has extensive experience in auditing, accounting and finance. Mr. Lo is a managing partner of SHINEWING (HK) CPA Limited, which is a full service accounting and consulting firm engaged in the provision of, among others, audit and business advisory services.

He has been serving as an independent non-executive director of a number of companies listed on the Hong Kong Stock Exchange, including Sun Hing Vision Group Holdings Limited (stock code: 125), China Zhongwang Holdings Limited (stock code: 1333), Sheen Tai Holdings Group Company Limited (stock code: 1335), and China Oceanwide Holdings Limited (previously known as "Hutchison Harbour Ring Limited") (stock code: 715). He also served as an independent non-executive director of North Mining Shares Company Limited (previously known as "Sun Man Tai Holdings Company Limited") (stock code: 433), a company listed on the Hong Kong Stock Exchange, since September 2004 to November 2015.

Mr. Lo received a bachelor's degree in business administration from the University of Hong Kong in November 1993 and a master's degree in professional accounting from Hong Kong Polytechnic University in November 2000. He is a certified public accountant, a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of CPA Australia and an associate of the Institute of Chartered Accountants in England and Wales. With his extensive professional knowledge, Mr. Lo was also the founding executive vice-president and council member of the Hong Kong Independent Non-Executive Director Association.

Mr. Fong Wo, Felix (方和), BBS, JP, aged 65, was appointed as our independent non-executive Director, he is the member of audit committee, nomination committee and remuneration committee on 8 June 2015. He is a consultant of King & Wood Mallesons, a global law firm headquartered in Asia. Mr. Fong has practiced law for over 30 years and is a member of the Law Societies of Hong Kong, Canada and England.

Mr. Fong has been serving as an independent non-executive director of a number of companies listed on the Hong Kong Stock Exchange, including Greenland Hong Kong Holdings Limited (formerly known as SPG Land (Holdings) Limited) (stock code: 337), Guangdong Land Holdings Limited (formerly known as Kingway Brewery Holdings Limited) (stock code: 124), Evergreen International Holdings Limited (stock code: 238), China Investment Development Limited (formerly known as Temujin International Investments Limited) (stock code: 204), Sheen Tai Holdings Group Company Limited (stock code: 1335). He also served as an independent non-executive director of China Oilfield Services Limited (stock code: 2883:HK; 601808:SHA), whose shares are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange. Mr. Fong is the immediate past Chairman of the Hong Kong Advisory Council on Food and Environmental Hygiene and a member of the Hong Kong Communication Authority.

Mr. Fong received his engineering degree from McMaster University in Canada in June 1974 and his Juris Doctor degree from Osgoode Hall Law School in Toronto in June 1978. Mr. Fong was admitted as a barrister in Ontario, Canada in 1980, a solicitor in England and Wales in 1986 and in Hong Kong in 1987. Mr. Fong is appointed by the Ministry of Justice of China as one of the China-appointed Attesting Officers in Hong Kong.

SENIOR MANAGEMENT

Mr. Gu Jian (顧堅)**,** aged 52, served as general engineer officer of the Company since March 2015, mainly responsible for the design of the Group's projects. Mr. Gu joined Xinming Group Holdings Limited* (新明集團控股有限公司) ("Xinming Group"), a holding company of the Company's operating subsidiaries before reorganization in August 2014. For the purpose of reorganization, Mr. Gu was re-designated to the Company from Xinming Group. Mr. Gu graduated from Wuhan Institution of Building Materials in construction engineering.

Ms. Zhu Xiaohui (朱曉暉)**,** aged 40, served as the chief inspector of the cost control department since January 2016, mainly responsible for the cost control. Ms. Zhu joined Xinming Group, a holding company of the Company's operating subsidiaries before re-organization in December 2007, served as the engineer of the cost control department. For the purpose of reorganization, Ms. Zhu was re-designated to the Company from Xinming Group. Ms. Zhu graduated from Hunan Urban Construction Institution in industry and civil construction.

CORPORATE GOVERNANCE REPORT

MISSION

The Board is committed to maintaining high standards of corporate governance so as to ensure high transparency and protection of the interests of the Shareholders. The Board endeavors to ensure effective self-regulatory practices, to maintain sound internal control system and to absorb high caliber members to the Board.

CORPORATE GOVERNANCE PRACTICES

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

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

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Chen is the chairman of the Board (the "Chairman") and the chief executive officer of the Company (the "CEO"). The Group therefore does not separate the roles of the chairman and the CEO. The Board considered that Mr. Chen had in-depth knowledge and experience in the property investment and development industry and was the most appropriate person to manage the Group. Vesting the roles of both the Chairman and the CEO in Mr. Chen has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of Chairman and the CEO of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct of dealings in securities of the Company by the Directors. Upon specific enquiries of all the Directors, each of them has confirmed that they complied with the required standards set out in the Model Code during the Year under Review.

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

BOARD OF DIRECTORS

Structure

As at the date of this annual report, the Board comprised four executive Directors, one non-executive Director and three independent non- executive Directors. The composition of the Board is as follows:

Executive Directors

Mr. Chen Chengshou *(Chairman and Chief Executive Officer)* (appointed on 16 January 2014)
Ms. Quan Xiaolin (appointed on 10 June 2014)
Mr. Zhou Yongkui (appointed on 10 June 2014)
Mr. Feng Cizhao (appointed on 31 October 2015)

Non-executive Director

Ms. Gao Qiaoqin (appointed on 10 June 2014)

Independent Non-executive Directors

Mr. Gu Jiong (appointed on 8 June 2015)
Mr. Lo Wa Kei, Roy (appointed on 8 June 2015)
Mr. Fong Wo, Felix (appointed on 8 June 2015)

The independent non-executive Directors (the "INEDs") represent one-third members of the Board. The profiles of all Directors are set out on pages 20 to 23 of this annual report. Save as disclosed in this annual report, there is no other relationship among members of the Board, including financial, business, family or other material/relevant relationship. The INEDs are highly experienced professionals and businessmen with a broad range of expertise and experience in accounting, finance, legal and business management and one of them has appropriate professional accounting qualification as required by the Hong Kong Stock Exchange.

The Board is responsible for directing and supervising the Company's affairs. Each Director acts in good faith for the best interest of the Company. The Directors are collectively and individually responsible to the Company for the manner in which the affairs of the Company are managed, controlled and operated. They had devoted sufficient time and attention to the Company's affairs during the Year under Review.

At each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office. As such, the term of office of each Director has been specified under the Articles of Association.

The Company has arranged appropriate liability insurance to indemnify the Group's Directors for their liabilities arising out of corporate activities. The insurance coverage will be reviewed on an annual basis.

Assistance to Directors in Decision Making

Throughout their period in office, the Directors have been informed of the Group's business, the competitive and regulatory environments in which it operates and other changes affecting the Group and the industry it operates in as a whole. They have also been advised on appointment of their legal and other duties and obligations as directors of a company and updated on changes to the legal and governance requirements of the Group and upon themselves as the Directors.

Conduct of Meetings

The Directors are consulted and properly briefed for matters to be included in the meeting agenda. The Board is supplied with relevant information as well as reports relating to operational and financial performance of the Group before each regular Board meeting. At least 14 days' notice of a regular Board meeting is given to all Directors providing them with the opportunity to attend the meeting. For regular Board meetings, and so far as practicable in all other cases, an agenda and accompanying board papers are dispatched to all Directors at least 3 days before the meeting to ensure that they have sufficient time to review the papers and will be adequately prepared for the meeting. Senior management is invited to attend the meeting to address to the Board members' queries. This enables the Board to have pertinent data and insight for a comprehensive and informed evaluation as part of the Board's decision-making purpose.

The Chairman has delegated the responsibility to the company secretary of the Company (the "Company Secretary") for drawing up and approving the meeting's agenda for each Board meeting, taking into account of any matter proposed by the other Directors for inclusion in the agenda. The proceedings of the Board at its meetings are generally monitored by the Chairman who would ensure that sufficient time is allocated for discussion and consideration of each item on the agenda. Equal opportunities are given to each Director to express his/her views and concerns.

All Directors have full access to the advice and services of the Company Secretary to ensure the Board's procedures, rules and regulations are followed. Draft and final versions of minutes of each Board meeting in sufficient details are sent to the Directors for comments and records within reasonable time after the meeting is held. The minutes of the Board and the Board committees' meetings are kept by the Company, which are open for inspection by the Directors on reasonable notice.

From the Listing Date to 31 December 2015, the board of director held 5 meetings. Individual attendance of each committee member at the meeting held during the Year under Review is as follows:

Board meetings	**No. of Board meetings attended/held (Percentage of attendance in total)**
Directors during the Year	
Executive Directors	
Mr. Chen Chengshou *(Chairman and chief Officer)* (appointed on 16 January 2014)	5/5 (100%)
Ms. Quan Xiaolin (appointed on 10 June 2014)	5/5 (100%)
Mr. Zhou Yongkui (appointed on 10 June 2014)	5/5 (100%)
Mr. Feng Cizhao (appointed on 31 October 2015)	2/2 (100%)
Mr. Jin Zhanghai (appointed on 10 June 2014 and resigned on 31 October 2015)	3/3 (100%)
Non-executive Director	
Ms. Gao Qiaoqin (appointed on 10 June 2014)	2/5 (40%)
Independent non-executive Directors	
Mr. Gu Jiong (appointed on 8 June 2015)	5/5 (100%)
Mr. Lo Wa Kei, Roy (appointed on 8 June 2015)	5/5 (100%)
Mr. Fong Wo, Felix (appointed on 8 June 2015)	3/5 (60%)

Works Performed

During the Year under Review, besides attending the Board meetings to consider and make decision on corporate governance, risk management, statutory compliance, accounting, finance and business matters, the Directors had brought independent opinion and judgment on the Company's strategy, performance and standards of conduct; had taken the lead where potential conflicts of interests arose; had served on Board committees; endorsed on various corporate governance related matters and policies; had ensured that the Board maintained high standards of financial and other mandatory reporting; carried out reviews on matters reported by the Board committees, and had provided adequate checks and balance to safeguard the interests of Shareholders in general and the Company as a whole. In addition, the Board delegates to the Company's management certain functions include the implementation of general daily operation, strategies approved by the Board, the implementation of internal control procedures and ensuring of compliance with relevant requirements and other rules and regulations.

During the Year under Review, the non-executive Director and INEDs had actively participated in the Board meetings, brought independent judgment and given their comments to the information or reports submitted to the meetings.

Besides attending the Board or committee's meetings, in order to make timely decision and have effective implementation of the Company's policy and practice, the Board had also adopted written resolutions signed by all Directors to make decision on corporate affairs from time to time.

As part of the continuing process on supervising the Company's affairs, the Directors, acting through by the audit committee of the Company (the "Audit Committee"), had reviewed the adequacy of resources, qualifications and experience of the Company's accounting staff and financial reporting function.

Independent Non-executive Directors' Confirmation

The Company has received, from each INED, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considered that all the INEDs are independent. The Company is in compliance with Rule 3.10 and Rule 3.10A of the Listing Rules relating to the INEDs.

Chairman and Chief Executive Officer

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Chen is the Chairman and the CEO. The Group therefore does not separate the roles of the chairman and the CEO. The Board considered that Mr. Chen had in-depth knowledge and experience in the property investment and development industry and was the most appropriate person to manage the Group. Vesting the roles of both the Chairman and the CEO in Mr. Chen has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group.

Board Committees

The Board has established the Audit Committee, remuneration committee (the "Remuneration Committee") and nomination committee (the "Nomination Committee") of the Company with defined roles and terms of reference.

AUDIT COMMITTEE

Structure

The Company established the Audit Committee on 8 June 2015 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and code provision C.3.4 of the CG Code as set out in Appendix 14 to the Listing Rules. The updated terms of reference of the Audit Committee are adopted on 29 December 2015, and is available on the websites of the Hong Kong Stock Exchange and the Company. The primary duties of the Audit Committee are to provide the Board with an independent review of the effectiveness of the financial reporting process, internal control and risk management system of the Group, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board.

All the Audit Committee members possess diversified industry experience. The chairman of the Audit Committee has appropriate professional qualification, accounting or related financial management expertise as required by the Listing Rules.

As at the date of this annual report, the Audit Committee is made up of three INEDs, namely:

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

Function

The Audit Committee's terms of reference can be found on the websites of the Company and the Hong Kong Stock Exchange. The major duties of the Audit Committee are summarized below:

i) to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

ii) to monitor the integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them;

iii) to review the Company's financial controls, risk management and internal control systems, unless the risk committee otherwise under the Board or the Board itself has expressly dealt with it;

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

v) to consider and identify risks of the Group and consider effectiveness of the Group's decision making processes in crisis and emergency situations and approve major decisions affecting the Group's risk profile or exposure.

Conduct of Meetings

The Audit Committee shall meet at least twice each year. The Company prepares and delivers an information memorandum that includes all relevant information about the meetings to the Audit Committee members at least 3 days prior to such meetings. During the Year under Review, the Audit Committee members reviewed the information memorandum with due care and discussed with the Company's senior management during the meetings.

From the Listing Date to 31 December 2015, the Audit Committee held two meetings with the presence of the Company's all senior management members. Minutes drafted by the Company Secretary were circulated to the Audit Committee members for comments within a reasonable time after each meeting. Executed minutes were kept by the Company and copies of the minutes were sent to the Audit Committee members for records.

Individual attendance of each Audit Committee member at the meetings held from the Listing Date to 31 December 2015 is as follows:

Members	**No. of Audit Committee meetings attended/held (Percentage of attendance in total)**
Mr. Lo Wa Kei, Roy *(Chairman)*	2/2 (100%)
Mr. Gu Jiong	2/2 (100%)
Mr. Fong Wo, Felix	0/2 (0%)

Works Performed

The works performed by the members of the Audit Committee during the Year under Review are summarized below:

i) reviewed and considered the accounts and consolidated financial statements of the Group for the annual and interim accounts;

ii) reviewed, discussed and agreed with the independent auditor in respect of the audit fee for the Year under Review; the terms of the engagement letters; the nature, scope of audit and reporting obligations for the Year under Review;

iii) reviewed and assessed the adequacy and effectiveness of the Group's financial reporting and controls, internal control procedures and risk management systems;

iv) reviewed the corporate governance practices and monitored the progress of compliance of the CG Code and its disclosure in the Corporate Governance Report;

v) reviewed the performance of the properties of the Group for the year ended 31 December 2015;

vi) reviewed the adequacy of resources, qualifications and experience of the staff in accounting and financial reporting function, and the training programmers and budget; and

vii) discussed with independent auditor with respect to the accounting principles and practices adopted by the Group, compliance with the Listing Rules and other financing reporting requirements.

Overall, the Audit Committee is satisfied with the condition of the Company, including the corporate governance practices, internal control system, qualifications and experience of the staff in accounting and financial reporting function, and the training programmers.

One of the specific works vested upon the Audit Committee is to develop and review the Company's policies and practices on corporate governance. Upon reviewed by the Audit Committee and endorsed with approval by the Board, the main policy for the Company's corporate governance is to develop the Company itself as a sustainable and competitive company in the business sector in the interests of the Company and the Shareholders as a whole, with an aim for a prudent and profitable development and long term achievement of growth through the well-established corporate governance principles, risk monitoring management and practices. As a listed company in Hong Kong, the Company is obliged to follow the principles, code provisions and recommended best practices (if applicable) set forth in Appendix 14 to the Listing Rules as the substantial requirement on achieving a high corporate governance standard as well as a fundamental part of the corporate governance policy of the Company.

REMUNERATION COMMITTEE

Structure

The Remuneration Committee has been established on 8 June 2015 with written terms of reference in compliance with Rule 3.26 of the Listing Rules and code provision B.1.3 of the CG Code as set out in Appendix 14 to the Listing Rules with the roles to assist the Board in reviewing and determining the framework or broad policy for remuneration packages of the Directors and senior management, overseeing any major changes in employee benefit structures and considering other topics as defined by the Board.

As at the date of this annual report, the Remuneration Committee is made up of three INEDs, namely:

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

Function

The principal responsibilities of the Remuneration Committee are as follows:

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

ii) to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management including benefits in kind, pension rights, 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 executive and non-executive Directors; and

iv) to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive for the Company.

The Remuneration Committee's terms of reference can be found on the websites of the Company and the Hong Kong Stock Exchange.

The Remuneration Committee should consult the Chairman and/or Chief Executive Officer about their proposals relating to the remuneration of other executive Directors and have access to independent professional advice if considered necessary.

Conduct of Meetings

From the Listing Date to 31 December 2015, the Remuneration Committee held 2 meetings, to consider and recommend, among others, to the Board on the annual remuneration of the Directors and senior management for the Year under Review.

Individual attendance of each committee member at the meetings held from the Listing Date to 31 December 2015 is as follows:

Members	**No. of Remuneration Committee meetings attended/held (Percentage of attendance in total)**
Mr. Gu Jiong *(Chairman)*	2/2 (100%)
Mr. Zhou Yongkui	2/2 (100%)
Mr. Fong Wo, Felix	2/2 (100%)

Works Performed

The works performed by the members of the Remuneration Committee during the Year under Review are summarized as below:

i) considered and made recommendations to the Board for endorsement of the remuneration policy of the Company (including the adoption of the share award scheme and the share option scheme) and letters of appointment of the Directors and senior management with major terms and conditions, to comply with the CG Code; and

ii) assessed performance of executive Directors and considered and made recommendations to the Board on the remuneration of the Directors and senior management for the Year under Review.

Pursuant to code provision B.1.5 of the CG Code, the remuneration paid by the Group to members of senior management by bands for the year ended 31 December 2015 is set out below:

Remuneration band	**Number of individuals**
Nil to HK$1,000,000	2

NOMINATION COMMITTEE

Structure

The Nomination Committee was established on 8 June 2015 with written terms of reference in compliance with code provisions A.5.2 and A.5.3. of the CG Code as set out in Appendix 14 to the Listing Rules with the role to lead the process and to make recommendations for appointments to the Board, whether as additional appointment or to fill up the casual vacancy of directorship as and when they arise, in the light of challenges and opportunities facing the Company, as well as business development and requirements of the Company.

As at the date of this annual report, the Nomination Committee is made up of one executive Director and two INEDs, namely:

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

Function

The principal responsibilities of the Nomination Committee are as follows:

i) to review the structure, size and composition (including but not limited to gender, age, culture and education background, ethnicity, professional experience, skills, knowledge and service term, etc.) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's strategy;

ii) to assess the independence of the independent non-executive Directors; and

iii) to make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive, taking into the Company's corporate strategy and the mix of skills, knowledge, experience and diversity needed in the future.

Board Diversity Policy

The Nomination Committee has adopted a "Board Diversity Policy" for the nominations of Directors to achieve diversity on the Board. The Board deeply believes that the diversity will benefit a lot to the Company. To achieve the goal of sustainable and balanced development, the Company regards the increasing diversity to the strategic goals as the key element. The Board adheres to the principle "talent is priority", and appoints the directors who can contribute to the diversity of our Company. The Company devotes to find the most suitable people as the member of committee. The Company will base on the scope of diversity, not only including the education background, experience, skills knowledge and term of appointment but excluding the sex, age, culture background and nationality. The final determination is that the contribution candidates can make. As at the date of the annual report, the information (including sex, age and term of appointment) of the Board is as follows:

Member	Gender	Age	Term
Mr. Chen Chengshou	Male	50	2 years and 3 months
Ms. Quan Xiaolin	Female	44	1 year and 10 months
Mr. Zhou Yongkui	Male	38	1 year and 10 months
Mr. Feng Cizhao	Male	41	6 months
Ms. Gao Qiaoqin	Female	47	1 year and 10 months
Mr. Gu Jiong	Male	43	10 months
Mr. Lo Wa Kei, Roy	Male	44	10 months
Mr. Fong Wo, Felix	Male	65	10 months

For the purpose of implementation of the board diversity policy, the following measurable objectives were adopted:

(A) at least one-third of the members of the Board shall be independent non-executive directors;

(B) at least one of the members of the Board shall have obtained accounting or other professional qualifications; and

(C) members of the Board shall consists of professional talents both from PRC and Hong Kong.

For the year ended 31 December 2015, the Board has achieved the measurable objectives in the board diversity policy.

The Nomination Committee will monitor the implementation and review this policy, as appropriate, to ensure the effectiveness of this policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

The Nomination Committee's terms of reference can be found on the websites of the Company and the Hong Kong Stock Exchange.

Conduct of Meeting

From the Listing Date to 31 December 2015, the Nomination Committee held 1 meeting.

Individual attendance of each committee member at the meeting held from the Listing Date to 31 December 2015 is as follows:

Members	**No. of Nomination Committee meetings attended/held (Percentage of attendance in total)**
Mr. Chen Chengshou *(Chairman)*	1/1 (100%)
Mr. Gu Jiong	1/1 (100%)
Mr. Fong Wo, Felix	1/1 (100%)

Works Performed

The works performed by the members of Nomination Committee during the Year under Review are summarized as below:

i) considered and reviewed the policy, procedures and process and criteria for the nomination of the Directors and made recommendations to the Board for its endorsement; and

ii) reviewed the structure, size and composition of the Board and assessed on the independence of the independent non-executive Directors.

Management Functions

Basically, during the Year under Review, the Board and its committees were responsible on the following matters:

(i) oversee the general operations of the Company;

(ii) ensure effective implementation of the Board decisions and corporate governance, with the assistance of the Company Secretary;

(iii) ensure the short and long term sustainability of the business;

(iv) lead the performance of the management of the Company in meeting agreed goals and objectives and monitor the reporting of performance;

(v) provide coherent leadership to the Company;

(vi) satisfy itself on the integrity of financial information and on robustness and defensibility of the financial controls and systems of risk management and carry out review thereon;

(vii) scrutinize the performance of the management of the Company in meeting agreed goals and objectives and monitor the reporting of performance;

(viii) constructively challenge and help developing proposals on business strategy;

(ix) uphold high standards of corporate governance and compliance; and

(x) participate in the process of dealing with any conflict of interest between the Company and the Directors, his/her associates or substantial Shareholders who has material interest in the transaction with the Company.

During the Year under Review, the management was mainly responsible for:

1. daily investment, management, operation and administration of the Company;

2. compliance with the rules and regulations, including the Listing Rules, as well as to implement corporate governance policy determined by the Board;

3. draw the Directors' attention on the new corporate governance requirements;

4. organize the Board and various meetings for the Directors' discussion;

5. prepare various reports to the Board for review and decision making; and

6. organize training for the Directors.

During the Year under Review, the management provided all members of the Board with monthly updates in accordance with the code provision C.1.2 of the CG Code.

DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT

Continuing Professional Development

All Directors had participated in continuous professional development to develop and refresh their knowledge and skills through suitable trainings. These trainings included were not limited to online debriefs regarding taxation, compliance, and global economic development. The participation in such trainings is to ensure that their contribution to the Board remains informed and relevant.

All Directors have provided records of training attendance and the Company will continue to arrange and/or fund the training in accordance with the CG Code.

REVIEW OF ANNUAL RESULTS

The Audit Committee consists of three independent non-executive Directors, namely Mr. Lo Wa Kei, Roy (being the chairman of the Audit Committee), Mr. Gu Jiong and Mr. Fong Wo, Felix. The Company's condensed consolidated annual results and financial report for the Year under Review have been reviewed by the Audit Committee.

INDEPENDENT AUDITOR'S REMUNERATION

For the year ended 31 December 2015, the remuneration paid or payable to the Company's independent auditor, Ernst & Young, was RMB2.2 million for audit services.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the Year under Review as set out in this annual report have been agreed by the Group's auditor, Ernst & Young to the amounts set out in the Group's audited consolidated financial statements for the Year under Review.

FINANCIAL REPORTING

The Company aims to present a clear, balanced and understandable assessment of its financial position and prospects. Financial results are announced as early as possible, with interim report and annual report as well as other price-sensitive announcements and financial disclosures published as required under the Listing Rules.

The management provides explanation, information and progress update to the Board for it to make an informed assessment of the financial and other issues put before the Board for approval and consideration.

Throughout the Year under Review, the Directors had selected appropriate accounting policies and applied them consistently. The Directors acknowledge their responsibilities for preparing the financial accounts of the Group which give a true and fair view and are in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. A statement by the independent auditor about their reporting responsibilities for the Year under Review is set out in this annual report.

INTERNAL CONTROL

The Board is responsible for ensuring that a proper and effective system of internal controls of the Company is in place in order to safeguard the investment of Shareholders and the assets of the Group. The management regularly review the operational efficiency of the financial, operational, compliance, risk controls and human resources and other aspects of the system and establish the perfect internal control system. The Audit Committee reviews the efficiency and execution of internal control and risk management system at least annually. The Board is responsible for reporting on the efficiency and adequacy of the effectiveness of the system of internal controls of the Group to the Audit Committee annually and conduct review. During the Year under Review, the Company has engaged external professional advisor to reform the function of internal audit department and scope of work, improve gradually COSO internal control standards, builds an effective system with design, evaluation, implementation, execution and internal control and guide under the CG Code, and set up and maintain a proper and effective internal control and risk management system.

The internal audit department of the Company review the business activities and management behavior for the Group on a regular basis, to identify the business risks, internal control defect, and offer improvement opinions and suggestions. During the year under Review, the Company conducted a series of specific audit and work, among other things, including:

1) financial capital audit

2) the special purpose audit on project costs

3) special projects evaluation

4) internal control system

5) risk management system

In October 2015, the Company has engaged PRO-WIS Risk Advisory Services Limited to carry out internal control review on procurement and expenditure process, real estate development process, engineering supervision and management, human resource management processes and financial management process (including cash) against the selected company according to COSO Integrated Framework. The management responded to all suggestions and put forward improvements measures accordingly to ensure the efficiency of improvements, review and tracks for the deficiencies of internal control system.

However, the Group provides reliable and financial information for management and continues to improve internal control system and risk management system in order to ensure that the investment and business risks have been confirmed and controlled rather than eliminate risks of failure in achieving the Company's business objectives. Therefore, this system could provide reasonable, but not absolute, assurance against material misstatements for management and financial information and records, or financial fraud or losses.

AUDIT COMMITTEE'S AND BOARD'S REVIEW

The Audit Committee and the Board had reviewed the financial control, internal control and risk management systems of the Company for the Year under Review. It considered the internal control system effective and adequate as they allowed the Board to monitor the Group's overall financial position and to provide reasonable assurance that assets are safeguarded against unauthorized use or material financial misstatement; transactions were executed in accordance with management's authorization; and the accounting records were reliable for preparing financial information used within the business or for publication and reflecting accountability for assets and liabilities. Further reviews will be conducted on the request of any Audit Committee member, Company Secretary, or any Director.

COMPANY SECRETARY

Ms. Lam Yuen Ling Eva ("Ms. Lam") was appointed as the Company Secretary on 1 March 2015 and is delegated by an external service provider. The external service provider's primary contact person in the Company was Mr. Zhou Yongkui. She is also the authorised representative of the Company. Ms. Lam directly reports to the chief executive officier and is responsible to the Board for ensuring that the Board procedures, applicable laws, rules and regulations are followed and the Board activities are efficiently and effectively conducted. She is also responsible for ensuring that the Board is fully appraised of the relevant corporate governance developments relating to the Group and facilitating the induction and professional development of the Directors.

According to the Rule 3.29 of the Listing Rules, Ms. Lam has taken no less than 15 hours of relevant professional training for the year ended 31 December 2015.

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

The Company adopted an amended and restated memorandum and articles of association on 8 June 2015, which became effective on the Listing Date. Save as disclosed above, there had been no significant changes in the constitutional documents of the Company during the year ended 31 December 2015.

SHAREHOLDERS' RIGHTS

The procedures for convening general meetings by Shareholders

Pursuant to Article 64 of the Articles of Association, the Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two Months after the deposit of such requisition. If within 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 putting forward proposals at Shareholders' meeting

Shareholders are requested to follow Article 64 of the Articles of Association for including a resolution at an extraordinary general meeting. The requirements and procedures are set out above in the paragraph headed "The procedures for convening general meetings by Shareholders".

The procedures for Shareholders to propose a person for election as a Director

Pursuant to Article 113 of the Articles of Association, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the Head Office or at the Registration Office. The period for lodgment of the notices required under this Article will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least seven days.

If you want to know the details on the procedures for Shareholders to propose a person for election as a Director, please visit our website.

SHAREHOLDERS COMMUNICATION POLICY

1. PURPOSE

1.1 This policy aims to set out the provisions with the objective of providing Shareholders with information about the Company and enabling them to engage actively with the Company and exercise their rights as Shareholders in an informed manner.

2. GENERAL POLICY

2.1 Information shall be circulated to Shareholders through the Company's financial reports (interim and annual reports), annual general meetings and other general meetings that may be convened, as well as by making available all the (i) corporate communication documents including, but not limited to, copy of annual reports, interim reports, notices of meetings, circulars, proxy forms ("Corporate Communication"); (ii) other documents issued by the Company which are published on the website of the Main Board of the Hong Kong Stock Exchange for the information or action of holders of any of its securities, including announcements, monthly returns on movements in the Company's securities for each month and next day disclosure returns (iii) constitutional documents of the Company and board committees, (iv) corporate information including list of Directors; and (v) other corporate publications including the procedures Shareholders can use to propose a person for election as a Director on the Company's website.

2.2 Effectively and timely dissemination of information to Shareholders shall be ensured at all times. Any question regarding this policy shall be directed to the Company Secretary or the Board of Directors.

3. COMMUNICATION STRATEGIES

Shareholders' Enquiries

3.1 Shareholders may send their enquiries and concerns to the Board by addressing them to the Company Secretary by mail at Unit 2612, Tower 1, Admiralty Centre, 18 Harcourt Road, Hong Kong. The Company Secretary is responsible for forwarding communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions and inquiries, to the CEO of the Company.

3.2 Shareholders will be provided with the information of designated contact person, e-mail address and hotlines for their queries.

Corporate Communication

3.3 Corporate communication will be provided to Shareholders in plain language and in both English and Chinese versions to facilitate Shareholders' understanding.

Corporate Website

3.4 A dedicated "Investor Relations" section is available on the website of the Company (http://www.xinm.com.cn). Information on the website of the Company will be updated on a regular basis.

3.5 Information released by the Company to the Hong Kong Stock Exchange is also posted on the website of the Company immediately thereafter. Such information includes financial statements, results announcements, circulars and notices of general meetings and associated explanatory documents.

Shareholders' Meetings

3.6 Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend the meetings.

3.7 Appropriate arrangements for the annual general meetings shall be in place to encourage shareholders' participation.

3.8 The process of the Company's general meeting will be monitored and reviewed on a regular basis, and, if necessary, changes will be made to ensure that Shareholders' needs are best served.

3.9 Board members (especially the Chairman or the representative of the Board), appropriate management executives and external auditors will attend annual general meetings to answer Shareholders' questions.

4. SHAREHOLDER PRIVACY

4.1 The Company recognizes the importance of Shareholders' privacy and will not disclose Shareholders' information without their consent, unless required by law to do so.

If you want to know more details of shareholder communication policy, please visit the website of the Company.

INVESTOR RELATIONS

Accountability and transparency are indispensable for ensuring good corporate governance and, in this regard, timely communication with the Shareholders, including institutional investors, is crucial. The Company considers good investor relations as a key part of its operations and continues to promote investor relations and enhances communications with the investors.

The Company maintains a corporate website (http://www.xinm.com.cn) to make the corporate information available on the internet to facilitate its communication with Shareholders and to provide important information to the investing public, including corporate governance structure and terms of reference of Board committees.

The Company welcomes suggestions from investors and Shareholders, and invites them to share their views and suggestions at Xinming@hkstrategies.com.

DIRECTORS' REPORT

The Directors present to the Shareholders their report together with the audited consolidated financial statements of the Group for the Year under Review.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and the current and continuing principal activities of the Group are property development, property investment and management during the Year under Review. The principal activities and other particulars of its subsidiaries as at 31 December 2015 are set out in Note 1 to the consolidated financial statements.

As required by the Schedule 5 of the Hong Kong Companies Ordinance, business review regarding business of the Group can be found in the Chairman's Statement and Management Discussion and Analysis set out on page 4 to 5 and page 8 to 12. An indication of likely future development in the Group's business can be found in the Management Discussion and Analysis set out on pages 12 to 13 of this annual report. This discussion forms part of this directors' report.

BUSINESS REVIEW

Compliance with Laws and Regulations

Due to the nature of the business of the Group, the Directors are of the opinion that no specific laws and regulations related to environmental protection has significant impact on the operations of the Group. Environmental policies and performance regarding the Group are set out in "Environmental, Social and Governance Report" on pages 60 to 68.

Relationship with Employee, Customers and Suppliers

Remuneration packages are generally structured with reference to prevailing market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Apart from salary payments, there are other staff benefits including pension and performance related bonus.

Relationship with customers is the fundamental of business. The Group fully understands this principle and thus maintains close relationship with customers to fulfill their immediate and long-term need, and the Group is striving to maintain fair and cooperative relationship with suppliers. Details are set out in "Environmental, Social and Governance Report".

Principal Risks and Uncertainties

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

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

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

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

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

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

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

RESULTS AND APPROPRIATIONS

The results of the Group for the Year under Review are set out in the consolidated statement of comprehensive income on page 71.

The Board did not recommend the payment of final dividend for the Year under Review (2014: nil). No interim dividend was declared for the Year under Review (2014: nil).

CLOSURE OF REGISTER

The register of members of the Company will be closed from Thursday, 16 June 2016 to Monday, 20 June 2016, both days inclusive, and no transfer of shares of the Company will be registered in such period. In order to qualify for attending and voting at the Annual General Meeting ("AGM"), all transfers of Shares accompanied by the relevant share certificates must be lodged with the Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4: 30 p.m. on Wednesday,15 June 2016.

SEGMENT INFORMATION

An analysis of the Group's revenue and contribution to profit or loss for the Year under Review by its principal activities is set out in Note 4 to the consolidated financial statements. Details of the segment information can be found in the Management Discussion and Analysis set out pages 8 to 12 of this annual report.

FOUR YEARS' FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last four financial years is set out on page 146 , which does not constitute part of these consolidated financial statements.

SHARE CAPITAL

Movements in the share capital of the Company during the Year under Review are set out in Note 29 to the consolidated financial statements.

INVESTMENT PROPERTIES

For the year ended 31 December 2015, the change of the Company and the Group's investment properties were set out in note 14 of the financial statement.

RESERVES

Movements in the reserves of the Group and the Company during the Year under Review are set out on page 130 and in Note 29 to the consolidated financial statements respectively.

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

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

CHARITABLE DONATIONS

During the Year under Review, no charitable donations had been made by the Group (2014: nil).

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company or the laws of Cayman Islands where the Company is incorporated.

TAX RELIEF

The Company is not aware of any relief from taxation available to Shareholders by reason of their holdings in the Shares of the Company.

MAJOR SUPPLIERS AND CUSTOMERS

The aggregate sales and purchases attributable to the Group's five largest customers and suppliers were less than 30% of the Group's total revenue and 30% of the Group's total purchases respectively during the Year under Review.

None of the Directors, their close associates or any Shareholders (which to the knowledge of the Directors owns more than 5% of the number of issued shares of the Company) had any interest in the major customers and suppliers noted above.

DIRECTORS

The Directors up to the date of this Directors' Report are:

Executive Directors

Mr. Chen Chengshou *(Chairman and CEO)* (appointed on 16 January 2014)
Ms. Quan Xiaolin (appointed on 10 June 2014)
Mr. Zhou Yongkui (appointed on 10 June 2014)
Mr. Feng Cizhao (appointed on 31 October 2015)
Mr. Jin Zhanghai (appointed on 10 June 2014 and resigned on 31 October 2015)

Non-executive Director

Ms. Gao Qiaoqin (appointed on 10 June 2014)

Independent Non-executive Directors

Mr. Gu Jiong (appointed on 8 June 2015)
Mr. Lo Wa Kei, Roy (appointed on 8 June 2015)
Mr. Fong Wo, Felix (appointed on 8 June 2015)

According to article 112 of the Articles of Association: "The Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the Shareholders in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next annual general meeting of the Company and shall then be eligible for re-election. Any Director appointed under this article shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting."

According to article 108(a) of the Articles of Association of the Company: "Notwithstanding any other provisions in these articles, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office."

Mr. Chen Chengshou, Ms. Quan Xiaolin, Mr. Zhou Yongkui, Mr. Feng Cizhao as the executive Directors, Ms. Gao Qiaoqin as the non-executive Director, Mr. Gu Jiong, Mr. Lo Wa Kei, Roy and Mr. Fong Wo, Felix as the independent non-executive Directors, will retire from office as the Directors at the AGM and being eligible, offer themselves for re-election.

SERVICE CONTRACTS OF DIRECTORS

Mr. Chen Chengshou, Ms. Quan Xiaolin, Mr. Zhou Yongkui, the executive Directors, each entered into a service agreement with the Company for a term of three years from the Listing Date and which will renew and prolong for one year automatically after the expiry of the appointment, during which such service agreements can be terminated by not less than three months prior written notice to the other party and subject to the early termination provisions contained therein.

Ms. Gao Qiaoqin, the non-executive Director; Mr. Gu Jiong, Mr. Lo Wa Kei, Roy and Mr. Fong Wo, Felix, the independent non-executive Directors, each entered into a letter of appointment with the Company for a term of three years from the Listing Date, during which such letters of appointment can be terminated by not less than three months prior written notice to the other party and subject to the early termination provisions contained therein.

Mr. Feng Cizhao, executive Director, entered into a service agreement with the Company for a term of three years from 31 October 2015 and which will renew and prolong for one year automatically after the expiry of the appointment, during which such service agreement can be terminated by not less than three months prior written notice to the other party and subject to the early termination provisions contained therein.

In accordance with the Articles of Association and Appendix 14 to the Listing Rules, all Directors shall retire from office by rotation. No directors being proposed for re-election at the AGM has any service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE SECURITIES OF THE COMPANY

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

Long positions in the shares and underlying shares:

The Company

Name of Directors	Capacity/Nature of interest	Number of shares/ underlying shares	Approximate percentage of the issued share capital of the Company (%)
Mr. Chen Chengshou	Interest of controlled corporation *(Note 1)*	1,353,600,000(L)	72%
Ms. Gao Qiaoqin	Interest of spouse *(Note 2)*	1,353,600,000(L)	72%
Mr. Zhou Yongkui	Beneficial Owner *(Note 3)*	312,833(L)	0.02%
Mr. Feng Cizhao	Beneficial Owner *(Note 3)*	129,000(L)	0.01%

(L): represents long positions

Notes:

1. 1,353,600,000 shares are registered in the name of Xinxing Company Limited which is wholly-owned by Mr. Chen.

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

3. Those shares are award shares granted by the Board on 7 April 2016 pursuant to the Share Award Scheme but have not yet been fully vested. For further details, please refer to the announcement dated 7 April 2016.

Associated corporation – Xinxing Company limited

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

Notes:

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

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

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SECURITIES OF THE COMPANY

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

Interest in the Company

Name of substantial Shareholder	Capacity/nature of interest	Number of shares/ underlying shares	Approximate percentage of the issued share capital of the Company
Xinxing Company Limited *(Note)*	Beneficial owner	1,353,600,000	72%

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

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

DEED OF NON-COMPETITION BY CONTROLLING SHAREHOLDERS

Each of the controlling shareholders has made an annual declaration with regard to their compliance with the terms of the deed of non-competition. The details of the deed of non-competition are set out in the section headed "Relationship with Controlling Shareholders" of the Prospectus. The deed of non-competition by controlling shareholders has taken effect from the Listing Date.

DEED OF NON-COMPETITION BY EXECUTIVE DIRECTORS

Each of the executive Directors has made an annual declaration with regarding to their compliance with the terms of the deed of non-competition. The deed of non-competition by executive Directors has taken effect from the Listing Date. The INEDs had reviewed and confirmed that the executive Directors of the Company have complied with the deed of non-competition and the deed of non-competition has been enforced by the Company in accordance with its terms.

SHARE OPTION SCHEME

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

The Share Option Scheme is a share incentive scheme and is established to recognize and acknowledge the contributions the Eligible Participants have had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives: (i) motivating the Eligible Participants to improve their performance efficiency for the benefit of the Group; and (ii) attracting and retaining or otherwise maintaining on-going business relationships with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

The maximum number of Shares in respect of which options may be granted (including Shares in respect of which options, whether exercised or still outstanding, have already been granted) under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue on the Listing Date, excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of the Company).

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the Shares in issue from time to time (the "Maximum Limit"). No options shall be granted under any schemes of the Company, including the Share Option Scheme, if that will result in the Maximum Limit being exceeded.

The Board may, at its discretion, offer to grant an option to the Eligible Participants. An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptance of the options duly signed by the grantee, together with a remittance in favor of the Company of HK$1.00 by way of consideration for the grant thereof, is received by the Company on or before the relevant acceptance date.

Within 21 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate by the auditors to the Company or the approved independent financial adviser, the Company shall allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the grantee certificates in respect of the Shares so allotted.

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised, outstanding options and Shares which were the subject of options which have been granted and accepted under the Share Option Scheme or any other scheme of the Company but subsequently cancelled to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant.

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of: (i) the closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Hong Kong Stock Exchange is open for the business of dealing in securities; (ii) the average of the closing prices of the Shares as stated in the Hong Kong Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share.

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

SHARE AWARD SCHEME

On 26 January 2016, the Company adopted the share award scheme (the "Scheme"), pursuant to which Bank of Communications Trustee Limited as trustee (the "Trustee"). The Board is pleased to announce that it has adopted the Scheme to recognize the contribution by certain eligible participants and to attract suitable personnel for further development of the Group. Each of the Company and Mr. Chen, the executive Director and controlling shareholder of the Company, may make contribution to the trust for the purpose of vesting awarded Shares to the selected participants. Pursuant to the Scheme, the Company may from time to time at its sole discretion subject to requirements under this Scheme, cause to be paid any sums of money to the Trustee and instruct the Trustee to purchase shares in the market at prevailing market price. Mr. Chen may from time to time transfer shares to the Trustee, for the purpose of vesting awarded shares to the selected participants, subject to the compliance with the requirements of the Listing Rules, all applicable laws from time to time. The Trustee will hold the awarded shares on trust for all or one or more of the selected participants until such awarded shares are vested with the relevant selected participants in accordance with the rules of the Scheme.

The Scheme is a discretionary scheme of the Company and shall be subject to the administration of the Board and the Trustee in accordance with the rules of the Scheme and the trust deed.

The Board shall not make any further award of awarded Shares which will result in the nominal value of the Shares awarded by the Board under the Scheme exceeding ten per cent (10%) of the issued share capital of the Company from time to time. The maximum number of Shares which may be awarded to a selected participant under the Scheme shall not exceed one per cent (1%) of the issued share capital of the Company from time to time. The Scheme does not constitute a share option scheme within the meaning of Chapter 17 of the Listing Rules.

The Scheme will remain in force for a period of 10 years since the date of adoption of the Scheme. Early termination should be done by the Board.

During the Year under Review, no award shares have been granted pursuant to the Scheme. The Board granted the award Shares to 150 selected participants to be vested by several instalments under the Scheme on 7 April 2016.

Details are set out in the announcements of the Company at the dates of 19 February 2016 and 7 April 2016.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed above, none of the Company, or any of its holding companies, its subsidiaries or its fellow subsidiaries a party to any arrangement to enable the Directors and chief executives of the Company, including their spouses and children under 18 years of age, to hold any interest or short positions in the Shares, or underlying shares, or debentures, of the Company or its associated corporations, within the meaning of Part XV of the SFO.

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

There were no transactions, arrangements or contracts of significance in relation to the Company's business, to which the Company or any of the Company's subsidiaries was a party, subsisting at the end of the Year under Review or at any time during the Year under Review, and in which a Director had, whether directly or indirectly, a material interest, nor there were any other transactions, arrangements or contracts of significance in relation to the Company's business between the Company or any of the Company's Subsidiaries and a controlling Shareholder or any of its subsidiaries.

NON-EXEMPT AND CONTINUING CONNECTED TRANSACTIONS

The transactions set forth below are continuing connected transactions subject to report, annual review and announcement requirements but exempt from circular and independent Shareholders' approval requirements (the "Non-exempt Continuing Connected Transactions"), for the purpose of Chapter 14A of the Listing Rules:

1. *Nanshuo Master Service Agreement*

On or about 15 May 2015, the Company and Shanghai Nanshuo Asset Operation and Management Co., Ltd.* (上海南碩資產經營管理有限公司) ("Shanghai Nanshuo") entered into a master service agreement ("Nanshuo Master Service Agreement") for a term ending on 31 December 2017, pursuant to which Shanghai Nanshuo agreed to provide commercial property marketing services for sourcing tenants and the ongoing management services for the commercial properties of our Group. The service fees payable by our Group to Shanghai Nanshuo will be agreed following arm's length negotiations between the relevant parties with reference to the prevailing market price of the similar services in the PRC.

As our major business will continue to focus on property development, we will require Shanghai Nanshuo to provide marketing and management services for our commercial properties so that we can concentrate our resources on property development business. In addition, the skills and expertise for managing residential properties are different from commercial properties and it will be more cost effective to our Group to outsource the management of commercial properties to Shanghai Nanshuo.

Shanghai Nanshuo is owned as to 100% by 浙江天茂園林工程有限公司 (Zhejiang Tianmao Landscape Engineering Co., Ltd.*) ("Zhejiang Tianmao"), which in turn is owned as to 60% by Zheng Xiangtian (鄭翔天) and 40% by Liu Xiaofeng (劉小豐), an independent third party.

Zheng Xiangtian (鄭翔天) is one of the directors of our subsidiaries and a brother of Mr. Chen who is one of our Directors and controlling Shareholders. As Shanghai Nanshuo is 100% owned by Zhejiang Tianmao, which is an associate of Zheng Xiangtian (鄭翔天) and hence Shanghai Nanshuo is considered as a connected person of our Group under Rule 14A.07 of the Listing Rules.

The proposed annual cap amounts of the transactions under the Nanshuo Master Service Agreement for the three years ending on 31 December 2015, 2016 and 2017 are RMB9,000,000, RMB18,000,000 and RMB22,000,000 respectively, and each of the percentage ratios (other than the profits ratio) under Chapter 14 of the Listing Rules, where applicable, in respect of the Nanshuo Master Service Agreement is, on an annual basis, less than 5%. Therefore, the transactions under the Nanshuo Master Service Agreement will be exempted from the circular and independent Shareholders' approval requirements but subject to report, annual review and announcement requirements under Chapter 14A of the Listing Rules. As at 31 December 2015, the total actual annual service fees amounted to approximately RMB 6,580,000.

2. *Tianmao Master Service Agreement*

On or about 15 May 2015, the Company and Zhejiang Tianmao entered into a master service agreement ("Tianmao Master Service Agreement") for a term ending on 31 December 2017, pursuant to which Zhejiang Tianmao agreed to provide construction services which mainly include landscaping and planting projects to our Group. The service fees payable by our Group to Zhejiang Tianmao will be agreed following arm's length negotiations between the relevant parties with reference to the prevailing market price of the similar services in the PRC.

Our Group has established a long term relationship with Zhejiang Tianmao which provides construction services for landscaping and planting projects to our Group from time to time. Zhejiang Tianmao has been providing us with quality services. Our Directors consider that it is in our Group's interests to continue our relationship with Zhejiang Tianmao and source the services from Zhejiang Tianmao upon the Listing.

Zhejiang Tianmao is owned as to 60% by Zheng Xiangtian (鄭翔天) and 40% by Liu Xiaofeng (劉小豐), an independent third party. Zheng Xiangtian (鄭翔天) is one of the directors of our subsidiaries and a brother of Mr. Chen who is one of our Directors and controlling Shareholders. Zhejiang Tianmao is an associate of Zheng Xiangtian (鄭翔天) and hence Zhejiang Tianmao is considered as a connected person of our Group under Rule 14A.07 of the Listing Rules.

The proposed annual cap amounts of the transactions under the Tianmao Master Service Agreement for the three years ended 31 December 2015, 2016 and 2017 are approximately RMB22,000,000, RMB35,000,000 and RMB10,000,000 respectively, and each of the percentage ratios (other than the profits ratio) under Chapter 14 of the Listing Rules, where applicable, in respect of the Tianmao Master Service Agreement is, on an annual basis, less than 5%. Therefore, the transactions under the Tianmao Master Service Agreement will be exempted from the circular and independent Shareholders' approval requirements but subject to report, annual review and announcement requirements under Chapter 14A of the Listing Rules. As at 31 December 2015, the total actual annual service fees amounted to approximately RMB7,347,000.

3. *Master Supply Agreements*

(a) *Kaijie Master Supply Agreement*

On or about 15 May 2015, the Company and Hangzhou Kaijie Decoration Co., Ltd*（杭州開捷門窗有限公司）("Hangzhou Kaijie") entered into a master supply agreement (the "Kaijie Master Supply Agreement") for a term ending on 31 December 2017, pursuant to which Hangzhou Kaijie agreed to supply construction raw materials which mainly comprise doors and windows to our Group. The purchase price payable by our Group to Hangzhou Kaijie will be agreed following arm's length negotiations between the relevant parties with reference to the prevailing market price of the similar construction raw materials in the PRC.

The Group has established a long term relationship with Hangzhou Kaijie which supplies construction raw materials to our Group from time to time. Hangzhou Kaijie has been supplying us with quality construction raw materials. Our Directors consider that it is in our Group's interests to continue our relationship with Hangzhou Kaijie and source the construction raw materials from Hangzhou Kaijie upon the Listing.

Hangzhou Kaijie is owned as to 35% by Zheng Xiangtian (鄭翔天) and 65% by three independent third parties. Zheng Xiangtian (鄭翔天) is one of the directors of our subsidiaries and a brother of Mr. Chen who is one of our Directors and controlling Shareholders. Hangzhou Kaijie is an associate of Zheng Xiangtian (鄭翔天) and hence Hangzhou Kaijie is considered as a connected person of our Group under Rule 14A.07 of the Listing Rules.

(b) *Shouchuang Master Supply Agreement*

On or about 15 May 2015, the Company and Zhejiang Shouchuang Industry Co., Ltd*（浙江首創實業有限公司）("Zhejiang Shouchuang") entered into a master supply agreement (the "Shouchuang Master Supply Agreement") for a term ending on 31 December 2017, pursuant to which Zhejiang Shouchuang agreed to supply construction raw materials which mainly include electrical boxes, fans, pumps, tanks, air conditioners, tiles, paint, fountain, locks and other construction and building raw materials to our Group. The purchase price payable by our Group to Zhejiang Shouchuang will be agreed following arm's length negotiations between the relevant parties with reference to the prevailing market price of the similar construction raw materials in the PRC.

The Group has established a long term relationship with Zhejiang Shouchuang which supplies construction raw materials to our Group from time to time. Zhejiang Shouchuang has been supplying us with quality construction raw materials. Our Directors consider that it is in our Group's interests to continue our relationship with Zhejiang Shouchuang and source the construction raw materials from Zhejiang Shouchuang upon the Listing.

Zhejiang Shouchuang is owned as to 100% by Zheng Xiangtian (鄭翔天). Zheng Xiangtian (鄭翔天) is one of the directors of our subsidiaries and a brother of Mr. Chen who is one of our Directors and controlling Shareholders. Zhejiang Shouchuang is an associate of Zheng Xiangtian (鄭翔天) and hence Zhejiang Shouchuang is considered as a connected person of our Group under Rule 14A.07 of the Listing Rules.

The proposed annual cap amounts of the transactions under the Kaijie Master Supply Agreement for the three years ending 31 December 2015, 2016 and 2017 are RMB12,000,000, RMB13,000,000 and RMB21,000,000 respectively. The total actual annual supply fees under the Kaijie Master Supply Agreement for the year ended 31 December 2015 amounts to RMB2,562,000. The proposed annual cap amounts of the transactions under the Shouchuang Master Supply Agreement for the three years ending 31 December 2015, 2016 and 2017 are RMB25,000,000, RMB34,000,000 and RMB15,000,000 respectively. The total actual annual supply fees under the Shouchuang Master Supply Agreement for the year ended 31 December 2015 amounts to RMB2,562,000.

Pursuant to Rules 14A.81 and 14A.82 of the Listing Rules, the transactions under the Kaijie Master Supply Agreement and Shouchuang Master Supply Agreement (collectively the "Master Supply Agreements") have been aggregated. It is anticipated that on an annual basis, the aggregate annual cap under the Master Supply Agreements for each of the three years ending 31 December 2015, 2016 and 2017 are approximately RMB37,000,000, RMB47,000,000 and RMB36,000,000 respectively, and each of the percentage ratios (other than the profits ratio) under Chapter 14 of the Listing Rules, where applicable, in respect of the Master Supply Agreements is, on an annual basis, less than 5%. Therefore, the transactions under the Master Supply Agreements will be exempted from circular and independent Shareholders' approval requirements but subject to report, annual review and announcement requirements under Chapter 14A of the Listing Rules. The total actual annual supply fees under the Master Supply Agreement for the year ended 31 December 2015 amounts to RMB2,562,000.

4. Real Estate Agency Services Agreements

On 15 May 2015, our Group entered into an exclusive real estate agency services agreement with Hangzhou Taoyuan Shanzhuang Property Development Limited ("Taoyuan Property") and another exclusive real estate agency services agreement with Dongtian Property (together, the "Real Estate Agency Services Agreements"). Pursuant to the Real Estate Agency Services Agreements, each of Taoyuan Property and Dongtian Property appointed our Group as its exclusive sales agent of properties developed by Taoyuan Property and Dongtian Property in connection with the Hangzhou Xinming Peninsular (杭州新明半島) and Hangzhou Dongtian (杭州東田) for a term ending on 31 December 2017. Our Group has the discretion (but not the obligation) to renew the Real Estate Agency Services Agreements on the same terms for a period of three years until all the properties in relation to the Hangzhou Xinming Peninsular (杭州新明半島) and Hangzhou Dongtian (杭州東田) are sold out.

Pursuant to the Reorganisation, Taoyuan Property and Dongtian Property were excluded from our Group because of the restriction for the change of ownership in the equity pledge contracts executed by XG Limited and Taoyuan Property, respectively, in favour of an independent third party. In order to minimize any potential competition issue, our Group entered into the Real Estate Agency Services Agreements with Taoyuan Property and Dongtian Property, pursuant to which our Group shall, after consultation with them, have the discretion to determine the strategy, timing and selling price of the properties in the Hangzhou Xinming Peninsular (杭州新明半島) and the Hangzhou Dongtian (杭州東田).

Taoyuan Property is principally engaged in the property development in Hangzhou and is the project company of the Hangzhou Xinming Peninsular (杭州新明半島), which was owned as to 51% by XG Limited and 49% by 浙江正遠房地產代理有限公司 (Zhejiang Zhengyuan Property Agent Company Limited*) ("Zhejiang Zhengyuan"), as at the date of this annual report. Zhejiang Zhengyuan was owned as to 20% by Ms. Gao, our non-executive Director and the spouse of Mr. Chen. The remaining 80% interests in Zhejiang Zhengyuan were owned by two independent third parties. XG Limited was owned as to 99% by Mr. Chen, our executive Directors and controlling Shareholders, and 1% by Ms. Gao, as at the date of this annual report. Dongtian Property is principally engaged in property development in Hangzhou and is the project company for Hangzhou Dongtian (杭州東田), which is owned as to 100% by Taoyuan Property. Taoyuan Property and Dongtian Property are considered as connected persons of our Group under Rule 14A.07 of the Listing Rules.

The proposed annual cap amounts of the transactions under the Real Estate Agency Services Agreements for the three years ending 31 December 2015, 2016 and 2017 are approximately RMB34,000,000, RMB32,000,000 and RMB37,000,000 respectively, and each of the percentage ratios (other than the profits ratio) under Chapter 14 of the Listing Rules, where applicable, in respect of the Real Estate Agency Services Agreements is, on an annual basis, less than 5%. Therefore, the transactions under the Real Estate Agency Services Agreements will be exempted from circular and independent Shareholders' approval requirements but subject to report, annual review and announcement requirements under Chapter 14A of the Listing Rules. As at 31 December 2015, Taoyuan Property and Dongtian Property did not pay any commission to our Group.

Save as disclosed above, the related party transaction set out note 30 to consolidated financial statements does not required to be disclosed according to Chapter 14A of the Listing Rules. The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

The INEDs of the Company have reviewed the continuing transactions above and confirmed that those transactions have been entered into:

(1) in the usual and ordinary course of business of the Group;

(2) either on normal commercial terms or;

(3) in accordance with the relevant agreements; and

(4) its term are fair and reasonable and in the interests of the Company and the Shareholders of the Company as a whole.

The auditor of the Company was engaged to report on the continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 'Assurance Engagements Other Than Audits or Reviews of Historical Financial Information' and with reference to Practice Note 740 'Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules' issued by the Hong Kong Institute of Certified Public Accountants.

The Board has received a letter from the auditors of the Company confirming that during the reporting period, the above continuing connected transactions:

(1) have received the approval of the Board of the Company;

(2) have been entered into in accordance with the relevant agreement governing the transactions; and

(3) have not exceeded the cap disclosed in previous announcements.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed for the year ended 31 December 2015.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the financial year. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against its Directors and officers.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at 31 December 2015, none of the Directors was interested in any business, which competed or was likely to compete, either directly or indirectly, with the Group's businesses.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed amount of public float during the Year as required under the Listing Rules.

AUDITOR

Ernst & Young was appointed as auditor of the Company since the Listing and will retire at the forthcoming annual general meeting ("AGM"). Ernst & Young will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Ernst & Young as the auditor of the Company is to be proposed at the forthcoming AGM of the Company.

On behalf of the Board
Xinming China Holdings Limited
Chairman and Executive Director
Chen Chengshou

HangZhou • PRC
30 March 2016

Environmental, Social and Governance Report

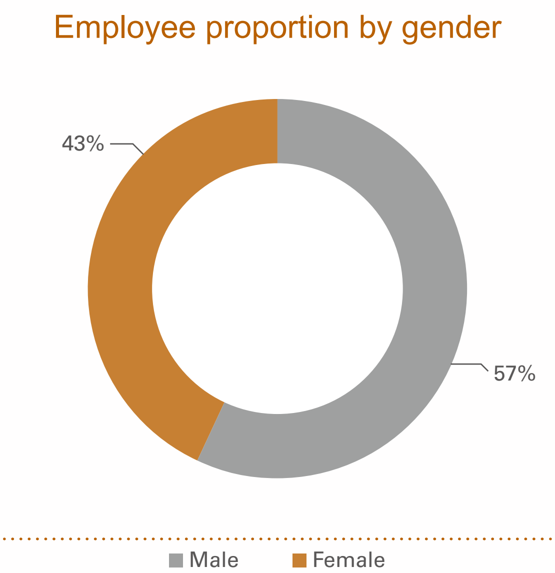
The Group compiled the Environmental, Social and Governance Report for the first time this year so as to stress the Company's achievements in such fields. Following suggestions of the Stock Exchange, this annual report presents matters in relation with the Company's performance in environment, society and governance.

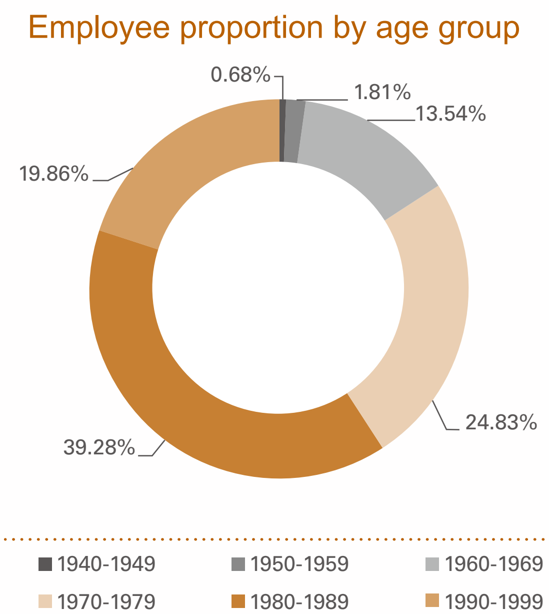
WORKING ENVIRONMENT AND QUALITY

Working Environment

Employees are the source of existence and development, and previous wealth of the Group. Adhering to the principle of "Open Recruiting and Selecting, Recruiting on a Selective Basis, Equal Stress on Integrity and Ability, Integrity as the Foundation" in employment, the Group is committed to building a corporate value of integrity, harmony, openness and aggressiveness. We strove to provide a good working environment in a relaxed atmosphere to the employees and made great efforts to establish a career platform for maximum ability development. The Group owns an experienced and far-sighted management team and vigorous employees. Number of the employees is 443, including 254 male employees and 189 female employees, which take up 57.3% and 42.7% of the total, respectively. Main business scope of the Group covers market operation, logistics and warehousing operation, e-commerce, property management, real estate, constructional engineering, designing and procurement, financial investment, investment and acquisition, legal consulting, brand and market promotion, and human resources, etc. The Group respects and protects human rights and fair competition among employees and strictly bans any discriminatory acts on race, skin color, nationality, gender, religious belief, marital status, age and physical disability.

Employees





Development and Training

Development and training are closely connected with the promotion of employees' ability as well as integrated development of the Company. The Company encouraged the employees for continuing education and offered different training channels, so as to improve professional competence of the employees and explore values and creativity of all talents to maximum. The entry trainings for new employees include trainings organized by the Group, namely trainings organized and implemented by Xinming Commercial College Department (新明商學院部門) managed by the Group covering corporate culture, values and management courses, and trainings organized by each unit separately, which comprise introduction to the company and projects, and main company policies, etc. At last, the new employees receive on-the-job trainings from the department directors and instructors, and the instruction is conducted in accordance with the new employee instruction manual.

The Company has established a complete employee training system with the training types and courses as follows:

	Training type	Courses
Internal training	**New employee training**	Management system, work flow, corporate culture and value inheritance
	Business experience share and study, and trainings of each professional system Trainings by Xinming Commercial College(新明商學院) (Once a month)	1. Sharing and exchange of experience and failure; 2. Professional knowledge and skills; 3. Trainings of general professional management knowledge.
	Trainings on management	1. Professional knowledge and skills; 2. Improvement of leadership skills in communication and management
	Trainings in Xinming Lecture Hall (新明大講堂)	Trainings of expanding employees' horizon, popularizing the industry knowledge, information, basic management knowledge and skills, and enhancing professional quality.
	Trainings and studies in terms of meetings	1. Conveying instruction and spirit of the Company's leader; 2. Summarizing completion in individual and department work plans. 3. Objectives plans for the next stage and the fulfillment methods. 4. Research, study and communication on the major business and difficult business.
External training	**In-service trainings**	Trainings required by the needs of the posts and skill promotion, and by the profession development.
	Study visits	Visit and study relating to business or management.
	Expatriate-training	Trainings in relation with post function or required by career development of the employees

We actively cooperated with schools, other enterprises and the commercial colleges, accelerated fulfillment of the employee training plan in full sail by combining with the strategic positioning of the Group and requirements of sustainable development on the talent quality. Taking culturing an industry team, enhancing the internal control and governance level and management ability, improving the innovative thinking and comprehensive quality as the main objectives, we boosted co-development of the enterprise and employees.

In addition, in order to improve the operating management level, optimize internal resource distribution, take precautions against business risks and achieve operation target of the Company, we organized trainings relating to comprehensive budgeting and internal control and governance, thus ensuring the compliance with the requirements of the Listing Rules.

Labor Standards and Healthy Security

The Group set an employee remuneration system in line with the remuneration standard in the industry, kept improving the internal working environment and ancillary facilities, and promoted the ability of attracting excellent personnel from external and retaining the core talents internally. On the basis of internal official rank system, the Company reasonably divided post responsibilities so as to guarantee the salary level for each post to be consistent with the actual value. The Group further established a motivation system, founding performance bonus and special bonus to the employees in different ranks, and offering the right of stock purchasing to the management, thus fully arouse the work enthusiasm of all employees. We also conducted periodical performance examination each year and granted annual bonus according to the assessment results, relieved the employees' difficulties caused by critical illness or accidents by means of providing consolation money and living subsidy. The series of acts fully showed the Company's concern and love to the employees. We believe that the high-quality staffs who value our corporate culture are the core element in the sustainable development in the future. We plan to keep attracting, retaining and motivating the skilled and professional talents with different measures (such as convening valued training courses, offering competitive salary and compensation, conducting effective performance assessment and incentive system). Besides, the Group offered festival fees for official national holidays like the New Year's Day, the Spring Festival, the Tomb-sweeping Day, the Dragon Boat Festival, the Labor Day, the Mid-autumn Festival and the National Day, and also provided care fare and correspondence fee allowance for daily work.

We paid close attention to occupational health and safety of the employees and continued to improve the healthy security and safety management system.

CORPORATE CULTURE CONSTRUCTION

During the Year under Review, the Group followed the business philosophy of Chinese nation, pursued the value orientation of thriving business by integrity, protecting spirit of the time and undertaking the social responsibility to forge a corporate spirit of being poised but not arrogant, changing while adapting the times, cooperating with absolute sincerity, being valiant and heroic. Since listed on Main Board of the Hong Kong Stock Exchange in July 2015, the Company has won general consensus in the industry owing to its advanced commercial operation ability, innovative business idea and highly potential development space. Following the release of the Universal Two-child Policy, the Company gained a great support to its strategic concept of focusing on the real estate for children in China and devoting to create a service platform covering the whole industry chain for pregnant women, babies and children. In the media interview, Mr. Chen, Chairman of the Group has expressed his idea for many times, mentioning that "Xinming is making great efforts to establish a project called My Barbini, which is different from the various pervious real estate projects for children in the business model and the business format designing. It is the first real estate project for children of a real sense, boasting a brand-new business pattern in terms of an industry-wide consumption chain for the babies and children from 0 to 14 years old, and for the women before and after baby delivery. Our services include clothes, food, real estate, transportation, entertainment, recreation, shopping, fitness and education. At the same time of meeting the consumption needs and promoting interaction, we have set up a new standard for the development of the industry for pregnant women, babies and children in China". The Group insists on the thought of accelerating development with systems, and making a breakthrough in the industry. It sticks to the corporate mission of creating value for the clients, providing opportunity for the employees, making cities more prosperous and establishing a platform for the Shareholders. The Company keeps improving the service quality so as to realize the vision of "Pilot of Fashionable Life, Model of Star Enterprises".

ENVIRONMENTAL PROTECTION

Pursuant to the requirements under the Environmental Impact Assessment Law of the People's Republic of China, implemented by the Standing Committee of the National People's Congress on 1 September 2003, Regulations on the Administration of Construction Project Environmental Protection, implemented by the State Council on 29 November 1998 and relevant laws and regulations, we followed close to the line and there had been no penalty or punishment arising from law breaching. Besides, we have not encountered any major problems in the examination and acceptance by the environmental protection institutions on completed property projects. There had no penalty or punishment due to violation of the national environmental protection laws and regulations for the Year under Review.

However, we are unable to foresee the impact of unpredictable emergent environment events or the newly released or modified laws or regulations on our current projects or property likely to be developed in the future. We kept complying with the relevant environmental protection laws and regulations of China, appointed the building contractors with good previous performance in environmental protection and safety management only, required them to conscientiously follow the laws and regulations relating to material procurement and construction so as to minimize any environment risks hidden in the future. The enterprises engaged in real estate development and construction shall implement environmental impact assessment system on the construction projects.

Resource Consumption

In order to enhance management on the Company's assets, understand and manage quantity, amount and distribution of the book assets in time, the Company formulated the Assets Management System, in which the assets include fixed assets, low-value consumption goods, current account, prototype room, leased property, materials in storage, products for sale and projects under construction, etc. The assets check shall be carried out once every half a year, and the financial staffs must participate in supervision of inventory taking and keep the inventory sheet and inventory report on file.

Fixed Assets Management

Purpose of the Fixed Assets Management System is to strengthen purchase, use and maintenance of the fixed assets of the Company, prolong service life and efficiency of the fixed capital. The General Management Department of the Group or the subsidiary is responsible for unified management and allocation on the fixed assets held. The fixed assets of the Company are calculated and depreciated with a composite life method, namely, yearly depreciation = (1-net salvage rate (5%))/expected application years *100%. According to the nature and consumption mode of the Company's fixed assets, the expected application years and net salvage value are determined (as in the following table).

Classification	Expected application years	Expected net salvage rate
Houses and buildings	20	5%
Machinery equipment	10	5%
Transportation facility	5	5%
Electronic equipment	3	5%
Other instruments, tools and furniture	5	5%

Therefore, application years of the fixed assets could be predicted accurately, and the employees will be impressed with the awareness of protecting assets. The Company is committed to prolonging service life and use value of assets and promoting the resource usage.

Management on low-value consumption goods

Most of the low-value consumption goods are office supplies. The Company adhered to the principle of Simplified and Practical, subject to the Lower Standard, and conducted zero-inventory management on the low-value consumption goods so as to reduce the inventory backlog and fund occupation. The Group encouraged all employees to save resources, thus improving the environment and reducing the cost. On the basis of maintaining quality products and service, the Group minimized resource loss and use, and turned to adopt techniques and products which are energy-saving or low-energy-consuming. Besides, the Group encouraged and supported the employees to raise rationalization proposals on energy saving, emission reduction, consumption lowering and efficiency promoting.

Environment and Natural Resources

In accordance with the requirements under China's laws and regulations, all projects developed by the property developers shall be implemented with environment assessment, and an environmental impact assessment report shall be submitted to the related governmental agencies for approval before commencement of the construction. As for the construction site, should there be any material changes in scale or nature of the fixed project, the property developer shall submit a new environmental impact assessment report for approval. Pursuant to such laws and regulations, we have entrusted environment advisers from independent third party for environmental impact assessment on all construction projects, and have already submitted the report to the governmental agencies before construction. During the Year under Review and upto the date of this annual report, we have obtained the necessary environmental impact assessment report according to relevant laws and regulations of China.

In architectural designing of the projects, we studied and researched to apply technologies relating to energy saving and green building into the construction, thus expanded the environmental protection technical policy.

During construction, the property developer and construction companies shall adopt corresponding measures to prevent air pollution, noise pollution and water and waste discharge. As we outsource the construction to independent contractors, the contractors shall obey laws and regulations of China relating to environmental protection and safety in accordance with the terms in the construction contract. In addition, we examined the construction site periodically and required the contractors to correct the discovered behaviors like breaching the contract or failing to meet the standards in time.

After completion of the construction, the Company shall apply relevant governmental agencies for acceptance inspection concerning environmental impact of the projects. Only the projects qualified can be delivered to the clients. All completed properties of our Company have passed the examination by the environmental protection agencies, and we have obtained relevant official approval for environmental impact assessment for the properties under development.

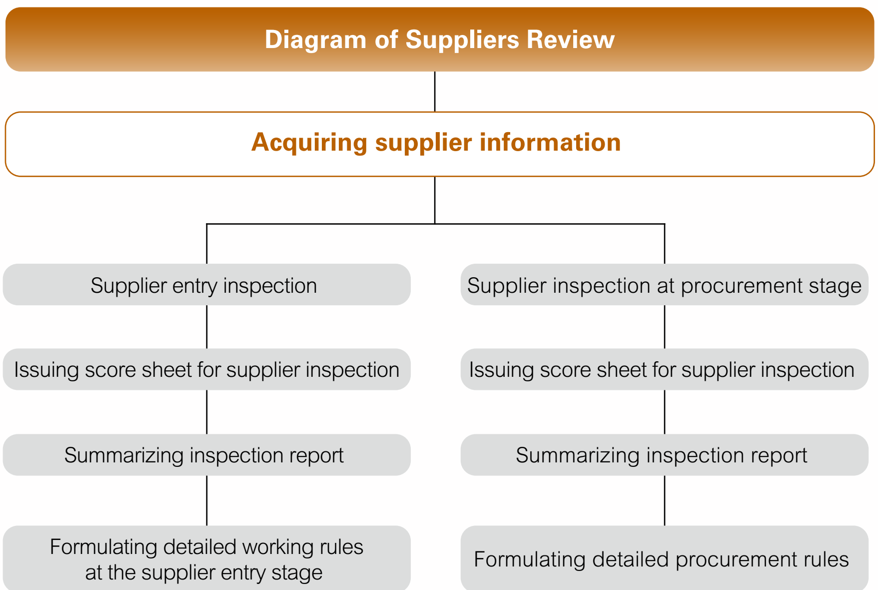
We implemented the policy of recycling and reusing paper in all the offices in Hong Kong and China. We also encouraged the employees to keep a habit of saving energy, such as setting the computer into a sleep mode instead of idling and saving electric energy during lunch hour.

OPERATION ROUTINE

Suppliers Supervision

The Group placed emphasis on the product quality and cost control, applied a strict and normative internal supervisory control system, specified and detailed the procurement process and approval principle, selected high-grade suppliers on the basis of fairness, impartiality and sufficient competition in order to insure high procurement quality and cost rationality. The purpose of reviewing operation and work of the suppliers is to instruct and standardize operation mode and achievement in suppliers review, and the diagram for suppliers review is as follows:

Diagram of Suppliers Review



Entrance of the suppliers for the projects shall be approved by the manager of the cost fixing division of the project department, the deputy general manager in charge of the project engineering, the general manager in charge of the project, the deputy manager of the cost management department of the Group, the manager of the cost management department of the Group in sequence, and at last, it shall be put on procurement records of the cost management department of the Group.

One-vote negation system is adopted for the assessment on the suppliers' task fulfillment, namely, should any single department conclude "unqualified" in the comprehensive assessment on a supplier, the supplier is directly determined to fail the assessment and is unable to bid for any projects of the Group in the following three years. Diagram for the assessment on the suppliers' task fulfillment is as follows:

Diagram for the assessment on the suppliers' task fulfillment

Under permissions: all contracts with an amount ≤ RMB1 million

Result of task fulfillment assessment after summarization

Approved by the manager of the cost fixing department

Approved by the general manager in charge of the project

Put on procurement records of the cost management department of the Group.

Beyond permissions: all contracts with an amount > RMB1 million

Result of task fulfillment assessment after summarization

Approved by the manager of the cost fixing department

Approved by the general manager in charge of the project

Approved by the deputy manager of the cost management department of the Group

Approved by the manager of the cost management department of the Group

Approved by the president of the Group

Put on procurement records of the cost management department of the Group

Requirements: 1: The cost fixing department launches assessment on the task fulfillment of the qualified suppliers quarterly;

2. Upon fulfillment of the contracts by the suppliers (warranty period excluded), the cost fixing department organizes and launches assessment on the task fulfillment of the suppliers, and another assessment half a year later (warranty period excluded).

Responsibility for Clients

The Group highly valued the product quality and corporate credit, and has set up and implemented a system relating to quality and sales management in order to strengthen product quality inspection and sales management, and provide high-quality products to the clients. We believe that excellent property management service is beneficial to enhance the property value, gain more popularity and heighten the clients' degree of satisfaction on our projects. As a result, we will continue to expand the service scope of the property management and improve the service quality.

Property Management Optimization

We plan to further develop the property management business by means of employing more property management staffs, upgrading and improving the property management service policy and relevant guidelines. In addition, we will popularize the brand of Xinming, keep focusing on promoting attraction of the commercial complex developed and strive to stand out from all competitors in terms of providing projects located at advantageous positions. We believe that by constantly providing properties that meet the needs of the local residents and clients, we will raise the market recognition of our brand as well as the Company's reputation, which will help us re-create success in other cities of China.

Anti-corruption

The Group set up a series of anti-corruption policies and practically implemented such policies to prevent corruption and fraud. In order to prevent and control on the malpractices or immoral behaviors, the Group specified the code requirements on the employees' behaviors in the updated employee manual, mentioned ways for reporting corrosion and malpractices and further required all employees in service or newly appointed to fill in the Confirmation so that they will have a full understanding and obey the provisions set out in the Employee Manual and corporate rules and regulations. There had been no records of the Group or staff involved in corruption for the year.

AWARDS

No.	Award	Awarded by	Date
1	Top 10 Corporate Brand Value of Chinese Property Developers in East China 2015	Enterprise Research Institute of Development Research Center of the State Council, Institute of Real Estate Studies of Tsinghua University, China Index Academy	2015.9
2	"Excellent Enterprise " of the wards of "Commercial Property Value List of China 2015"	The Economic Observer	2015.11

INDEPENDENT AUDITOR'S REPORT

To the members of XINMING CHINA HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of XINMING CHINA HOLDINGS LIMITED (the "Company") and its subsidiaries set out on page 71 to 145 which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other 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 International Financial Reporting Standards issued by the International Accounting Standards Board 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this annual 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 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 International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

30 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
REVENUE	5	**1,348,818**	2,135,612
Cost of sales		**(934,266)**	(1,384,347)
Gross profit		**414,552**	751,265
Other income and gains	5	**16,131**	2,797
Selling and distribution costs		**(73,392)**	(86,847)
Administrative expenses		**(110,687)**	(93,973)
Other expenses		**(10,557)**	(11,249)
Changes in fair value of investment properties		**532,303**	16,864
Finance costs	6	**(1,778)**	(3,021)
PROFIT BEFORE TAX	7	**766,572**	575,836
Income tax expense	10	**(274,740)**	(264,801)
PROFIT FOR THE YEAR		**491,832**	311,035
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**491,832**	311,035
ATTRIBUTABLE TO:			
Owners of the parent		**367,622**	330,179
Non-controlling interests		**124,210**	(19,144)
		491,832	311,035
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
– For profit for the year (RMB)	12	**0.30**	0.23

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**13,147**	16,377
Investment properties	14	**2,975,565**	1,832,688
Deferred tax assets	15	**87,240**	110,022
		3,075,952	1,959,087
CURRENT ASSETS			
Properties under development	17	**1,526,546**	1,664,186
Completed properties held for sale	18	**1,605,549**	1,079,644
Trade receivables	19	**133,158**	5,097
Due from the Controlling Shareholder	30	**–**	4,042
Due from other related parties	30	**4,123**	3,492
Prepayments, deposits and other receivables	20	**263,795**	725,967
Tax recoverable		**22,272**	52,338
Restricted deposits		**501,328**	18,401
Cash and cash equivalents	21	**430,227**	40,301
		4,486,998	3,593,468
CURRENT LIABILITIES			
Trade payables	22	**1,070,249**	695,432
Other payables and accruals	23	**351,884**	324,700
Advances from customers	24	**213,032**	1,083,369
Due to other related parties	30	**14,346**	256,769
Interest-bearing bank loans and other borrowings	25	**405,080**	85,000
Provisions	26	**862**	21,149
Tax payable	27	**623,043**	598,671
		2,678,496	3,065,090
NET CURRENT ASSETS		**1,808,502**	528,378
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,884,454**	2,487,465

	Notes	2015 RMB'000	2014 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank loans and other borrowings	25	**2,593,000**	1,315,000
Provisions	26	**–**	3,161
Other liabilities	28	**9,635**	296
Deferred tax liabilities	16	**371,618**	228,108
		2,974,253	1,546,565
NET ASSETS		**1,910,201**	940,900
EQUITY			
Equity attributable to owners of the parent			
Issued capital	29	**14,891**	–
Reserves	29	**1,732,729**	896,016
		1,747,620	896,016
Non-controlling interests		**162,581**	44,884
TOTAL EQUITY		**1,910,201**	940,900

Approved and authorised for issue by the Board of Directors on 30 March 2016 and are signed on its behalf by:

Chen Chengshou
Director

Zhou Yongkui
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to owners of the parent							
	Issued capital	Share premium*	Merger reserve*	Capital reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2014	–	–	685,353	–	484,346	1,169,699	64,028	1,233,727
Profit and total other comprehensive income for the year	–	–	–	–	330,179	330,179	(19,144)	311,035
Acquisition of subsidiaries from the then shareholder	–	–	(603,862)	–	–	(603,862)	–	(603,862)
At 31 December 2014 and 1 January 2015	**–**	**–**	**81,491**	**–**	**814,525**	**896,016**	**44,884**	**940,900**
Issue of shares	**14,891**	**517,479**	**–**	**–**	**–**	**532,370**	**–**	**532,370**
Share issuance expenses	**–**	**(20,121)**	**–**	**–**	**–**	**(20,121)**	**–**	**(20,121)**
Acquisition of non-controlling interests	**–**	**–**	**–**	**(28,267)**	**–**	**(28,267)**	**(6,513)**	**(34,780)**
Profit and total other comprehensive income for the year	**–**	**–**	**–**	**–**	**367,622**	**367,622**	**124,210**	**491,832**
At 31 December 2015	**14,891**	**497,358**	**81,491**	**(28,267)**	**1,182,147**	**1,747,620**	**162,581**	**1,910,201**

* These reserve accounts comprise the consolidated reserves of RMB1,732,729,000 (2014: RMB896,016,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**766,572**	575,836
Adjustments for:			
Depreciation	7	**3,987**	4,781
Changes in fair value of investment properties	7	**(532,303)**	(16,864)
Foreign exchange gain or loss	5	**(1,798)**	–
Bank interest income	5	**(518)**	(385)
Provision for impairment of completed properties held for sale	7	**6,174**	–
Realisation for onerous operating leases	7	**(19,039)**	(34,685)
(Reversal)/additional provision for onerous operating leases	7	**(6,187)**	9,838
Provision for impairment of trade receivables	7	**8,979**	–
Finance costs	6	**1,778**	3,021
		227,645	541,542
Increase in trade receivables		**(137,040)**	(5,097)
Decrease/(increase) in prepayments, deposits and other receivables		**543,529**	(219,350)
Decrease in advances from customers		**(870,337)**	(1,632,115)
Increase in trade payables		**374,817**	338,824
Increase/(decrease) in other liabilities		**9,339**	(54,726)
Increase/(decrease) in other payables and accruals		**92,365**	(139,911)
(Increase)/decrease in properties under development and completed properties held for sale		**(231,525)**	330,987
Increase in investment properties		**(610,574)**	–
Increase in restricted deposits		**(482,927)**	(7,817)
Cash used in operations		**(1,084,708)**	(847,663)
Tax paid		**(54,010)**	(87,378)
NET CASH FLOWS USED IN OPERATING ACTIVITIES		**(1,138,718)**	(935,041)

For the year ended 31 December 2015

	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	**(767)**	(1,462)
Proceeds from disposal of items of property, plant and equipment	**11**	31
Bank interest income	**518**	385
Proceeds from disposal of an available-for-sale investment	**–**	3,000
NET CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES	**(238)**	1,954
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	**532,370**	–
Share issue expenses	**(20,121)**	–
Interest paid	**(162,912)**	(108,469)
New interest-bearing bank loans and other borrowings	**2,123,700**	1,025,000
(Increase)/decrease in other receivables	**(81,360)**	39,690
Decrease in other payables	**(65,181)**	(2,490)
Acquisition of non-controlling interests	**(34,780)**	–
(Increase)/decrease in amounts due from other related parties	**(631)**	79,552
Decrease in an amount due from the Controlling Shareholder	**4,042**	19,165
(Decrease)/increase in amounts due to other related parties	**(242,423)**	249,528
Repayment of interest-bearing bank loans and other borrowings	**(525,620)**	(490,000)
NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES	**1,527,084**	811,976
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**388,128**	(121,111)
Cash and cash equivalents at beginning of year	**40,301**	161,412
Effect of foreign exchange rate changes, net	**1,798**	–
CASH AND CASH EQUIVALENTS AT END OF YEAR	**430,227**	40,301

1. CORPORATE AND GROUP INFORMATION

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

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

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

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name of company	Date and place of incorporation/ registration and place of business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Xinming Capital Limited*[1] ("Xinming Capital")	17 January 2014 The British Virgin Islands	USD50,000	100%	–	Investment holding
Xinming China Investment Limited*[2] ("Xinming Hong Kong")	4 February 2014 Hong Kong	HKD1,000,000	–	100%	Investment holding
Hangzhou Times Enterprise Management Consulting Limited*[3] ("Hangzhou Times")	9 April 2014 Mainland China	RMB30,000,000	–	100%	Investment holding
Xinming Group Holding Limited*[4] ("Xinming Group")	5 November 2012 Mainland China	RMB50,000,000	–	100%	Investment holding
Taizhou City Xinming Real Estate Development Company Limited*[4] ("Taizhou Xinming")	12 February 2007 Mainland China	RMB71,800,000	–	100%	Property development
Taizhou Xinming Property Investment Limited*[4] ("Taizhou Investment")	12 September 2008 Mainland China	RMB160,000,000	–	100%	Property development and property investment

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Name of company	Date and place of incorporation/ registration and place of business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Taizhou Wenshang Times Property Limited*[4] ("Wenshang Times")	13 January 2010 Mainland China	RMB50,000,000	–	100%	Property development and property investment
Shanghai Xinming Global Property Limited*[4] ("Shanghai Xinming")	29 April 2011 Mainland China	RMB50,000,000	–	79%	Property development and infrastructure construction, provision of property management service
Chongqing Xinming Property Company Limited*[4] ("Chongqing Xinming")	16 November 2012 Mainland China	RMB100,000,000	–	60%	Property development
Zhejiang Xinming Property Services Limited*[4] ("Xinming Property")	14 November 2005 Mainland China	RMB5,000,000	–	100%	Provision of property management service
Shandong Xingmeng Property Limited*[4] ("Shandong Xingmeng")	24 October 2011 Mainland China	RMB50,000,000	–	75%	Property development and property management
Hangzhou Xinming Property Limited*[4] ("Hangzhou Xinming")	28 March 2014 Mainland China	RMB50,000,000	–	100%	Property development and property management
Zhongtong Business Management Limited*[4] ("Zhongtong Management")	11 September 2015 Mainland China	RMB10,000,000	–	55%	Business management
Zhejiang Rongyi Business Management Limited*[4] ("Zhejiang Rongyi")	21 October 2015 Mainland China	RMB10,000,000	–	65%	Business management

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network

1 Registered as limited liability company under BVI law

2 Registered as limited liability company under HK law

3 Registered as wholly-foreign-owned enterprises under PRC law

4 Registered as limited liability companies under PRC law

2.1 BASIS OF PRESENTATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board ("IASB"), International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties measured at fair value through profit or loss. These financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Company and its subsidiaries, and all values are rounded to the nearest thousand except when otherwise indicated.

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.

2.1 BASIS OF PRESENTATION *(Continued)*

Basis of consolidation *(Continued)*

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 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 POLICIES AND DISCLOSURES

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

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

The nature and the impact of each amendment is described below:

(a) Amendments to IAS 19 apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of service cost in the period in which the related service is rendered. The amendments have had no impact on the Group as the Group does not have defined benefit plans.

(b) The *Annual Improvements to IFRSs 2010-2012 Cycle* issued in December 2013 sets out amendments to a number of IFRSs. Details of the amendments that are effective for the current year are as follows:

- IFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no impact on the Group.

- IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*: Clarifies the treatment of the gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets. The amendments have had no impact on the Group as the Group does not apply the revaluation model for the measurement of these assets.

- IAS 24 *Related Party Disclosures*: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group as the Group does not receive any management services from other entities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(c) The *Annual Improvements to IFRSs 2011-2013 Cycle* issued in December 2013 sets out amendments to a number of IFRSs. Details of the amendments that are effective for the current year are as follows:

- IFRS 3 *Business Combinations*: Clarifies that joint arrangements but not joint ventures are outside the scope of IFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has had no impact on the Group as the Company is not a joint arrangement and the Group did not form any joint arrangement during the year.

- IFRS 13 *Fair Value Measurement*: Clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 or IAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which IFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in IFRS 13.

- IAS 40 *Investment Property*: Clarifies that IFRS 3, instead of the description of ancillary services in IAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisitions of investment properties. The amendment has had no impact on the Group as there is no acquisition of investment properties during the year and so this amendment is not applicable.

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 INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

IFRS 9	*Financial Instruments*[3]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[6]
Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
IFRS 14	*Regulatory Deferral Accounts*[5]
IFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to IAS 1	*Disclosure Initiative*[1]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[1]
Amendments to IAS 27	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	*Amendments to a number of IFRSs*[1]
IFRS 16	*Lease*[4]
Amendments to IAS 7	*Statement of Cash Flows*[2]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealized Losses*[2]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2017
3 Effective for annual periods beginning on or after 1 January 2018
4 Effective for annual periods beginning on or after 1 January 2019
5 Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group
6 No mandatory effective date yet determined but is available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. During 2015, the Group performed a high-level assessment of the impact of the adoption of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. The expected impacts arising from the adoption of IFRS 9 are summarised as follows:

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

(a) Classification and measurement

The Group does not expect that the adoption of IFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

(b) Impairment

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables. The Group will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its trade and other receivables upon the adoption of IFRS 9.

The amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor’s profit or loss only to the extent of the unrelated investor’s interest in that associate or joint venture. The amendments are to be applied prospectively. No mandatory effective date yet determined but is available for adoption.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

The amendments to IFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in IFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. In July 2015, the IASB issued an amendment to IFRS 15 regarding a one-year deferral of the mandatory effective date of IFRS 15 to 1 January 2018. The Group expects to adopt IFRS 15 on 1 January 2018 and is currently assessing the impact of IFRS 15 upon adoption.

Amendments to IAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in IAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The Group expects to adopt the amendments from 1 January 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement *(Continued)*

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

Impairment of non–financial assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to 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 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 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 apply:

- (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. 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 profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognised such parts as individual assets with specific useful lives and depreciates them accordingly.

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

Plant and machinery	22.5%
Furniture and office equipment	19% to 31.6%
Motor vehicles	22.5%

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 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.

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 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 profit or loss in the year of the retirement or disposal.

Properties under development

Properties under development are intended to be held for sale after completion.

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

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

Completed properties held for sale

Completed properties held for sale are stated in the 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.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

If a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value, any profit or loss shall be recognised immediately. If the sale price is below fair value, any profit or loss shall be recognised immediately except that, if the loss is compensated for by future lease payments at below market price, it shall be deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value shall be deferred and amortised over the period for which the asset is expected to be used.

Investments and other financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

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. The effective interest rate amortisation is included other income and gains in the statement of profit or loss and other comprehensive income. The loss arising from impairment is recognised in the statement of profit or loss and other comprehensive income in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, or loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

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

Subsequent measurement

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

Loans and borrowings

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Cash and cash equivalents

For the purpose of the consolidated statement of cash flow, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

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

Provisions

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

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of 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 profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax

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

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

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

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

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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

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

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income to match the grant on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss and other comprehensive income over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss and other comprehensive income 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 the revenue can be measured reliably, on the following bases:

(a) from the sale of properties, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the properties sold;

(b) rental income, on a time proportion basis over the lease terms;

(c) from the rendering of services, when the services are rendered and the inflow of economic benefit is probable; and

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits

Pension schemes

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute 12% to 22% of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

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

Dividends

Final dividends 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 consolidated statement of financial position, until they have been approved by the shareholders in a general meeting. Following the implementation of the Hong Kong Companies Ordinance (Cap. 622), proposed final dividends are disclosed in the notes to the financial statements.

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 Group's and the Company's functional currency because the Group's principal operations are carried out in Mainland China. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated 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 retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

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

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, at the end of the reporting period. 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 future periods.

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

Judgements

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

Sales and leaseback transactions

The Group enters into a number of contracts or agreements in respect of sales and leaseback with certain property buyers for the purpose of leasing such properties to third party tenants. In assessing whether sales and leaseback transaction results in an operating lease or a finance lease, the management of the Group considers many factors including the sales price of the properties, the lease terms and the length of the lease period. Based on the assessment, the Group considers that the arrangements result in operating leases. The determination is subject to judgement on the factors and circumstances.

Classification between investment properties and completed properties held for sale

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

Withholding tax arising from the distribution of dividends

The Group's determination, as to whether to accrue withholding taxes arising from the distributions of dividends by certain subsidiaries according to the relevant tax rules enacted in the jurisdictions, is subject to judgement on the plan of the distribution of dividends.

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

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, 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.

Provision of properties under development and completed properties held for sale

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

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

PRC land appreciation tax ("LAT")

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

Impairment of non-financial assets (other than goodwill)

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

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

Estimation uncertainty *(Continued)*

Estimation on the fair value of investment properties

Investment properties, including completed investment properties and investment properties under construction carried at fair value, were revalued at each reporting date based on the appraised market value provided by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at each reporting date.

The principal assumptions for the Group's estimation of the fair value include those related to current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs. The carrying amounts of investment properties at 31 December 2014 and 2015 were RMB1,832,688,000 and RMB2,975,565,000, respectively.

Provisions

The Group makes provisions for onerous contracts, which management estimates the related provisions based on existing contract terms, expected economic benefits, available knowledge and past experience.

The carrying amount of the provisions at 31 December 2015 was RMB862,000 (2014: RMB24,310,000). More details are given in note 26 to the financial information.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses was RMB23,492,000 (2014: RMB38,184,000). Further details are contained in note 16 to the financial statements.

4. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

(a) the property development segment engages in the development and sale of properties;

(b) the property leasing segment engages in leasing out properties for their rental income potential and/or for capital appreciation;

(c) the property management segment engages in the management of the Group's developed properties; and;

(d) the other segment engages in investment holding

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax from continuing operations. The adjusted profit or loss before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that interest income, finance costs, dividend income, fair value gains or losses from the Group's financial instruments as well as head office and corporate expenses are excluded from such measurement.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

No geographical information is presented as the Group's revenue from the external customers is derived solely from its operation in Mainland China and no non-current assets of the Group are located outside Mainland China.

4. SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2015

	Property development RMB'000	Property leasing RMB'000	Property management RMB'000	Others RMB'000	Total RMB'000
Segment revenue:					
Sales to external customers	1,253,738	78,542	16,538	–	1,348,818
Revenue					1,348,818
Segment results:	259,295	525,893	(5,014)	(13,602)	766,572
Profit before tax					766,572
Segment assets	6,748,036	2,992,347	17,548	1,325,842	11,083,773
Reconciliation:					
Elimination of intersegment receivables					(3,520,823)
Total assets					7,562,950
Segment liabilities	5,659,193	481,697	63,284	862,110	7,066,284
Reconciliation:					
Elimination of intersegment payables					(1,413,535)
Total liabilities					5,652,749
Other segment information:					
Depreciation	3,853	81	49	4	3,987
Provision for impairment of completed properties held for sales	6,174	–	–	–	6,174
Provision for impairment of trade receivables	–	8,979	–	–	8,979
Realisation of onerous contracts	–	(19,039)	–	–	(19,039)
Bank interest income	(189)	(2)	(6)	(321)	(518)
Finance costs	–	1,778	–	–	1,778
Fair value gains on investment properties	–	(532,303)	–	–	(532,303)
Capital expenditure	595	99,813	36	93	100,537

4. SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2014

	Property development RMB'000	Property leasing RMB'000	Property management RMB'000	Others RMB'000	Total RMB'000
Segment revenue:					
Sales to external customers	2,050,485	66,546	18,581	–	2,135,612
Revenue					2,135,612
Segment results:	575,482	20,573	(5,154)	(15,065)	575,836
Profit before tax					575,836
Segment assets	4,840,370	1,896,097	21,893	747,777	7,506,137
Reconciliation:					
Elimination of intersegment receivables					(1,953,582)
Total assets					5,552,555
Segment liabilities	5,720,046	650,328	62,614	1,422,951	7,855,939
Reconciliation:					
Elimination of intersegment payables					(3,244,284)
Total liabilities					4,611,655
Other segment information:					
Depreciation	4,166	577	38	–	4,781
Realisation of onerous contracts	–	(34,685)	–	–	(34,685)
Bank interest income	(308)	(7)	(61)	(9)	(385)
Finance costs	–	3,021	–	–	3,021
Fair value gains on investment properties	–	(16,864)	–	–	(16,864)
Capital expenditure	998	303	151	10	1,462

5. REVENUE, OTHER INCOME AND GAINS

An analysis of the Group's revenue, other income and gains is as follows:

Group

	2015 *RMB'000*	2014 *RMB'000*
Revenue		
Sale of properties	**1,329,526**	2,174,447
Rental income	**82,222**	70,527
Property management service income	**18,568**	19,635
	1,430,316	2,264,609
Less: Government surcharges	**(81,498)**	(128,997)
	1,348,818	2,135,612
Other income and gains		
Exchange gain	**14,984**	*250*
Bank interest income	**518**	385
Government grants	**78**	2,140
Others	**551**	22
	16,131	2,797

6. FINANCE COSTS

An analysis of finance costs is as follows:

Group

	2015 **RMB'000**	2014 RMB'000
Interest on interest-bearing bank loans and other borrowings wholly repayable within five years	**143,976**	50,892
Interest on interest-bearing bank loans and other borrowings not wholly repayable within five years	**18,936**	57,577
Notional interest	**1,778**	3,021
Total interest expense on financial liabilities not at fair value through profit or loss	**164,690**	111,490
Less: Interest capitalised	**(162,912)**	(108,469)
	1,778	3,021

7. PROFIT BEFORE TAX

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

Group

	2015 **RMB'000**	2014 RMB'000
Cost of properties sold	**860,359**	1,328,594
Cost of property management service provided	**19,102**	18,671
Cost of leasing properties	**54,805**	37,082
Auditors' remuneration	**2,200**	2,392
Depreciation *(note 13)*	**3,987**	4,781
Change in fair value of investment properties *(note 14)*	**(532,303)**	(16,864)
Provision for impairment of completed properties held for sale *(note 18)*	**6,174**	–
Provision for impairment of trade receivables *(note 19)*	**8,979**	–
Realisation of onerous operating leases *(note 26)*	**(19,039)**	(34,685)
(Reversal)/additional provision for onerous operating leases *(note 26)*	**(6,187)**	9,838
Operating lease rental	**1,540**	974
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	**36,210**	26,395
Pension scheme and social welfare	**14,250**	12,451

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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:

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, 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:

Group

	2015	2014
	RMB'000	*RMB'000*
Fees	**260**	–
Other emoluments:		
Salaries, allowances and benefits in kind	**1,617**	1,311
Discretionary bonuses	**–**	–
Pension scheme contributions	**235**	185
	1,852	1,496

(a) Independent non–executive directors

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

	2015	2014
	RMB'000	*RMB'000*
Mr. Gu Jiong	**80**	–
Mr. Lo Wa Kei, Roy	**80**	–
Mr. Fong Wo, Felix	**100**	–
	260	–

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, a non-executive director

	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Pension scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2015					
Executive directors:					
– Mr. Chen Chengshou	**–**	**677**	**–**	**55**	**732**
– Ms. Quan Xiaolin	**–**	**289**	**–**	**55**	**344**
– Mr. Zhou Yongkui	**–**	**329**	**–**	**55**	**384**
– Mr. Feng Cizhao	**–**	**148**	**–**	**9**	**157**
	–	**1,443**	**–**	**174**	**1,617**
Non–executive director:					
– Ms. Gao Qiaoqin	**–**	**180**	**–**	**55**	**235**
	–	**1,623**	**–**	**229**	**1,852**
2014					
Executive directors:					
– Mr. Chen Chengshou	–	358	–	37	395
– Ms. Quan Xiaolin	–	227	–	37	264
– Mr. Zhou Yongkui	–	269	–	37	306
– Mr. Jin Zhanghai	–	301	–	37	338
	–	1,155	–	148	1,303
Non–executive director:					
– Ms. Gao Qiaoqin	–	156	–	37	193
	–	1,311	–	185	1,496

Mr. Jin Zhanghai resigned as an executive director of the Company on 31 October 2015. On 31 October, Mr. Feng Cizhao was appointed as an executive director of the Company.

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

The Company did not have any chief executive, executive directors, non-executive directors and independent non-executive directors until the date of incorporation, 16 January 2014. As disclosed in note 30, the above directors did not receive any remuneration from the subsidiaries now comprising the Group from January to April of 2014.

9. FIVE HIGHEST PAID EMPLOYEES

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

	2015	2014
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**3,543**	3,341
Pension scheme contributions	**223**	310
	3,766	3,651

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

	2015	2014
Nil to HK$1,000,000	**3**	3

10. INCOME TAX

The Group is subject to income tax on an entity based on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group's subsidiaries incorporated in the Cayman Islands and British Virgin Islands are not subject to any income tax. The Group's subsidiaries incorporated in Hong Kong are not liable for income tax as they did not have any assessable income arising in Hong Kong during the year.

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

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

10. INCOME TAX *(Continued)*

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

The major components of income tax expense are as follows:

	2015	2014
	RMB'000	*RMB'000*
Current tax:		
Income tax in the PRC for the year	**16,603**	93,412
LAT	**91,845**	146,347
Deferred tax (note 16)	**166,292**	25,042
Total tax charge for the year	**274,740**	264,801

A reconciliation of income tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the income tax expense at the effective income tax rate for each of the year as follows:

	2015	2014
	RMB'000	*RMB'000*
Profit before tax	**766,572**	575,836
Tax at the statutory tax rate	**191,643**	143,959
Expenses not deductible for tax	**2,595**	2,031
Effect of unrecognised tax losses	**11,619**	9,051
Subtotal	**205,857**	155,041
LAT provision for the year	**38,862**	42,519
Prepaid LAT for the year	**52,983**	103,828
Deferred tax effect of LAT provision (note 16)	**(9,716)**	(10,630)
Tax effect of prepaid LAT	**(13,246)**	(25,957)
Total tax charge at Group's effective rate	**274,740**	264,801

10. INCOME TAX *(Continued)*

As at 31 December 2015, deferred tax assets have not been recognised in respect of tax losses amounting to RMB46,476,000 (2014: RMB36,204,000), as it is not considered probable that taxable profits will be available against which the above tax losses can be utilised.

11. DIVIDENDS

No dividend has been paid or declared by the Company since its date of incorporation. (2014: nil).

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,639,205,479 (2014: 1,351,895,604) in issue during the year.

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

The calculations of the basic and diluted earnings per share are based on:

	2015 ***RMB'000***	2014 *RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**491,832**	311,035

	Number of shares	
	2015	2014
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,639,205,479**	1,351,895,604

The weighted average number of ordinary shares used to calculate the basic earnings per share for the year include the 470,000,000 ordinary shares issued in connection with the listing of the Company's ordinary shares on the Hong Kong Stock Exchange on 6 July 2015.

13. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery	Furniture and office equipment	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost:				
At 1 January 2014	2,662	6,539	23,089	32,290
Additions	–	889	573	1,462
Disposal	–	(121)	(8)	(129)
At 31 December 2014 and 1 January 2015	**2,662**	**7,307**	**23,654**	**33,623**
Additions	**–**	**332**	**435**	**767**
Disposal	**–**	**(1,110)**	**(12)**	**(1,122)**
At 31 December 2015	**2,662**	**6,529**	**24,077**	**33,268**
Accumulated depreciation:				
At 1 January 2014	2,529	3,566	6,467	12,562
Charge for the year	–	1,385	3,396	4,781
Disposal	–	(92)	(5)	(97)
At 31 December 2014 and 1 January 2015	**2,529**	**4,859**	**9,858**	**17,246**
Charge for the year	**–**	**1,035**	**2,951**	**3,986**
Disposal	**–**	**(1,100)**	**(11)**	**(1,111)**
At 31 December 2015	**2,529**	**4,794**	**12,798**	**20,121**
Net carrying amount:				
At 31 December 2014	133	2,448	13,796	16,377
At 31 December 2015	**133**	**1,735**	**11,279**	**13,147**

None of the Group's property, plant and equipment (2014: Nil) have been pledged to secure bank loans granted to the Group.

14. INVESTMENT PROPERTIES

	Completed	Under construction	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2014	1,815,824	–	1,815,824
Change in fair value of investment properties	16,864	–	16,864
At 31 December 2014 and 1 January 2015	1,832,688	–	1,832,688
Transfer from properties under development	**–**	**610,574**	**610,574**
Transfer	**408,192**	**(408,192)**	**–**
Change in fair value of investment properties	**427,485**	**104,818**	**532,303**
At 31 December 2015	**2,668,365**	**307,200**	**2,975,565**

	2015	2014
	RMB'000	*RMB'000*
Carrying amount	**1,318,079**	821,638
Investment properties:		
At fair value	**2,975,565**	1,832,688

The Group's investment properties consist of commercial properties completed and under construction in Mainland China. The fair value of the Group's investment properties was revalued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent professionally qualified valuer. The investment properties are leased to third parties under operating leases, further details of which are included in note 31.

As at 31 December 2015, the Group's investment properties with a value of RMB2,975,565,000 (2014: RMB1,832,688,000), were pledged to secure general interest-bearing bank loans and other borrowings granted to the Group (note 25).

14. INVESTMENT PROPERTIES *(Continued)*

Fair value hierarchy

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

	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement for:				
31 December 2015				
Commercial properties	**–**	**–**	**2,975,565**	**2,975,565**
31 December 2014				
Commercial properties	–	–	1,832,688	1,832,688

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.

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

	Commercial properties
	RMB'000
Carrying amount at 1 January 2014	1,815,824
Net gain from a fair value adjustment recognised in changes in fair value of investment properties in profit or loss	16,864
Carrying amount at 31 December 2014	1,832,688
Transfer from properties under development	**610,574**
Net gain from a fair value adjustment recognised in changes in fair value of investment properties in profit or loss	**532,303**
Carrying amount at 31 December 2015	**2,975,565**

14. INVESTMENT PROPERTIES *(Continued)*

Fair value hierarchy *(Continued)*

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

Commercial properties	Valuation techniques	Significant unobservable inputs	Range (weighted average)
Year ended 31 December 2015	Income method	Market month rental rate *(RMB/sq.m)*	**0.49-5.79**
		Term yield	**5.50%-6.00%**
		Reversionary yield	**5.00%-7.00%**
		Long term vacancy rate	**2.00%-5.00%**
Year ended 31 December 2014	Income method	Market month rental rate *(RMB/sq.m)*	0.49-4.10
		Term yield	5.50%-6.00%
		Reversionary yield	6.00%-7.00%
		Long term vacancy rate	3.00%-5.00%

The investment properties under construction have been valued on the basis that the properties will be developed and completed in accordance with the relevant development plans.

The investment properties completed or close to completion have been valued by using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a property interest. A market-derived discount rate is applied to the projected cash flows in order to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related reletting, redevelopment or refurbishment. The appropriate duration is driven by market behaviour that is a characteristic of the class of property. The periodic cash flow is estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance costs, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

14. INVESTMENT PROPERTIES *(Continued)*

Fair value hierarchy *(Continued)*

A significant increase/(decrease) in the estimated rental value and the market rent growth rate per annum in isolation would result in a significant increase/(decrease) in the fair value of the investment properties. A significant increase/(decrease) in the long term vacancy rate and the discount rate in isolation would result in a significant decrease/(increase) in the fair value of the investment properties. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and the discount rate and an opposite change in the long term vacancy rate.

15. INVESTMENTS IN SUBSIDIARIES

Details of the Group's subsidiary that have material non-controlling interests as at 31 December 2015 are set out below:

	2015
Percentage of equity interest held by non-controlling interests:	
Shanghai Xinming	**21%**
Chongqing Xinming	**40%**

	2015 *RMB*
Profit for the year allocated to non-controlling interests:	
Shanghai Xinming	**70,960**
Chongqing Xinming	**57,988**
Accumulated balances of non-controlling interests at the reporting dates:	
Shanghai Xinming	**67,429**
Chongqing Xinming	**39,012**

15. INVESTMENTS IN SUBSIDIARIES *(Continued)*

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

2015	**Shanghai Xinming** *RMB*
Revenue	**238,204**
Total expenses	**32,184**
Profit for the year	**337,908**
Total comprehensive income for the year	**337,908**
Current assets	**417,219**
Non-current assets	**1,173,792**
Current liabilities	**(728,309)**
Non-current liabilities	**(491,611)**
Net cash flows used in operating activities	**(76,455)**
Net cash flows used in investing activities	**(468)**
Net cash flows from financing activities	**82,000**
Net increase in cash and cash equivalents	**5,077**

2015	**Chongqing Xinming** *RMB*
Revenue	**360,533**
Total expenses	**44,007**
Profit for the year	**144,972**
Total comprehensive income for the year	**144,972**
Current assets	**211,101**
Non-current assets	**812,198**
Current liabilities	**(567,325)**
Non-current liabilities	**(256,284)**
Net cash flows used in operating activities	**(331,321)**
Net cash flows used in investing activities	**(83)**
Net cash flows from financing activities	**330,080**
Net decrease in cash and cash equivalents	**(1,324)**

16. DEFERRED TAX

Deferred tax assets

The following are the deferred tax assets recognised and the movements therein during the year:

Deferred tax assets	**Loss available for offsetting against future taxable profit**	**Accruals and provisions**	**Accrued LAT**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Gross deferred tax assets at 1 January 2014	56,911	12,262	99,018	168,191
Deferred tax (charged)/credited to profit or loss during the year *(note 10)*	(18,727)	(6,054)	10,630	(14,151)
At 31 December 2014	**38,184**	**6,208**	**109,648**	**154,040**
Deferred tax (charged)/credited to profit or loss during the year *(note 10)*	**(14,692)**	**(450)**	**9,716**	**(5,426)**
At 31 December 2015	**23,492**	**5,758**	**119,364**	**148,614**

The Group has tax losses arising in Mainland China of RMB93,976,000 (2014: RMB93,011,000) will expire in one to five years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of tax losses amounting to RMB90,981,000 (2014: RMB44,505,000), as it is not considered probable that taxable profits will be available against which the above tax losses can be utilised.

16. DEFERRED TAX *(Continued)*

Deferred tax liabilities

Deferred tax liabilities	Adjustment of fair value arising from investment properties	Accelerated tax depreciation	Capitalised interest	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Gross deferred tax liabilities at 1 January 2014	248,546	12,689	–	261,235
Deferred tax charged to profit or loss during the year *(note 10)*	4,216	6,675	–	10,891
At 31 December 2014	**252,762**	**19,364**	**–**	**272,126**
Deferred tax charged to profit or loss during the year *(note 10)*	**133,076**	**9,169**	**18,621**	**160,866**
At 31 December 2015	**385,838**	**28,533**	**18,621**	**432,992**

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

As at 31 December 2015, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the subsidiaries of the Group established in Mainland China. In the opinion of the Directors, it is not probable that these subsidiaries will distribute earnings arising from 1 January 2008 to 31 December 2015 in the foreseeable future. The aggregate amount of temporary differences associated with the investment in these subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB78,183,000 (2014: RMB50,340,000).

16. DEFERRED TAX *(Continued)*

Deferred tax liabilities *(Continued)*

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

	2015 **RMB'000**	2014 RMB'000
Net deferred tax assets recognised in the consolidated statements of financial position	**87,240**	110,022
Net deferred tax liabilities recognised in the consolidated statements of financial position	**371,618**	228,108
	(284,378)	(118,086)

17. PROPERTIES UNDER DEVELOPMENT

	2015 **RMB'000**	2014 RMB'000
Carrying amount	**1,664,186**	2,466,339
Additions	**1,865,372**	1,106,076
Transferred to completed properties held for sale	**(1,392,438)**	(1,908,229)
Transferred to investment properties	**(610,574)**	–
	1,526,546	1,664,186

Certain of the Group's properties under development with an aggregate carrying amount of approximately RMB1,381,368,000 (2014: RMB1,056,334,000) have been pledged to secure interest-bearing bank loans and other borrowings granted to the Group (note 25).

18. COMPLETED PROPERTIES HELD FOR SALE

	2015	2014
	RMB'000	*RMB'000*
Carrying amount	**1,079,644**	500,009
Transferred from properties under development	**1,392,438**	1,908,229
Transferred to cost of properties sold	**(860,359)**	(1,328,594)
Impairment loss	**(6,174)**	–
	1,605,549	1,079,644

Certain of the Group's completed properties held for sale with an aggregate carrying amount of approximately RMB155,036,000 (2014: nil) have been pledged to secure interest-bearing bank loans and other borrowings granted to the Group (note 25).

The movements in provision for impairment of completed properties held for sale are as follows:

	2015	2014
	RMB'000	*RMB'000*
At beginning and end of year	**–**	–
Impairment for completed properties held for sale	**6,174**	–
	6,174	–

Included in the above provision for impairment of completed properties held for sale is provision for the impaired completed properties held for sale of RMB6,174,000 (2014: nil) with a carrying amount before provision of RMB243,288,000 (2014: nil).

19. TRADE RECEIVABLES

	2015	2014
	RMB'000	*RMB'000*
Trade receivables	**143,567**	6,527
Less: Impairment	**(10,409)**	(1,430)
	133,158	5,097

Trade receivables represent rentals receivable from tenants, sales income and service income receivables from customers which are payable in advance in accordance with the terms of the related sales and purchase agreements. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

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

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date, and net of provision for doubtful debts, is as follows:

	2015	2014
	RMB'000	*RMB'000*
Within 1 year	**133,158**	5,097

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

	2015	2014
	RMB'000	*RMB'000*
At beginning and end of year	**1,430**	1,430
Impairment for trade receivables	**8,979**	–
	10,409	1,430

Included in the above provision for impairment of trade receivables is provision for the impaired trade receivables of RMB10,409,000 (2014: RMB1,430,000) with a carrying amount before provision of RMB19,388,000 (2014: RMB6,527,000).

19. TRADE RECEIVABLES *(Continued)*

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

	2015	2014
	RMB'000	*RMB'000*
Neither past due nor impaired	**114,944**	–
Past due within one year but not impaired	**18,214**	5,097
	133,158	5,097

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015	2014
	RMB'000	*RMB'000*
Prepayments	**15,033**	11,047
Other tax recoverable	**13,135**	64,153
Deposits and other receivables	**235,627**	650,767
	263,795	725,967

Prepayments, deposits and other receivables are unsecured, non-interest-bearing and have no fixed terms of repayment.

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

21. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2015	2014
	RMB'000	*RMB'000*
Cash at hand	**523**	330
Cash at banks, unrestricted	**429,704**	39,971
Cash and cash equivalents	**430,227**	40,301
Denominated in RMB	**395,442**	15,060
Denominated in HK$	**34,735**	25,241
Denominated in US$	**20**	–
	430,227	40,301
Restricted presale proceeds	**1,328**	18,401
Pledged deposits	**500,000**	–
Restricted deposits	**501,328**	18,401

Certain of the Group's bank deposits with an aggregate carrying amount of approximately RMB500,000,000 (2014: nil) have been pledged to secure interest-bearing bank loans and other borrowings granted to the Group (note 25).

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. Cash at banks earns interest at floating rates based on daily bank deposit rates.

In accordance with relevant documents issued by the PRC State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place in designated bank accounts certain amounts of presale proceeds of properties as deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and the payments of construction fees of the relevant property projects when approval from the PRC State-Owned Land and Resource Bureau is obtained.

22. TRADE PAYABLES

An aged analysis of the outstanding trade payables as at the end of the reporting period, based on the invoice date is as follows:

	2015	2014
	RMB'000	*RMB'000*
Less than one year	**1,058,143**	684,526
Over one year	**12,106**	10,906
	1,070,249	695,432

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

23. OTHER PAYABLES AND ACCRUALS

	2015	2014
	RMB'000	*RMB'000*
Payables to third parties	**58,367**	86,731
Deposits related to construction	**30,138**	42,435
Deposits related to sales of properties	**46,859**	9,129
Rental payables	**–**	7,483
Payroll and welfare payable	**35,633**	32,994
Other payables and accruals	**143,127**	122,101
Business tax and surcharges	**33,173**	18,414
Others	**4,587**	5,413
	351,884	324,700

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

24. ADVANCES FROM CUSTOMERS

Advances from customers represent the sales proceeds received from buyers in connection with the Group's pre-sale of properties at the end of the reporting period, properties management service fee received from proprietors and rental income received from lessees.

25. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

		2015	2014
		RMB'000	*RMB'000*
Bank loans, secured		**1,457,080**	600,000
Other borrowings, secured	*(i)*	**1,541,000**	800,000
Bank loans and other borrowings		**2,998,080**	1,400,000
Repayable within one year		**405,080**	85,000
Repayable in the second year		**1,205,000**	295,000
Repayable in the third to fifth years		**1,318,000**	930,000
Repayable beyond five years		**70,000**	90,000
		2,998,080	1,400,000
Analysed into:			
Current		**405,080**	85,000
Non-current		**2,593,000**	1,315,000
		2,998,080	1,400,000

(i) The other borrowings represent borrowings from third-party financial institutions, which bear interest at rates from 9.0% to 9.5% (2014: from 9.0% to 9.6%) per annum.

The Group's borrowings are all denominated in RMB.

The effective interest rates of the Group's interest-bearing bank loans and other borrowings ranged as follows:

Year ended 31 December 2015	2.42%-9.50%
Year ended 31 December 2014	6.40%-10.30%

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

The Group's interest-bearing bank loans and other borrowings are secured by the pledges of the following assets with carrying values at the end of the reporting period as follows:

		2015 *RMB'000*	2014 *RMB'000*
Equity interests in a subsidiary	*(ii)*	**299,532**	290,038
Investment properties		**2,975,565**	1,832,688
Completed properties held for sale	*(iii)*	**155,036**	–
Pledged deposits	*(iv)*	**500,000**	–
Properties under development		**1,381,368**	1,056,334

(ii) The Group's other borrowings of RMB150,000,000, RMB500,000,000 and Nil (2014: RMB150,000,000, RMB500,000,000 and RMB150,000,000) were secured by the 100% equity interest of Taizhou Investment, Wenshang Times and Shandong Xingmeng, subsidiaries of the Company, respectively.

(iii) The Group's other borrowings of RMB198,000,000 (2014: nil) were guaranteed by completed properties held for sale of Shandong Xingmeng, a subsidiary of the Company.

(iv) The Group's interest-bearing bank loans of RMB485,000,000 (2014: nil) were guaranteed by pledged deposits of Xinming China Investments Limited.

(v) The Group's interest-bearing bank loans and other borrowings of RMB2,513,080,000 (2014: RMB1,400,000,000) were jointly guaranteed by the Controlling Shareholder, Mr. Chen Chengshou, the non-executive director, Ms. Gao Qiaoqin, the Group's related company, Xinming Group Limited and Mr. Shen Ming, Dongguan City Ouhai Shiye Co., Ltd., Dongguan City Senxin Apparel Co., Ltd. and Zhejiang Xingji Elevators Co., Ltd., the non-controlling shareholders of Chongqing Xinming Property Company Limited, a subsidiary of the company (2014: jointly guaranteed by the Controlling Shareholder, Mr. Chen Chengshou, the non-executive director, Ms. Gao Qiaoqin, the Group's related company, Xinming Group Limited and Mr. Gao Liku, Ms. Hao Fang and Hangzhou Gaochuan Co., Ltd., the non-controlling shareholders of Shandong Xingmeng, a subsidiary of the company) as set out in note 30(b)(v).

26. PROVISIONS

Onerous operating leases:

	2015	2014
	RMB'000	*RMB'000*
At 1 January	**24,310**	46,136
(Reversal)/additional provision	**(6,187)**	9,838
Realisation	**(19,039)**	(34,685)
Increase in discounted amounts arising from the passage of time	**1,778**	3,021
At 31 December	**862**	24,310
Analysed into:		
Current	**862**	21,149
Non-current	**–**	3,161

Onerous contracts provision

The Group sold certain of the commercial properties at market prices, and then leased back from the owners for the purpose of leasing them out to third party tenants. Pursuant to the payment terms of these contracts, the unavoidable costs of meeting the obligations have exceeded the economic benefits expected to be received as at 31 December 2015 and 2014. A provision has been made for these onerous contracts based on the estimated minimum net cost of exiting from the contracts.

27. TAX PAYABLE

	2015 *RMB'000*	2014 *RMB'000*
Income tax	**130,227**	137,228
LAT	**492,766**	461,443
	623,043	598,671

28. OTHER LIABILITIES

	2015 *RMB'000*	2014 *RMB'000*
Rental payables	**9,635**	296

The Group has entered into a number of contracts in respect of leasing certain of its commercial properties owned by third parties for the purpose of the leasing them to third party tenants. Pursuant to the payment term of these contracts, the Group should pay at a fixed rate of the selling prices of properties during the lease term. These leases are classified as operating leases and have remaining lease terms forty-five months as at 31 December 2015. At 31 December 2015 and 2014, the operating lease payable on the straight-line basis over the lease terms is included in other liabilities and other payables in the consolidated statement of financial position.

29. ISSUED CAPITAL

Issued capital

	Note	Number of shares	Nominal value of HK$0.01 each	Nominal value RMB
Authorised:				
At 31 December 2014 and 31 December 2015		**1,810,000,000**	**18,100,000**	**14,891,000**

29. ISSUED CAPITAL *(Continued)*

	Note	Number of shares	Nominal value of HK$0.01 each	Nominal value RMB
Issued and fully paid:				
At 1 January 2014		–	–	–
Issues of shares		99	1	–
At 31 December 2014 and 1 January 2015		99	1	–
Capitalisation issue of shares		1,409,999,901	14,099,999	11,168,250
Issuance of new shares	*(i)*	470,000,000	4,700,000	3,722,750
At 31 December 2015		1,880,000,000	18,800,000	14,891,000

(i) In connection with the Company's Global Offering on the Hong Kong Stock Exchange on 6 July 2015, 4,700,000,000 ordinary shares of HK$0.01 each were issued at a subscription price of HK$1.43 per share for the total cash consideration, before deducting expenses related to the issuance of shares which amounted to HK$672,100,000 (equivalent to approximately RMB532,370,000).

Merger reserve

The merger reserve represents the aggregate amount of the paid-up capital of those companies comprising the Group prior to the incorporation of the Company and the reserve arising from acquisition of non-controlling interests. Details of the movement in the merger reserve are set out in the consolidated statement of changes in equity.

Statutory reserve fund

Statutory reserve fund

PRC laws and regulations require wholly-owned foreign enterprises ("WOFE") to provide for the reserve fund by appropriating a part of the net profit (based on the entity's PRC GAAP statutory accounts) before dividend distribution. Each subsidiary being a WOFE is required to appropriate at least 10% of its net profit after tax to the reserve fund until the balance of this fund has reached 50% of its registered capital.

The reserve fund can only be used, upon approval by the relevant authority, to offset accumulated losses or increase capital.

29. ISSUED CAPITAL *(Continued)*

Statutory reserve fund *(Continued)*

Statutory reserve fund *(Continued)*

In accordance with the PRC Company Law and the PRC subsidiaries' articles of association, a subsidiary registered in the PRC as a domestic company is required to appropriate 10% of its annual statutory net profit as determined under PRC GAAP (after offsetting any prior years' losses) to the statutory surplus reserve. When the balance of this reserve fund reaches 50% of the entity's capital, any further appropriation is optional. The statutory surplus reserve can be utilised to offset prior years' losses or to increase capital. However, the balance of the statutory surplus reserve must be maintained at a minimum of 25% of the capital after those usages.

Capital reserve

Capital reserve comprises the difference arising from changes in ownership interests in subsidiaries which do not result in change of control.

30. RELATED PARTY TRANSACTIONS

(a) Name and relationship

Name of related party	Relationship with the Group
Mr. Chen Chengshou	Controlling Shareholder
Hangzhou Kaijie Decoration Co., Ltd.	Significantly influenced by Mr. Zheng Xiangtian, brother of the Controlling Shareholder
Zhejiang Shouchuang Industry Co., Ltd.	Controlled by Mr. Zheng Xiangtian, brother of the Controlling Shareholder
Taizhou Shouchuang Construction Materials Co., Ltd.	Controlled by Mr. Zheng Xiangtian, brother of the Controlling Shareholder
Zhejiang Tianmao Landscape Engineering Co., Ltd.	Significantly influenced by Mr. Zheng Xiangtian, brother of the Controlling Shareholder
Xinming Group Limited	Controlled by the Controlling Shareholder
Hangzhou Taoyuan Shanzhuang Property Development Limited	Controlled by the Controlling Shareholder
Zhejiang Shunye Trading Co., Ltd.	Controlled by Ms. Gao Qiaoqin, the Spouse of the Controlling Shareholder, non-executive director
Shanghai Nanshuo Asset Operation and Management Co., Ltd.	Significantly influenced by Mr. Zheng Xiangtian, brother of the Controlling Shareholder

30. RELATED PARTY TRANSACTIONS *(Continued)*

(b) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

Nature of transactions

Recurring transactions

			2015	2014
			RMB'000	*RMB'000*
(i)	**Purchase of construction materials and related services received from related parties**			
	(1)	Hangzhou Kaijie Decoration Co., Ltd.	**1,811**	19,442
	(2)	Zhejiang Shouchuang Industry Co., Ltd.	**701**	8,981
	(3)	Zhejiang Tianmao Landscape Engineering Co., Ltd.	**7,347**	17,212
			9,859	45,635

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

		2015	2014
		RMB'000	*RMB'000*
(ii)	**Property management services received from a related party**		
	Shanghai Nanshuo Asset Operation and Management Co., Ltd.	**6,580**	1,415

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

30. RELATED PARTY TRANSACTIONS *(Continued)*

(b) *(Continued)*

Nature of transactions *(continued)*

Recurring transactions (continued)

		2015 RMB'000	2014 RMB'000
(iii)	**Leasing of offices from a related party**		
	Hangzhou Taoyuan Shanzhuang Property Development Limited.	**480**	315

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

(iv) The Group entered into a trademark licence agreement with Xinming Group Limited on 21 August 2014, for a term of three years ending on 20 August 2017. Pursuant to the agreement, Xinming Group Limited has agreed to grant a licence for the use of Xinming Group Limited's various "新明半島" trademarks to the Group for nil consideration.

Non-recurring transactions

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

As set out in note 25(v), as at 31 December 2015 the Group's interest-bearing bank loans and other borrowings of RMB2,513,080,000 are jointly guaranteed by the Controlling Shareholder, Mr. Chen Chengshou, the non-executive director, Ms. Gao Qiaoqin, the Group's related company, Xinming Group Limited and Mr. Shen Ming, Dongguan City Ouhai Shiye Company Limited, Dongguan City Senxin Apparel Company Limited and Zhejiang Xingji Elevators Limited, the non-controlling shareholders of Chongqing Xinming, a subsidiary of the company, free of charge (2014: RMB1,400,000,000 were jointly guaranteed by the Controlling Shareholder, Mr. Chen Chengshou, the non-executive director, Ms. Gao Qiaoqin, the Group's related company, Xinming Group Limited and Mr. Gao Liku, Ms. Hao Fang and Hangzhou Gaochuan Co., Ltd., the non-controlling shareholders of Shandong Xingmeng, a subsidiary of the company).

30. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Outstanding balances with related parties

	2015	2014
	RMB'000	*RMB'000*
Due from the Controlling Shareholder		
Mr. Chen Chengshou	**–**	4,042
Due from other related parties		
Hangzhou Taoyuan Shanzhuang Property Development Limited	**897**	3,492
Shanghai Nanshuo Asset Operation and Management Co., Ltd.	**3,226**	–
	4,123	3,492
Due to other related parties		
Xinming Group Limited	**–**	215,291
Zhejiang Tianmao Landscape Engineering Co., Ltd.	**3,513**	12,053
Hangzhou Kaijie Decoration Co., Ltd.	**5,090**	18,452
Zhejiang Shouchuang Industry Co., Ltd.	**5,743**	9,991
Shanghai Nanshuo Asset Operation and Management Co., Ltd.	**–**	982
	14,346	256,769

(d) Compensation of key management personnel of the Group

	2015	2014
	RMB'000	*RMB'000*
Short term employee benefits	**1,617**	1,311
Pension scheme contributions	**235**	185
Total compensation paid to key management personnel	**1,852**	1,496

31. LOANS TO DIRECTORS

Name	**31 December 2015** *RMB'000*	**Maximum amount outstanding during the year** *RMB'000*	**1 January 2015** *RMB'000*	**Security held**
Mr. Chen Chengshou	**–**	**4,042**	**4,042**	**None**
Hangzhou Taoyuan Shanzhuang Property Development Limited (controlled by Mr.Chen Chengshou)	**897**	**3,492**	**3,492**	**None**
Zhejiang Shunye Trading Co., Ltd. (controlled by Ms. Gao Qiaoqin)	**–**	**30,088**	**–**	**None**
Shanghai Nanshuo Asset Operation and Management Co., Ltd.	**3,226**	**3,226**	**–**	**None**
	4,123	**40,848**	**7,534**	

Name	31 December 2014 *RMB'000*	Maximum amount outstanding during the year *RMB'000*	1 January 2014 *RMB'000*	Security held
Mr. Chen Chengshou	4,042	29,725	23,207	None
Xinming Group Limited (controlled by Mr. Chen Chengshou)	–	857,153	643,453	None
Hangzhou Taoyuan Shanzhuang Property Development Limited (controlled by Mr. Chen Chengshou)	3,492	8,963	8,963	None
Zhejiang Shunye Trading Co., Ltd. (controlled by Ms. Gao Qiaoqin)	–	27,000	–	None
	222,825	922,841	675,623	

The loans granted to directors are interest-free and have no fixed terms of repayment.

32. OPERATING LEASE ARRANGEMENTS

As lessor

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

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

	2015	2014
	RMB'000	*RMB'000*
Within one year	**48,115**	97,524
In the second to fifth years, inclusive	**33,233**	93,653
	81,348	191,177

As lessee

The Group leases certain of its commercial properties under operating lease arrangements, negotiated for lease terms of one to five years with an option for renewal after the end of lease terms, at which time all terms will be renegotiated.

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

	2015	2014
	RMB'000	*RMB'000*
Within one year	**1,612**	56,554
In the second to fifth years, inclusive	**47,192**	46,969
	48,804	103,523

The Group has entered into a number of contracts in respect of leasing back commercial properties owned by third parties for the purpose of the leasing them to third party tenants. Pursuant to the payment term of these contracts, the Group should pay at a fixed rate of the selling prices of properties during the lease term. These leases are classified as operating leases and have remaining lease terms of forty-five months as at 31 December 2015. At 31 December 2014 and 2015, the operating lease payable on the straight-line basis over the lease terms is included in other liabilities and other payables in the consolidated statement of financial position.

33. COMMITMENTS

In addition to the operating lease commitment as detailed in note 32 above, the Group had the following capital commitments at the end of the reporting period:

	2015	2014
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Properties under development	**1,309,188**	731,007

34. CONTINGENT LIABILITIES

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

	2015	2014
	RMB'000	*RMB'000*
Guarantees in respect of mortgage facilities granted to purchasers of the Group's properties	**15,230**	190,970

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

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

35. FINANCIAL INSTRUMENTS BY CATEGORY

The table below is an analysis of the carrying amounts of financial instruments by category as at the end of the year:

	2015	2014
	RMB'000	*RMB'000*
Financial assets		
Loans and receivables		
Trade and receivables	**133,158**	5,097
Financial assets included in prepayments, deposits and other receivables	**235,627**	650,767
Due from the Controlling Shareholder	**–**	4,042
Due from other related parties	**4,123**	3,492
Restricted deposits	**501,328**	18,401
Cash and cash equivalents	**433,405**	40,301
	1,307,641	722,100
Financial liabilities		
Financial liabilities measured at amortised cost		
Trade payables	**1,070,249**	695,432
Financial liabilities included in other payables and accruals	**283,078**	277,492
Due to other related parties	**14,346**	256,769
Interest-bearing bank loans and other borrowings	**2,998,080**	1,400,000
	4,365,753	2,629,693

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Fair value hierarchy

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	2015	2014
	RMB'000	*RMB'000*
Carry amount		
Interest-bearing bank loans and other borrowings		
(non-current portion)	**2,593,000**	1,315,000
Fair value		
Interest-bearing bank loans and other borrowings		
(non-current portion)	**2,592,503**	1,315,000

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. As at 31 December 2015, the carrying amounts of the Group's financial instruments approximated to their fair values.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of listed equity investments are based on public quoted prices in an active market.

The fair values of the non-current portion of interest-bearing bank loans and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy *(Continued)*

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments of which fair values are disclosed:

Liabilities measured at amortised cost:

	Fair value measurement using significant unobservable inputs (Level 3)	
	2015	2014
	RMB'000	*RMB'000*
Interest-bearing bank loans and other borrowings (non-current portion)	**2,592,503**	1,315,000

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly include cash and cash equivalents, restricted deposits, equity investment at fair value through profit or loss, trade receivables, and trade payables, which arise directly from its operations. The Group has other financial assets and liabilities such as interest-bearing bank loans and other borrowings, amounts due from the Controlling Shareholder, amounts due from and to other related parties, and deposits and other receivables, and other payables and accruals. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Group does not hold or issue derivative financial instruments either for hedging or for trading purposes. The board of directors reviews and agrees policies for managing each of the risks which are summarised below:

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to its interest-bearing bank loans and other borrowings. The Group does not use derivative financial instruments to hedge its interest rate risk. In the opinion of directors, the effect of interest rate risk to the Group's profit and equity is not significant.

37. 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. Exposure to credit risk arises primarily from its financing activities to related parties.

The amounts due from other related parties, including the Controlling Shareholder, were Nil (2014: RMB7,534,000). The Group did not record any significant bad debt losses during the year, respectively.

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

Liquidity risk

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

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

	Within 1 year *RMB'000*	Within 2 to 5 years *RMB'000*	More than 5 years *RMB'000*	Total *RMB'000*
31 December 2015				
Trade payables	**1,070,249**	**–**	**–**	**1,070,249**
Other payables and accruals	**283,078**	**–**	**–**	**283,078**
Due to other related parties	**14,346**	**–**	**–**	**14,346**
Interest-bearing bank loans and other borrowings	**622,709**	**2,901,269**	**89,073**	**3,613,051**
	1,990,382	**2,901,269**	**89,073**	**4,980,724**
Financial guarantee issued: Maximum amount guaranteed *(Note 34)*	**15,230**	**–**	**–**	**15,230**

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

	Within 1 year *RMB'000*	Within 2 to 5 years *RMB'000*	More than 5 years *RMB'000*	Total *RMB'000*
31 December 2014				
Trade payables	695,432	–	–	695,432
Other payables and accruals	277,492	–	–	277,492
Due to other related parties	256,769	–	–	256,769
Interest-bearing bank loans and other borrowings	204,609	1,531,357	105,745	1,841,711
	1,434,302	1,531,357	105,745	3,071,404
Financial guarantee issued: Maximum amount guaranteed *(Note 34)*	190,970	–	–	190,970

The amount included in the above financial guarantee contracts are the maximum amounts the Group could be required to settle on demand under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement.

Capital management

The primary objectives of the Group's capital management are to ensure that it maintains a strong credit rating and a healthy capital ratio in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management *(Continued)*

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. The Group's net debt consists of interest-bearing bank loans and other borrowings, less cash and cash equivalents. Total equity includes equity attributable to owners of the parent and non-controlling interests.

At the end of the year, the Group's strategy was to maintain the net debt to equity ratio at a healthy capital level in order to support its businesses. The principal strategies adopted by the Group include, but are not limited to, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its business. The net debt to equity ratios at the end of the years are as follows:

	2015 ***RMB'000***	2014 *RMB'000*
Interest-bearing bank loans and other borrowings	**2,998,080**	1,400,000
Less: Cash and cash equivalents	**(430,227)**	(40,301)
Net debt	**2,567,853**	1,359,699
Total equity	**1,910,201**	940,900
Total equity and net debt	**4,478,054**	2,300,599
Gearing ratio	**57%**	59%

38. EVENTS AFTER THE REPORTING PERIOD

As of the date of approval of the financial statements, the Group did not have any significant event subsequent to 31 December 2015.

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2015	2014
	RMB'000	*RMB'000*
NON-CURRENT ASSET		
Investment in a subsidiary	**315**	1
CURRENT ASSETS		
Cash and cash equivalents	**8**	8
Due from subsidiaries	**550,614**	–
	550,622	8
CURRENT LIABILITIES		
Due to subsidiaries	**(25,914)**	(661)
	(25,914)	(661)
NET CURRENT ASSET/(LIABILITIES)	**524,708**	(653)
TOTAL ASSETS LESS CURRENT LIABILITIES	**525,023**	(652)
NET LIABLILTIES	**525,023**	(652)
EQUITY		
Issued capital	**14,891**	–
Reserves	**510,132**	(652)
Total equity	**525,023**	(652)

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2016.

FOUR-YEARS FINANCIAL SUMMARY

	Year ended 31 December			
	2015	2014	2013	2012
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
REVENUE	**1,348,818**	2,135,612	810,646	1,045,835
Cost of sales	**(934,266)**	(1,384,347)	(361,364)	(470,944)
Gross profit	**414,552**	751,265	449,282	574,891
Other income and gains	**16,131**	2,797	1,996	3,615
Selling and distribution costs	**(73,392)**	(86,847)	(92,043)	(75,383)
Administrative expenses	**(110,687)**	(93,973)	(59,215)	(39,947)
Other expenses	**(10,557)**	(11,249)	(12,411)	(84,204)
Changes in fair value of investment properties	**532,303**	16,864	186,802	180,459
Finance costs	**(1,778)**	(3,021)	(4,279)	(1,633)
PROFIT BEFORE TAX	**766,572**	575,836	470,132	557,798
Income tax expense	**(274,740)**	(264,801)	(218,307)	(300,270)
PROFIT AFTER TAX AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**491,832**	311,035	251,825	257,528
ATTRIBUTABLE TO:				
Owners of the parent	**367,622**	330,179	262,292	207,772
Non-controlling interests	**124,210**	(19,144)	(10,467)	49,756
	491,832	311,035	251,825	257,528
Assets and liabilities				
Non-current assets	**3,075,952**	1,959,087	1,902,353	1,554,818
Current assets	**4,486,998**	3,593,468	4,509,669	3,950,735
Current liabilities	**2,678,496**	3,065,090	4,534,159	3,399,254
Non-current liabilities	**2,974,253**	1,546,565	644,136	1,020,075
Non-controlling interests	**162,581**	44,884	64,028	42,927
Total equity	**1,910,201**	940,900	1,233,727	1,086,224