



# Chen Xing Development Holdings Limited

## 辰興發展控股有限公司

(Incorporated in Cayman Islands with limited liability)

(於開曼群島註冊成立的有限公司)

Stock code: 2286

股份代號：2286

誠以致遠，  
信達天下

2017

INTERIM REPORT

中期報告

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# CORPORATE INFORMATION

## DIRECTORS

### Executive Directors

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

### Independent Non-executive Directors

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

## COMPANY SECRETARY

Ms. Ng Wing Shan

## AUTHORIZED REPRESENTATIVES

Mr. Bai Guohua  
Ms. Ng Wing Shan

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## AUDITOR

Ernst & Young

## PRINCIPAL BANKERS

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

## CORPORATE INFORMATION

### LEGAL ADVISORS

As to Hong Kong law  
Mayer Brown JSM

As to PRC law  
Jingtian & Gongcheng

### REGISTERED OFFICE

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KY1-1111, Cayman Islands

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Wanchai  
Hong Kong

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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### SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Computershare Hong Kong Investor Services Limited  
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### PLACE OF LISTING

The Stock Exchange of Hong Kong Limited

### STOCK CODE

2286

### COMPANY WEBSITE

[www.chen-xing.cn](http://www.chen-xing.cn)



# FINANCIAL HIGHLIGHTS

The board (the “**Board**”) of directors (the “**Directors**”) of Chen Xing Development Holdings Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) is pleased to announce to the Company’s shareholders (“**Shareholders**”) the interim results of the Group for the six months ended 30 June 2017 together with the comparative figures for the same period in 2016.

- For the six months ended 30 June 2017 (the “**Reporting Period**”), the contracted sales amounted to approximately RMB1,005.4 million and the corresponding contracted gross floor area (“**GFA**”) amounted to approximately 165,159 square metres (“**sq.m.**”), representing an increase of approximately 61.5% and approximately 24.5% as compared with the same period of last year, respectively;
- Revenue for the Reporting Period amounted to approximately RMB279.6 million, of which approximately RMB275.8 million was revenue from property development;
- Gross profit for the Reporting Period amounted to approximately RMB98.6 million, of which approximately RMB94.8 million was gross profit from property development;
- Net profit for the Reporting Period amounted to approximately RMB25.5 million, of which approximately RMB28.9 million was net profit attributable to equity holders of the Company; and
- Total GFA of land bank amounted to approximately 2.3 million sq.m. for the Reporting Period.

# CHAIRMAN'S STATEMENT

Dear Shareholders,

I, on behalf of the Board, am pleased to present the interim results of the Group for the six months ended 30 June 2017.

## REVIEW OF FIRST HALF YEAR OF 2017

In the first half year of 2017, the policy on the property industry remained on the same theme of regulation by classification and implementing specific measures on a city-by-city basis. In particular, the implementation of de-stocking measures in the second-, third- and fourth-tier cities with high inventory level was continued, and home purchase demand from residents and migrant workers was supported. Meanwhile, the first-tier cities and heated second- and third-tier cities aggressively introduced tightening control policies basically with "restrictions on property purchases, mortgage loans, pricing and sales".

According to the National Bureau of Statistics of the PRC, during the first half year of 2017, nationwide investments in property development amounted to approximately RMB5,061 billion, representing a nominal growth of approximately 8.5% as compared to the corresponding period of last year. The area of new housing projects was approximately 857.20 million sq.m., representing an increase of approximately 10.6% as compared with the same period of last year, of which approximately 613.99 million sq.m. were residential projects, representing an increase of approximately 14.9% as compared with the same period of last year. The area of completed housing projects was approximately 415.24 million sq.m., representing an increase of approximately 5.0% as compared with the same period of last year. The area of commodity properties sold was approximately 746.62 million sq.m., representing an increase of approximately 16.1% as compared to the corresponding period of last year. Sales of commodity properties amounted to approximately RMB5,915.2 billion, representing an increase of approximately 21.5% as compared with the same period of last year. The land area purchased by property developers was approximately 103.41 million sq.m., representing an increase of approximately 8.8% as compared to the corresponding period of last year. Land transaction price amounted to approximately RMB437.6 billion, representing an increase of approximately 38.5% as compared with the same period of last year.

For the six months ended 30 June 2017, the Group achieved contracted sales of approximately RMB1,005.4 million, representing an increase of approximately 61.5% as compared to the same period of last year. Contracted GFA amounted to approximately 165,159 sq.m., an increase of approximately 24.5% as compared to the same period of last year. The Group recorded a revenue of approximately RMB279.6 million, representing a decrease of approximately 26% as compared to the same period of last year, including revenue from property development of approximately RMB275.8 million, a decrease of approximately 26% as compared to the same period of last year. The profit attributable to equity owners of the Group was approximately RMB28.9 million, a decrease of approximately 37% as compared to the same period of last year.

## CHAIRMAN'S STATEMENT

In respect of land bank, the Group continued its prudent strategy in land and equity acquisitions in respect of developments. For the six months ended 30 June 2017, the Group had a land bank of GFA of approximately 2.3 million sq.m..

In the first half year of 2017, in order to accelerate its development pace, the Group adjusted its development strategies by attempting to expand its business through equity acquisitions in heated cities. Through effective cost control and leveraging on the geographical advantages of its cooperative partners, the Group was ready to accelerate its scale of expansion.

In the first half year of 2017, the Group improved the internal control and risk management systems. It also achieved continuous improvements in enhancing its overall transparency and corporate governance.

### PROSPECTS FOR SECOND HALF YEAR OF 2017

The property control policies introduced in the first half year of 2017, especially those policies in relation to stringent sales restrictions introduced in certain cities, will gradually take effect and bring more severe challenges to the property market in the second half year of 2017. As more stringent control policies have not yet been implemented in the cities in which key projects of the Group are located, the Group does not expect such policies will have a significant adverse impact on the Group's performance in the second half of the year.

In the second half year of 2017, in line with the strategic position to accelerate its development, the Group will, at appropriate time, carry out necessary reforms to the existing management approach and structure, by strengthening the standardization and modularization in management, and enhancing its ability in response to market changes. In the second half year of 2017, the Group will carry out product upgrading and standardization in management at appropriate time to ensure timely replication and advancement of projects. By reducing the development cycle and minimizing financial costs, our products' competitiveness in the market will be enhanced.

In the second half year of 2017, the Group will continue our attempts in equity acquisitions in a conservative but positive manner. Through the accumulation of experience, new development paths will be found for the realization of the Group's accelerated development. At the same time, the Group will continue to improve the performance management system, strengthen employees' training and development and explore new incentive strategies, so as to achieve common development for both the Group and the employees.



## CHAIRMAN'S STATEMENT

### ACKNOWLEDGEMENT

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

**Bai Xuankui**  
*Chairman*

Jinzhong, Shanxi, the PRC  
29 August 2017



# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

For the six months ended 30 June 2017, the Group's total contracted sales were approximately RMB1,005.4 million, an increase of approximately 61.5% as compared to the same period of last year. For the six months ended 30 June 2017, the Group's revenue was approximately RMB279.6 million, a decrease of approximately 26% as compared to the same period of last year, mainly attributable to the decrease in income from property development. Revenue derived from property development was approximately RMB275.8 million, a decrease of approximately 26% as compared to the same period of last year. For the six months ended 30 June 2017, the Group had a gross profit of approximately RMB98.6 million and a net profit of approximately RMB25.5 million of which profits attributable to equity holders of the Company were approximately RMB28.9 million.

## CONTRACTED SALES

The Group's contracted sales for the six months ended 30 June 2017 and 2016 were approximately RMB1,005.4 million and RMB622.4 million, respectively, representing a growth of approximately 61.5%. The Group's contracted total GFA for the six months ended 30 June 2017 was approximately 165,159 sq.m., representing a growth of approximately 24.5% from approximately 132,682 sq.m. as compared to the same period of last year. The Group's contracted sales from Jinzhong, Taiyuan and Mianyang by geographic location were approximately RMB12.4 million, RMB627.2 million and RMB365.8 million, respectively, accounting for approximately 1.2%, 62.4% and 36.4% of the total contracted sales of the Group, respectively.

## MANAGEMENT DISCUSSION AND ANALYSIS

The table below sets forth the Group's contracted sales for the six months ended 30 June 2017 and 2016 by geographic location:

	Contracted Sales for 2017 (RMB million)	Contracted Sales for 2016 (RMB million)	Contracted GFA for 2017 (sq.m.)	Contracted GFA for 2016 (sq.m.)	Contracted Average Sales Price for 2017 (RMB/sq.m.)	Contracted Average Sales Price for 2016 (RMB/sq.m.)
<b>Jinzhong</b>						
Riverside Gardens-Heshun (和順濱河小區)	—	1.6	—	833	—	1,920.7
Upper East Gardens (上東庭院) Phase II	4.2	—	930	—	4,506.8	—
Grand International Apartments (君豪公寓)	4.3	2.9	1,012	697	4,283.1	4,233.4
Xin Xing International Cultural Town (新興國際文教城) (Phases III, IV and V)	3.9	26.8	1,408	6,970	2,751.2	3,838.8
<b>Taiyuan</b>						
Yosemite Valley Town — Taiyuan (龍城優山美郡) (Phase I)	336.7	245.5	47,467	45,155	7,093.4	5,437.0
Yosemite Valley Town — Taiyuan (龍城優山美郡) (Phase II)	290.5	—	42,094	—	6,900.4	—
<b>Mianyang</b>						
Yosemite Valley Town — Mianyang (綿陽優山美郡)	9.1	50.8	2,319	12,742	3,927.3	3,983.6
Elite Gardens (綿陽天御)	4.8	34.9	1,148	8,668	4,165.0	4,027.1
Chang Xing Star Gardens (綿陽長興星城)	351.9	259.9	68,781	57,617	5,116.3	4,510.7
<b>Total</b>	<b>1,005.4</b>	<b>622.4</b>	<b>165,159</b>	<b>132,682</b>	<b>6,087.2</b>	<b>4,690.9</b>

Note:

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### Property Projects

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

As at 30 June 2017, the Group had a completed total GFA of 2,477,872 sq.m. and a land bank with a total GFA of 2,299,052 sq.m., comprising: (i) a total GFA of 577,581 sq.m. which is completed but unsold; (ii) a total GFA of 1,109,803 sq.m. which is under development; and (iii) a total planned GFA of 611,668 sq.m. held for future development.

The Group selectively retains the ownership of substantially all self-developed commercial properties with a strategic value to generate sustainable and stable revenue. As at 30 June 2017, the Group had investment properties with a total GFA of 21,613 sq.m..

# MANAGEMENT DISCUSSION AND ANALYSIS

## Property Portfolio Summary

The table below sets forth the Group's property portfolio summary as at 30 June 2017:

Intended use <sup>(1)</sup>	Completed Total GFA (sq.m.)	Under development GFA (sq.m.)	Held for future development Total GFA (sq.m.)
Mid-rise (小高層)	786,167	91,322	28,592
High-rise (高層)	869,093	528,643	209,547
Townhouses (聯排)	27,612	—	—
Multi-storey garden apartments (多層洋房)	576,762	21,735	54,452
Retail outlets	146,834	171,502	146,589
SOHO apartments	6,931	—	15,791
Hotels	—	12,182	57,950
Parking spaces	59,586	280,490	84,732
Ancillary <sup>(2)</sup>	4,887	3,929	14,015
<b>Total GFA</b>	<b>2,477,872</b>	<b>1,109,803</b>	<b>611,668</b>
<b>Attributable GFA<sup>(3)</sup></b>	<b>2,392,208</b>	<b>832,569</b>	<b>565,825</b>

Notes:

- (1) Comprises the portion of GFA held by the Group as utilities not saleable or leasable.
- (2) Comprises primarily utilities which are not available for sale.
- (3) Comprises the portion of the total GFA attributable to the Group based on the Group's effective interest in the relevant projects or project phases.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Completed Projects

The following table sets forth a summary of information on the Group's completed projects and corresponding project phases as at 30 June 2017:

Project	Project type	Actual completion date	Site area (sq.m.)	Completed GFA (sq.m.)	Saleable/Leasable GFA		GFA sold (sq.m.)	Other GFA <sup>(1)</sup> (sq.m.)	Ownership interest <sup>(2)</sup> (%)
					remaining unsold (sq.m.)	GFA held for investment (sq.m.)			
<b>Jinzhong</b>									
1. East Lake Mall (東湖井)	Retail outlet	July 2000	1,330	17,886	—	10,610	7,276	—	100
2. Grand International Mall & Apartments (君豪國際)	Residential/Commercial	June 2007	7,465	65,543	10,394	8,241	46,908	—	100
3. Blossom Gardens (錦綉新城)	Residential	April 2007	5,261	39,080	—	—	39,080	—	100
4. Xin Xing International Cultural Town (新興國際文教城)									
Phase I	Residential	December 2005	5,600	24,602	—	—	24,602	—	100
Phase II	Residential/Commercial	April 2012	17,968	93,060	161	—	92,748	151	100
Phase III	Residential/Commercial	December 2009	255,918	545,046	3,582	—	541,464	—	100
Phase IV	Residential/Commercial	July 2016	30,987	71,106	5,460	—	65,646	—	100
Phase V	Residential/Commercial	July 2016	22,578	50,370	4,891	—	44,444	1,035	100
5. Upper East Gardens (上東庭院)									
Phase I	Residential/Commercial	November 2006	19,361	47,926	—	—	47,926	—	100
Phase II	Residential/Commercial	December 2011	24,343	75,889	1,192	—	74,697	—	100
6. Riverside Gardens — Zuoquan (左權濱河嘉園)	Residential/Commercial	December 2007	73,035	98,545	—	—	97,990	555	100
7. SOLO Apartments (尚座公寓)	Commercial/Complex	September 2009	2,411	9,783	256	—	9,527	—	100

## MANAGEMENT DISCUSSION AND ANALYSIS

Project	Project type	Actual completion date	Site area (sq.m.)	Completed GFA (sq.m.)	Saleable/Leasable GFA		GFA sold (sq.m.)	Other GFA <sup>(1)</sup> (sq.m.)	Ownership interest <sup>(2)</sup> (%)
					remaining unsold (sq.m.)	held for investment (sq.m.)			
<b>8. Riverside Gardens – Heshun (和順濱河小區)</b>									
Phase I	Residential	June 2008	60,100	62,507	–	–	62,167	340	100
Phase II	Residential	October 2012	5,898	51,217	–	–	51,217	–	100
<b>9. Mandarin Gardens – Taigu (太谷文華庭院)</b>									
	Residential/Commercial	May 2011	30,690	51,525	–	–	51,525	–	100
<b>10. Shuncheng Street Underground Space (順城街地下空間)</b>									
	Retail outlet	August 2015	–	897	–	–	897	–	100
<b>Taiyuan</b>									
<b>1. Yosemite Valley Town – Taiyuan (Phase I) (Southern District) (龍城優山美郡一期南區) (portion)</b>									
	Residential/Commercial	December 2014	115,050	340,065	50,539	–	289,526	–	100
<b>2. Yosemite Valley Town – Taiyuan (Phase I) (Northern District) (龍城優山美郡一期北區) (portion)</b>									
	Residential	November 2016	83,279	301,078	170,121	–	130,957	–	100
<b>Mianyang</b>									
<b>1. Yosemite Valley Town – Mianyang (綿陽優山美郡)</b>									
	Residential/Commercial	May 2012	74,124	126,390	22,039	–	102,506	1,845	83.89
<b>2. Elite Gardens (綿陽天御)</b>									
	Residential/Commercial	September 2014	68,529	116,907	21,817	–	94,403	687	83.89
<b>3. Chen Xing Star Gardens Phase I (綿陽星城一期)</b>									
	Residential/Commercial	June 2017	68,150	288,450	287,129	–	–	1,321	83.89
<b>Total</b>			<b>972,077</b>	<b>2,477,872</b>	<b>577,581</b>	<b>18,851</b>	<b>1,875,506</b>	<b>5,934</b>	
<b>Total Attributable GFA<sup>(3)</sup></b>			<b>938,117</b>	<b>2,392,208</b>	<b>524,259</b>	<b>18,851</b>	<b>1,843,784</b>	<b>5,314</b>	

Notes:

- (1) Comprises the portion of GFA held by the Group as utilities not saleable or leasable.
- (2) Calculates based on the Group's effective ownership interest in the respective project companies.
- (3) Comprises the portion of the total GFA attributable to the Group based on the Group's effective interest in the relevant projects or project phases.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Properties under Development and Properties Held for Future Development

The following table sets forth a summary of information on the Group's projects under development and corresponding project stages and properties held for future development as at 30 June 2017:

Project	Project type	Site area (sq.m.)	Actual/ Estimated completion date	Under development			Held for future development		
				GFA under development (sq.m.)	Saleable/ Leasable GFA (sq.m.)	GFA pre-sold (sq.m.)	Planned GFA (sq.m.)	GFA with the land use right certificate not yet obtained (sq.m.)	Ownership interest <sup>(1)</sup> (%)
<b>Jinzhong</b>									
<b>1. Phase I of Longtian Project</b> (龍田項目一期)		<b>129,049</b>		<b>449,634</b>	<b>428,000</b>	<b>4,188</b>	—	—	<b>51</b>
Stage I	Residential/ Commercial/ Parking space	14,346	October 2017	78,954	74,203	4,188	—	—	51
Stage II	Residential/ Commercial/ Parking space	24,367	October 2017	110,725	101,386	—	—	—	51
Stage III	Residential/ Commercial/ Parking space	26,682	December 2018	126,120	121,061	—	—	—	51
Stage IV	Commercial/ Parking space	13,422	November 2017	28,819	28,819	—	—	—	51
Stage V	Commercial/ Parking space	50,232	November 2017	105,016	102,531	—	—	—	51
<b>2. Beiliubao</b> (北六堡)		<b>63,173</b>		<b>116,149</b>	<b>114,704</b>	—	<b>44,157</b>	—	<b>51</b>
Phase I	Residential	46,763	December 2018	116,149	114,704	—	—	—	51
Phase II	Commercial	16,410	December 2019	—	—	—	44,157	—	51
<b>Taiyuan</b>									
<b>1. Yosemite Valley Town — Taiyuan</b> (龍城巒山美郡)		<b>220,161</b>		<b>531,838</b>	<b>447,674</b>	<b>157,269</b>	<b>232,693</b>	—	<b>100</b>
Phase I (Southern District)	Commercial/ Parking space	2,078	November 2017	72,399	72,325	24,940	—	—	100
Phase I (Northern District)	Commercial/ Parking space	24,726	December 2017	90,855	20,173	—	—	—	100
Phase II	Residential/Commercial	111,477	December 2018	368,584	355,176	132,329	8,893	—	100
Phase III	Residential/Commercial	60,080	December 2019	—	—	—	212,400	—	100
Phase IV	Primary school	21,800	December 2017	—	—	—	11,400	—	100

## MANAGEMENT DISCUSSION AND ANALYSIS

Project	Project type	Site area (sq.m.)	Actual/ Estimated completion date	Under development			Held for future development		
				GFA under development (sq.m.)	Saleable/ Leasable GFA (sq.m.)	GFA pre-sold (sq.m.)	Planned GFA (sq.m.)	GFA with the land use right certificate not yet obtained (sq.m.)	Ownership interest <sup>(1)</sup> [%]
<b>Mianyang</b>									
1. Chang Xing Star Gardens (綿陽長興星城)		36,158		—	—	—	150,250	—	83.89
Phase II	Residential/ Commercial	36,158	May 2019	—	—	—	150,250	—	83.89
<b>Haikou</b>									
Phase I	Commercial	43,795	April 2020	—	—	—	65,693	—	100
<b>Wuzhishan</b>									
Phase I	Commercial	28,745	December 2018	12,182	12,182	—	118,875	—	100
Phase II	Residential	23,827	October 2019	—	—	—	35,831	—	100
Phase III	Residential	18,244	October 2019	—	—	—	28,592	—	100
Phase IV	Residential	21,706	October 2020	—	—	—	21,893	—	100
<b>Total</b>		<b>584,858</b>		<b>1,109,803</b>	<b>1,002,560</b>	<b>161,457</b>	<b>611,668</b>	<b>—</b>	
<b>Total Attributable GFA<sup>(2)</sup></b>				<b>832,569</b>	<b>736,635</b>	<b>159,405</b>	<b>565,825</b>	<b>—</b>	

Notes:

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

## MANAGEMENT DISCUSSION AND ANALYSIS

The table below sets forth a summary of information on the Group's investment properties as at 30 June 2017:

Project	Property type	Total GFA held for investment (sq.m.)	Effective leased GFA (sq.m.)	Occupancy rate (%)	Rental income for the six months ended 30 June	
					2017 (RMB million)	2016
Grand International Mall & Apartments (君豪國際)	Retail outlet	8,241	4,234	87.4	1.4	1.7
East Lake Mall (東湖井)	Retail outlet	10,610	9,584	100	0.8	1.5
Office Building of West Yingbin Street (迎賓西街辦公樓)	Retail outlet	2,762	2,762	100	1.6	0.7
<b>Total</b>		<b>21,613</b>	<b>16,580</b>		<b>3.8</b>	<b>3.9</b>

The table below sets forth a summary of the Group's land bank as at 30 June 2017 by geographic location:

	Completed Saleable/Leasable GFA remaining unsold (sq.m.)	Under development GFA under development (sq.m.)	Future development Planned GFA (sq.m.)	Total land bank <sup>(1)</sup> Total GFA (sq.m.)	% of total land bank (%)	Average land cost (RMB/sq.m.)
Jinzhong	25,936	565,783	44,157	635,876	27.7	817.6
Taiyuan	220,660	531,838	232,693	985,191	42.8	393.5
Mianyang	330,985	—	150,250	481,235	20.9	643.5
Haikou	—	—	65,693	65,693	2.9	3,045.7
Wuzhishan	—	12,182	118,875	131,057	5.7	1,192.1
<b>Total</b>	<b>577,581</b>	<b>1,109,803</b>	<b>611,668</b>	<b>2,299,052</b>	<b>100.0</b>	<b>693.8</b>

Note:

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

## MANAGEMENT DISCUSSION AND ANALYSIS

The table below sets forth a summary of the Group's land bank as at 30 June 2017 by type of property:

	Completed	Under development	Future development	Total land bank <sup>(1)</sup>	% of total land bank
Saleable/ Leasable GFA	remaining unsold (sq.m.)	GFA under development (sq.m.)	Planned GFA (sq.m.)	Total GFA (sq.m.)	(%)
Mid-rise (小高層)	6,483	91,322	28,592	126,397	5.5
High-rise (高層)	416,956	528,643	209,547	1,155,146	50.2
Townhouses (聯排)	2,135	—	—	2,135	0.1
Multi-storey garden apartments (多層洋房)	25,947	21,735	54,452	102,134	4.4
Available-for-sale office/ commercial properties	67,885	171,502	146,589	385,976	16.8
SOHO apartments	58	—	15,791	15,849	0.7
Hotels	—	12,182	57,950	70,132	3.1
Parking space	58,117	280,490	84,732	423,339	18.4
Ancillary <sup>(2)</sup>	—	3,929	14,015	17,944	0.8
<b>Total</b>	<b>577,581</b>	<b>1,109,803</b>	<b>611,668</b>	<b>2,299,052</b>	<b>100.0</b>

Notes:

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

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Revenue

For the six months ended 30 June 2017, the Group's revenue was approximately RMB279.6 million, representing a decrease of approximately 26% from approximately RMB375.8 million as compared to the same period of last year. The decrease was mainly due to fewer deliveries of completed properties during the period which resulted in a decrease in revenue as compared to the same period of last year.

The Group's revenue from property development for the six months ended 30 June 2017 was approximately RMB275.8 million, representing a decrease of approximately 26% as compared to the same period of last year. The decrease was mainly due to fewer deliveries of completed properties of the Group which resulted in a decrease in the revenue from property development.

### Sales and Services Cost

The Group's sales and services cost decreased by approximately 31% from approximately RMB264.0 million for the six months ended 30 June 2016 to approximately RMB181.0 million for the six months ended 30 June 2017, which was mainly due to a corresponding decrease in the cost of sales as the sales revenue decreased.

### Gross Profit

For the six months ended 30 June 2017, the Group's gross profit was approximately RMB98.6 million, representing a decrease of approximately 12% from approximately RMB111.8 million as compared to the same period of last year. The Group's gross profit margin for the six months ended 30 June 2017 was approximately 35%, as compared to approximately 30% for the same period of last year.

For the six months ended 30 June 2017, the Group's gross profit of property development was approximately RMB94.8 million, representing a decrease of approximately 12% from approximately RMB108.1 million as compared to the same period of last year. The decrease in gross profit of property development of the Group was mainly due to fewer deliveries of completed properties resulting in decreased revenue from property development during the six months ended 30 June 2017. The Group's gross profit margin of property development for the six months ended 30 June 2016 and 2017 were approximately 29% and 34%, respectively. The increase in gross profit margin of properties development of the Group was mainly due to the real estate market was improved in 2017.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Other Income and Gains

The Group's other income and gains were approximately RMB2.9 million for the six months ended 30 June 2016, while the Group's other income and gains were approximately RMB11.1 million for the six months ended 30 June 2017. The increase in other income and gains during the period was due to litigation compensation and an increase in the income generated from investments in financial products issued by licensed financial institutions.

### Net Profit Attributable to Owners of the Company

For the six months ended 30 June 2017, net profit attributable to owners of the Company was approximately RMB28.9 million, representing a decrease of approximately 37% from approximately RMB45.8 million for the six months ended 30 June 2016. The decrease of the net profit attributable to owners of the Company which was primarily due to the decrease in net profit of the Group as a result of fewer deliveries of completed properties.

### Selling and Marketing Expenses

The Group's selling and marketing expenses decreased by approximately 6% from approximately RMB21.6 million for the six months ended 30 June 2016 to approximately RMB20.2 million for the six months ended 30 June 2017, which was mainly due to no new projects were launched and the properties for existing projects were almost sold out, resulting in a decrease in the marketing expenses.

### Administrative Expenses

The Group's administrative expenses increased by approximately 45% from approximately RMB18.5 million for the six months ended 30 June 2016 to approximately RMB26.8 million for the six months ended 30 June 2017. This was mainly due to an increase in the traveling expenses for project visits and the designing expenses incurred for the Longtian Project of which management decided not to use the design for the project.

### Other Expenses

The Group's other expenses decreased from approximately RMB5.6 million for the six months ended 30 June 2016 to approximately RMB1.0 million for the six months ended 30 June 2017. This was mainly due to the decrease in impairment of completed properties held for sale.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Finance Costs

The Group's finance costs increased by approximately 118% from approximately RMB4.0 million for the six months ended 30 June 2016 to approximately RMB8.7 million for the six months ended 30 June 2017, mainly due to the fact that the charge out of borrowing costs in relation to the Chang Xing Star Garden Project. The capitalization of borrowing costs of this project ceased due to its completion in January 2017.

### Income Tax Expense

The Group's income tax expense increased by approximately 27% from approximately RMB21.7 million for the six months ended 30 June 2016 to approximately RMB27.5 million for the six months ended 30 June 2017, which was mainly due to the increase in land appreciation tax as more non-ordinary residential units of Yosemite Valley Town — Taiyuan were sold in the first half year of 2017. The PRC corporate income tax and land appreciation tax of the Group for the six months ended 30 June 2017 were approximately RMB12.8 million and RMB14.7 million, respectively.

### Profit and Total Comprehensive Income for the Period

As a result of the foregoing, the Group's profit and total comprehensive income for the period decreased from approximately RMB45.8 million for the six months ended 30 June 2016 to approximately RMB24.3 million for the six months ended 30 June 2017.

## LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

### Cash Position

As at 30 June 2017, the Group's bank balance and cash were approximately RMB439.6 million, representing an increase of approximately 51% as compared to approximately RMB290.6 million as at 31 December 2016.

### Net Operating Cash Flow

The Group recorded a positive operating cash flow of approximately RMB219.8 million for the six months ended 30 June 2017, as compared to approximately RMB136.1 million for the six months ended 30 June 2016.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Borrowings

The Group had outstanding bank borrowings of approximately RMB405.0 million as at 30 June 2017 as compared to RMB281.0 million as at 31 December 2016.

## Pledged Assets

Some of the Group's borrowings were secured by its properties under development, investment properties and property, plant and equipment or combinations of the above. As at 30 June 2017, the assets pledged to secure certain borrowings granted to the Group amounted to approximately RMB653.5 million.

## Financial Guarantees and Contingent Liabilities

In line with market practice, the Group has entered into schemes of arrangement with various banks for the provision of mortgage financing to its customers. The Group does not conduct any independent credit checks on customers, but rely on credit checks conducted by mortgagee banks. As with other property developers in the PRC, the banks usually require the Group to guarantee its customers' obligation to repay the mortgage loans on the properties. The guarantee period normally lasts until the bank receives the strata-title building ownership certificate (分戶產權證) from the customer as security of the mortgage loan granted. As at 30 June 2017, the Group's outstanding guarantees in respect of the mortgages of its customers amounted to approximately RMB1,817.8 million.

As at 30 June 2017, the Group has no material contingent liabilities.

## Material Acquisitions and Disposals and Significant Investments

On 13 April 2017, Chenxing Real Estate Development Co., Ltd.\* (辰興房地產發展有限公司), a domestic subsidiary of the Group, acquired 100% equity interest in Hainan DeGao Investment Co., Ltd.\* (海南德高投資有限公司) ("Hainan Degao") at a maximum consideration of RMB250,000,000 (equivalent to approximately HK\$282,500,000). Hainan Degao, which was established under the laws of the PRC with limited liability on 30 May 2007, is not engaged in any business activity, and its major asset is a land parcel situated in Haikou High Technology Development District Medicine Valley Industrial Park, Hainan Province, the PRC with an aggregate area of 43,795.32 sq.m.

Save as disclosed in this report, the Group did not have any material acquisition and disposal and significant investment during the Reporting Period.

\* For identification purpose only

## MANAGEMENT DISCUSSION AND ANALYSIS

### Future Plans for Material Investments or Capital Assets

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

### Employees and Remuneration Policies

As at 30 June 2017, the Group had 181 employees. For the six months ended 30 June 2017, the Group incurred employee costs of approximately RMB10.5 million. As required by the applicable PRC laws and regulations, the Group participates in various employee benefit plans of the municipal and provincial governments, including housing provident funds, pension, medical, maternity, occupational injury and unemployment benefit plans.

### Gearing Ratio

As at 30 June 2017, the Group's gearing ratio (calculated by total debt divided by total equity; total debt includes interest-bearing bank borrowings) was approximately 42.38% (31 December 2016: approximately 26.46%).

### Foreign Currency Risks

The Group mainly operates in the PRC. The Group's functional currency and the currency in which the Group denominates and settles substantially all of its transactions are RMB. Any fluctuation in the rate of RMB would affect the value of any dividends that the Group pays to the shareholders outside of the PRC. The Group currently do not engage in hedging activities designed or intended to manage foreign exchange rate risk.

### INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 June 2017 (30 June 2016: Nil).

# CORPORATE GOVERNANCE AND OTHER MATTERS

## CORPORATE GOVERNANCE

The Company is always committed to maintain high standards of corporate governance with a view to assuring the conduct of management of the Company and protect the interests of all Shareholders. The Company is fully aware that transparency and accountability in corporate governance are crucially important to the Shareholders. The Board considers that sound corporate governance maximizes the Shareholders' interest. The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") as its own code of corporate governance.

During the Reporting Period, the Company has complied with the CG Code. To ensure that the Company complies with the CG Code, the Company shall constantly review and strengthen its corporate governance practice and enhance its risk management and internal control in reliance on the assistance of its legal advisors as to PRC and Hong Kong law.

The Board consists of four executive directors and three independent non-executive directors. The Board is responsible for the operation and coordination of the development of the Company and monitoring the Company's businesses, strategic decisions and performance, and has full and timely access to all relevant information in relation to the Company's businesses and affairs, but the day-to-day management is delegated to the management of the Company. The independent non-executive directors possess professional qualifications and related management experience in the areas of financial accounting, corporate governance, etc. and have contributed to the Board with their professional advices.

Mr. Bai Xuankui ("**Chairman Bai**") is an executive director and the Chairman of the Board. He is responsible for the management of the Board and the overall strategic planning, business development and corporate governance functions. The Company believes that Chairman Bai has been serving as a director and the Chairman of the Board since its establishment, which facilitates the Company in formulating appropriate development strategies. Regarding business operations, the Company's senior management, which comprises experienced and high caliber individuals from various sectors, will ensure decisions made by the Board be thoroughly implemented.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct for securities transactions by the Directors. Having made specific enquiries with all the Directors, each of the Directors has confirmed that he has complied with the Model Code during the Reporting Period.

## CORPORATE GOVERNANCE AND OTHER MATTERS

### DISCLOSURE OF INTEREST

#### Interests and Short Positions of Directors and Chief Executives in Shares, Underlying Shares and Debentures of the Company or any of its Associated Corporations

As at 30 June 2017, the following Directors and chief executives of the Company had interests and short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“SFO”)), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or required to be entered into the register mentioned under Section 352 of the SFO, or required to be notified to the Company and the Stock Exchange pursuant to the Model Code:

#### Long Positions in the Shares of the Company

Name of Director/chief executive	Capacity/ Nature of interest	Number of shares held	Percentage of equity interest <sup>(Note 1)</sup>
Mr. Bai Xuankui (“ <b>Mr. Bai</b> ”) <sup>(Note 2)</sup>	Settlor of a discretionary trust	289,120,000	57.82%
Mr. Bai Wukui <sup>(Note 3)</sup>	Interest of a controlled corporation	54,120,000	10.82%
Mr. Bai Guohua <sup>(Note 4)</sup>	Beneficiary of a discretionary trust	289,120,000	57.82%
Mr. Dong Shiguang (“ <b>Mr. Dong</b> ”) <sup>(Note 5)</sup>	Interest of a controlled corporation	9,023,117	1.80%

Notes:

1. As at 30 June 2017, the total number of issued shares of the Company was 500,000,000 shares.
2. Such shares were held by White Dynasty Global Holdings Limited (“**White Dynasty BVI**”) in the capacity of a legal beneficial owner, White Dynasty BVI was a corporate controlling shareholder of the Company, and White Dynasty BVI was owned by White Empire (PTC) Limited (“**White Empire BVI**”) in the capacity of a legal beneficial owner. White Empire BVI was the trustee of the family trust established for the benefit of Mr. Bai Guohua, Ms. Cheng Guilian (“**Mrs. Bai**”, the spouse of Mr. Bai), and other beneficiaries to be nominated by the trustee from time to time. Since Mr. Bai was the settlor of the family trust, Mr. Bai was deemed to be interested in the shares held by White Dynasty BVI under the SFO.

## CORPORATE GOVERNANCE AND OTHER MATTERS

- Such shares were held by White Legend Global Holdings Limited (“**White Legend BVI**”) in the capacity of a legal beneficial owner, White Legend BVI was wholly-owned by Mr. Bai Wukui in the capacity of a legal beneficial owner. Since Mr. Bai Wukui held the entire issued share capital of White Legend BVI, Mr. Bai Wukui was deemed to be interested in the shares held by White Legend BVI under the SFO.
- Such shares were held by White Dynasty BVI in the capacity of a legal beneficial owner. Since (i) Mr. Bai Guohua was a beneficiary of the family trust; and (ii) Mr. Bai Guohua was a person acting in accordance with the instructions from Mr. Bai, the settlor of the family trust, at all times, hence Mr. Bai Guohua was deemed to be interested in the shares held by White Dynasty BVI under the SFO.
- Such shares were held by Honesty Priority Global Holdings Limited (“**Honesty Priority BVI**”) in the capacity of a legal beneficial owner. Since Mr. Dong owned 34.87% shares in Honesty Priority BVI, Mr. Dong was deemed to be interested in the shares held by Honesty Priority BVI under the SFO.

### Long Positions in the Shares of Associated Corporations of the Company

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

Note:

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

As at 30 June 2017, save as disclosed above, none of the Directors or chief executives of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or required to be recorded in the register mentioned under Section 352 of the SFO, or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.



## CORPORATE GOVERNANCE AND OTHER MATTERS

### Interests and/or Short Positions in the Shares and Underlying Shares of the Company Held by Substantial Shareholders

As at 30 June 2017, to the best knowledge of the Company and the Directors, the following persons (other than Directors or chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company, which were required to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or required to be entered into the register mentioned under Section 336 of the SFO:

### Long Positions in the Shares of the Company

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

Notes:

- As at 30 June 2017, the Company had a total number of 500,000,000 shares in issue.
- White Dynasty BVI was wholly-owned by White Empire BVI, hence White Empire BVI was deemed to be interested in the shares owned by White Dynasty BVI under the SFO. White Empire BVI was the trustee for the family trust established for the benefit of Mr. Bai Guohua, Mrs. Bai and other beneficiaries to be nominated by the trustee from time to time. Mr. Bai was the settlor of the family trust.

## CORPORATE GOVERNANCE AND OTHER MATTERS

3. White Legend BVI was wholly-owned by Mr. Bai Wukui in the capacity of a legal beneficial owner. Since Mr. Bai Wukui had a controlling interest in White Legend BVI, Mr. Bai Wukui was deemed to be interested in the shares held by White Legend BVI under the SFO.
4. Mrs. Bai was the wife of Mr. Bai. Since Mrs. Bai was a beneficiary of the family trust, Mrs. Bai was deemed to be interested in the shares held by White Dynasty BVI under the SFO.
5. Ms. Zhang Lindi was the wife of Mr. Bai Guohua. Since Mr. Bai Guohua was a beneficiary of the family trust, Mr. Bai Guohua was deemed to be interested in the shares held by White Dynasty BVI under the SFO, therefore, Ms. Zhang Lindi was deemed to be interested in the shares held by White Dynasty BVI under the SFO.

## SHARE OPTION SCHEME

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

## PURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

## SUBSEQUENT EVENTS

Subsequent to 30 June 2017, neither the Company nor the Group has any material events that require to be disclosed.

## AUDIT COMMITTEE

The Company has established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the CG Code. The Audit Committee consists of three independent non-executive directors including Mr. Gu Jiong, Mr. Tian Hua and Mr. Qiu Yongqing. The Audit Committee is chaired by Mr. Gu Jiong.

The Audit Committee has reviewed with management, the accounting principles and policies adopted by the Company, as well as relevant laws and regulations, and discussed risk management, internal control and financial reporting matters of the Group, including review of the unaudited interim results of the Company for the six months ended 30 June 2017. The Audit Committee considered that the interim results are in compliance with the applicable accounting principles and policies, as well as relevant laws and regulations, and the Company has made appropriate disclosures thereof.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Six months ended 30 June	
		2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
REVENUE	5	279,643	375,766
Cost of sales		(181,002)	(264,011)
Gross profit		98,641	111,755
Other income and gains	5	11,131	2,870
Selling and marketing expenses		(20,247)	(21,649)
Administrative expenses		(26,830)	(18,511)
Other expenses		(1,036)	(5,574)
Finance costs		(8,692)	(4,020)
PROFIT BEFORE TAX	6	52,967	64,871
Income tax expense	7	(27,459)	(21,730)
PROFIT FOR THE PERIOD		25,508	43,141
Attributable to:			
Owners of the parent		28,919	45,750
Non-controlling interests		(3,411)	(2,609)
		25,508	43,141
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
— for profit for the period	9	RMB0.06	RMB0.09

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
PROFIT FOR THE PERIOD	25,508	43,141
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments changes in fair value	1,205	—
Exchange differences on translation of foreign operations	(2,426)	2,664
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	(1,221)	2,664
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	(1,221)	2,664
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	24,287	45,805
Attributable to:		
Owners of the parent	27,698	48,414
Non-controlling interests	(3,411)	(2,609)
	24,287	45,805

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2017 RMB'000 (unaudited)	As at 31 December 2016 RMB'000 (audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	65,766	69,560
Investment properties		164,000	164,000
Properties under development	11	343,941	143,861
Intangible assets		478	630
Deferred tax assets		140,159	103,040
Prepaid land lease payments		1,397	1,419
<b>Total non-current assets</b>		<b>715,741</b>	482,510
<b>CURRENT ASSETS</b>			
Properties under development	11	3,022,423	3,805,980
Completed properties held for sale	12	1,831,734	1,046,771
Inventories		1,972	2,044
Trade receivables	13	227	—
Prepayments, deposits and other receivables		466,501	205,818
Tax recoverable		20,284	17,673
Available-for-sale financial investments	14	294,465	493,810
Pledged deposits	15	21,358	14,323
Restricted bank balances	15	144,678	—
Cash and cash equivalents	15	439,634	290,594
<b>Total current assets</b>		<b>6,243,276</b>	5,877,013
<b>CURRENT LIABILITIES</b>			
Trade payables	16	878,950	1,109,982
Other payables, deposits received and accruals		1,720,283	1,509,194
Advances from customers		2,915,128	2,249,277
Interest-bearing bank borrowings	17	205,000	241,000
Due to a related party	22	7	567
Due to a director	22	90	93
Tax payable		81,745	132,433
<b>Total current liabilities</b>		<b>5,801,203</b>	5,242,546
<b>NET CURRENT ASSETS</b>		<b>442,073</b>	634,467
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,157,814</b>	1,116,977

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 June 2017 RMB'000 (unaudited)	As at 31 December 2016 RMB'000 (audited)
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings	17	200,000	40,000
Deferred tax liabilities		2,262	14,942
<b>Total non-current liabilities</b>		<b>202,262</b>	54,942
<b>NET ASSETS</b>			
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Share capital		4,003	4,003
Reserves		875,426	978,498
		<b>879,429</b>	982,501
Non-controlling interests		76,123	79,534
<b>TOTAL EQUITY</b>		<b>955,552</b>	1,062,035

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent										
	Share capital RMB'000	Share	Capital	Statutory	Asset	Unrealised	Exchange	Retained	Non-		Total equity RMB'000
		premium	reserves*	surplus	revaluation	gain	fluctuation	earnings*	Total	controlling	
		account*	reserves*	reserve*	reserve*	reserve*	reserve*	earnings*	Total	interests	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2017	4,003	219,418	101,849	102,574	23,331	—	13,753	517,573	982,501	79,534	1,062,035
Profit for the period	—	—	—	—	—	—	—	28,919	28,919	(3,411)	25,508
Other comprehensive income for the period											
Changes in fair value of available-for-sale investments, net of tax	—	—	—	—	—	1,205	—	—	1,205	—	1,205
Exchange differences related to foreign operations	—	—	—	—	—	—	(2,426)	—	(2,426)	—	(2,426)
Total comprehensive income for the period	—	—	—	—	—	1,205	(2,426)	28,919	27,698	(3,411)	24,287
Final 2016 dividends declared	—	—	—	—	—	—	—	(130,770)	(130,770)	—	(130,770)
At 30 June 2017 (unaudited)	4,003	219,418	101,849	102,574	23,331	1,205	11,327	415,722	879,429	76,123	955,552

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent							Non-controlling interests	Total equity	
	Share capital	Share premium account	Capital reserves	Statutory surplus reserve	Asset revaluation reserve	Exchange fluctuation reserve	Retained earnings			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000			
At 1 January 2016	4,003	219,418	101,849	101,233	23,331	10,235	578,807	1,038,876	84,404	1,123,280
Profit for the period	—	—	—	—	—	—	45,750	45,750	(2,609)	43,141
Other comprehensive income for the period										
Exchange differences on translation of foreign operations	—	—	—	—	—	2,664	—	2,664	—	2,664
Total comprehensive income for the period	—	—	—	—	—	2,664	45,750	48,414	(2,609)	45,805
Final 2015 dividends declared	—	—	—	—	—	—	(211,725)	(211,725)	—	(211,725)
At 30 June 2016 (unaudited)	4,003	219,418	101,849	101,233	23,331	12,899	412,832	875,565	81,795	957,360

\* These reserve accounts comprise the consolidated reserves of RMB875,426,000 the condensed consolidated statement of financial position as at 30 June 2017.



# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Six months ended 30 June	
		2017	2016
		RMB'000 (unaudited)	RMB'000 (unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>52,967</b>	64,871
Adjustments for:			
Depreciation	6	<b>4,540</b>	3,970
Amortisation of intangible assets	6	<b>152</b>	161
Amortisation of prepaid land lease payments	6	<b>22</b>	22
Income from available-for-sale investments	5	<b>(4,796)</b>	(200)
Finance costs		<b>8,692</b>	4,020
Interest income	5	<b>(496)</b>	(757)
		<b>61,081</b>	72,087
Decrease/(increase) in properties under development		<b>678,917</b>	(470,594)
Decrease/(increase) in completed properties held for sale		<b>(672,663)</b>	83,843
Decrease/(increase) in inventories		<b>73</b>	(159)
Increase in trade receivables		<b>(227)</b>	(677)
Decrease/(increase) in prepayments, deposits and other receivables		<b>(260,684)</b>	129,880
Decrease in amount from a related party		<b>—</b>	142
Decrease/(increase) in pledged deposits		<b>(7,035)</b>	27,681
Increase/(decrease) in trade payables		<b>(231,032)</b>	53,297
Increase in advances from customers		<b>665,851</b>	226,840
Increase in other payables and accruals		<b>116,644</b>	88,456
Decrease in provision		<b>—</b>	(7,213)
Decrease in amount due to a related party		<b>(560)</b>	—
Increase/(decrease) in amount due to a director		<b>(3)</b>	4
		<b>350,362</b>	203,587
Cash generated from operations		<b>350,362</b>	203,587
Tax paid		<b>(130,556)</b>	(67,503)
		<b>219,806</b>	136,084
Net cash flows from operating activities		<b>219,806</b>	136,084

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six months ended 30 June	
		2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of items of property, plant and equipment		(750)	(8,660)
Purchase of intangible assets		—	(160)
Acquisition of non-controlling interests		—	(40,620)
Acquisition of a subsidiary	18	(105,480)	—
Purchases of available-for-sale investments		(967,580)	—
Sales of available-for-sale investments		1,168,130	91,900
Income from available-for-sale investments		4,796	200
Interest received		496	757
Increase in restricted bank balances		(144,678)	—
Net cash flows (used in)/from investing activities		(45,066)	43,417
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid		(130,770)	(211,725)
New bank loans		346,000	128,000
Repayment of bank loans		(222,000)	(192,000)
Repayment of other loans		—	(96,000)
Interest paid		(16,504)	(19,451)
Net cash flows used in financing activities		(23,274)	(391,176)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
		151,466	(211,675)
Cash and cash equivalents at beginning of period		290,594	617,215
Effect of foreign exchange rate changes, net		(2,426)	2,664
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		<b>439,634</b>	408,204
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances		605,670	422,682
Less: Pledged deposits		21,358	14,478
Restricted bank balances		144,678	—
		<b>439,634</b>	408,204

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 3 November 2014. The registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands, and the head office and principal place of business of the Company is located at 18 Anning Street, Yuci District, Jinzhong City, Shanxi Province, the People's Republic of China (the "PRC").

The Company is an investment holding company and its subsidiaries are principally engaged in property development with focuses on development projects of residential and commercial properties.

## 2. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2017 have been prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34 "Interim Financial Reporting".

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2016.

The unaudited interim condensed consolidated financial statements have been prepared under the historical cost convention, except for investment properties and available-for-sale investments which have been measured at fair value. The unaudited interim condensed consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

## 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of the following revised standards effective as of 1 January 2017.

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Amendments to HKFRS 12	<i>Disclosure of Interest in Other Entities</i>
included in Annual Improvements 2014–2016 cycle	



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### **3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES** *(continued)*

The adoption of these revised standards has had no significant financial effect on the interim condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in the interim condensed consolidated financial statements.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective, in these interim condensed consolidated financial statements.

### **4. OPERATING SEGMENT INFORMATION**

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

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

No information about major customers is presented as no single customer individually contributed to over 10% of the Group's revenue for the six months ended 30 June 2017 and 2016.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 5. REVENUE, OTHER INCOME AND GAINS

Revenue represents income from the sale of properties and lease of properties, net of business tax and other sales related taxes and discounts allowed.

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

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
<b>Revenue:</b>		
Sale of properties	280,528	392,900
Property leasing income	3,860	4,093
	<b>284,388</b>	396,993
Less: Business tax and government surcharges	<b>(4,745)</b>	(21,227)
	<b>279,643</b>	375,766
<b>Other income and gains:</b>		
Bank interest income	496	757
Income from available-for-sale investments	4,796	200
Gross rental income	1,390	1,355
Compensation income	4,312	—
Others	137	558
	<b>11,131</b>	2,870

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Cost of properties sold	181,002	263,839
Depreciation	4,540	3,970
Amortisation of intangible assets**	152	161
Minimum lease payments under operating leases	200	157
Amortisation of land lease payments	22	22
Auditor's remuneration	710	680
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	5,054	4,996
Pension scheme contributions	960	806
Staff welfare expense	738	440
Impairment of completed properties held for sale*	588	5,158
Bank interest income	(496)	(757)
Income from available-for sale investments	(4,796)	(200)

\* The impairment of completed properties held for sale is included in "Other expenses" in the interim condensed consolidated statement of profit or loss.

\*\* The amortisation of intangible assets is included in "Administrative expenses" in the interim condensed consolidated statement of profit or loss.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 7. INCOME TAX

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

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

	Six months ended 30 June	
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Current tax:		
Income tax charge	62,584	35,693
Land appreciation tax	14,674	4,437
Deferred tax	(49,799)	(18,400)
<b>Total tax charge for the period</b>	<b>27,459</b>	<b>21,730</b>

### 8. DIVIDENDS

A final dividend of HK30 cents per ordinary share for the year ended 31 December 2016 of RMB130,770,000 was approved by shareholders on 51 May 2017 and paid on 6 June 2017.

The Board did not declare any interim dividend for the six months ended 30 June 2017 (the six months ended 30 June 2016: Nil).

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

The calculation of basic earnings per share attributable to ordinary equity holders of the parent is based on the following data:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings:		
Profit for the period attributable to ordinary equity holders of the parent	28,919	45,750

	Six months ended 30 June	
	2017	2016
	'000	'000
	(unaudited)	(unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of the basic earnings per share calculation	500,000	500,000

The Group did not have any dilutive potential ordinary shares during the six months ended 30 June 2017 and 2016.

### 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group acquired assets with a cost of RMB746,000 (the six months ended 30 June 2016: RMB4,217,000).

No asset was disposed of by the Group during the six months ended 30 June 2017 and 2016.

Certain of the Group's property, plant and equipment with a net carrying amount of approximately RMB41,343,000 were pledged to secure bank loans granted to the Group as at 30 June 2017 (31 December 2016: RMB42,483,000) (note 17).



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 11. PROPERTIES UNDER DEVELOPMENT

	As at 30 June 2017 RMB'000 (unaudited)	As at 31 December 2016 RMB'000 (audited)
Carrying amount at beginning of year/period	3,949,841	3,846,990
Additions	383,075	1,333,573
Transferred to completed properties held for sale (note 12)	(966,552)	(1,230,722)
Carrying amount at end of year/period	3,366,364	3,949,841
Less: Current portion	(3,022,423)	(3,805,980)
Non-current portion	343,941	143,861

Properties under development expected to be recovered:

	As at 30 June 2017 RMB'000 (unaudited)	As at 31 December 2016 RMB'000 (audited)
Within one year	2,330,231	3,131,460
After one year	692,192	674,520
	3,022,423	3,805,980

Certain of the Group's properties under development with carrying value of approximately RMB448,206,000 were pledged to secure bank loans granted to the Group as at 30 June 2017 (31 December 2016: RMB817,238,000) (note 17).

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 12. COMPLETED PROPERTIES HELD FOR SALE

	As at 30 June 2017 RMB'000 (unaudited)	As at 31 December 2016 RMB'000 (audited)
Carrying amount at beginning of year/period	1,055,808	569,910
Transfer from properties under development (note 11)	966,552	1,230,722
Transfer to cost of properties sold	(181,002)	(744,825)
	1,841,358	1,055,807
Impairment during the year/period	(9,624)	(9,036)
Net carrying amount at end of year/period	1,831,734	1,046,771

### 13. TRADE RECEIVABLES

	As at 30 June 2017 RMB'000 (unaudited)	As at 31 December 2016 RMB'000 (audited)
Trade receivables	227	—

The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

There was no provision provided for impairment of trade receivables during the six months ended 30 June 2017 and 2016.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 13. TRADE RECEIVABLES *(continued)*

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

	As at 30 June 2017 RMB'000 (unaudited)	As at 31 December 2016 RMB'000 (audited)
Less than 1 year	227	—

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

	As at 30 June 2017 RMB'000 (unaudited)	As at 31 December 2016 RMB'000 (audited)
Neither past due nor impaired	227	—

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

### 14. AVAILABLE-FOR-SALE INVESTMENTS

	As at 30 June 2017 RMB'000 (unaudited)	As at 31 December 2016 RMB'000 (audited)
Unlisted investments, at fair value	294,465	493,810

Unlisted investments represented investments in certain financial assets issued by licensed financial institutions in mainland China. The financial assets in the investments bear expected yield rates of 2.1% to 3.9% per annum with a maturity period within one year.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 15. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	As at 30 June 2017 RMB'000 (unaudited)	As at 31 December 2016 RMB'000 (audited)
Total cash and bank balances, including pledged deposits	605,670	304,917
Less: Pledged deposits	(21,358)	(14,323)
Restricted bank balances	(144,678)	—
Cash and cash equivalents	439,634	290,594

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

Restricted bank balances represents the deposit in an escrow account set up at a bank by the Group for the acquisition of 100% equity interest in Hainan DeGao Investment Co., Ltd. (“**Hainan DeGao**”) from two third party individual (the “**Vendors**”), which could only be used after the approval by the vendors.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 16. TRADE PAYABLES

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

	As at 30 June 2017 RMB'000 (unaudited)	As at 31 December 2016 RMB'000 (audited)
Less than 1 year	246,980	876,859
1 to 2 years	472,700	90,328
2 to 3 years	84,438	97,748
3 to 4 years	36,122	7,584
4 to 5 years	2,865	510
Over 5 years	35,845	36,953
	<b>878,950</b>	1,109,982

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 17. INTEREST-BEARING BANK BORROWINGS

	30 June 2017 (unaudited)			31 December 2016 (audited)		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
<b>Current</b>						
Bank loans — secured	5.22	2018	46,000	5.22	2017	46,000
Current portion of long term bank loans — secured	5.23	2017	69,000	4.75-5.23	2017	195,000
	5.23	2018	90,000			
			205,000			241,000
<b>Non-current</b>						
Bank loans — secured	5.23	2018-2020	200,000	5.23	2018	40,000

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

- (i) mortgages over the Group's buildings, which had an aggregate carrying value of approximately RMB41,343,000 as at 30 June 2017 (31 December 2016: RMB42,483,000 (note 10));
- (ii) mortgages over the Group's investment properties, which had an aggregate carrying value of approximately RMB164,000,000 as at 30 June 2017 (31 December 2016: RMB164,000,000);
- (iii) mortgages over the Group's properties under development, which had aggregate carrying value of approximately RMB448,206,000 as at 30 June 2017 (31 December 2016: RMB817,238,000) (note 11).

In addition, Mr. Bai Xuankui, the director and the Company's controlling shareholder, have guaranteed certain of the Group's bank loans up to RMB279,000,000 as at 30 June 2017 (31 December 2016: RMB75,000,000).

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 18. BUSINESS COMBINATION

### Acquisition in 2017

On 18 April 2017, the Group acquired 100% equity interest in Hainan DeGao from the Vendors. Hainan DeGao is engaged in property development and the acquisition was made as part of the Group's strategy to expand its business network to other geographic locations across the PRC. The maximum purchase consideration for the acquisition is RMB250,000,000 subject to the terms and conditions of the agreement signed by the Group and the Vendors.

Pursuant to the agreement, if the condition that "within 180 days from the date of the agreement (i) the Vendors procuring the change of land use of the land to residential use and obtaining a new land certificate for such use with an aggregate area of not less than 43,795.32 sq.m. among which not less than 60% of such area should be used for residential purpose; and (ii) Hainan DeGao and the relevant land authorities entering into supplemental agreement agreeing that the floor area ratio of the land to be not less than 2.6" is not completed within 180 days from the date of the agreement, the Vendors agree to reduce the amount of consideration by RMB50 million, such that the adjusted consideration would be RMB200 million and the Vendors shall be released from their obligation to change the land use of the land to residential use and the relevant costs for such change of land use shall be borne by the Vendors.

As at the acquisition date, it was uncertain whether the above condition could be met, and thus the consideration for the acquisition was recorded at RMB200 million.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 18. BUSINESS COMBINATION *(continued)*

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

	<b>Fair value recognised on acquisition RMB'000</b>
Properties under development	200,080
Other payables	(80)
Total identifiable net assets at fair value	200,000
Satisfied by cash	200,000

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

	<b>RMB'000</b>
Cash consideration and net outflow of cash and cash equivalents included in cash flows from investing activities	(105,480)

Since the acquisition, Hainan DeGao contributed nil amount to the Group's revenue and nil amount to the consolidated profit for the six months ended 30 June 2017.

Had the combination taken place at the beginning of the period, the revenue from continuing operations of the Group and the profit of the Group for the six months ended 30 June 2017 would have been RMB279,643,000 and RMB21,772,000 respectively.



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 19. OPERATING LEASE ARRANGEMENTS

### As lessor

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

At 30 June 2017 and 31 December 2016, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	As at 30 June 2017 RMB'000 (unaudited)	As at 31 December 2016 RMB'000 (audited)
Within one year	3,990	7,813
In the second to tenth years, inclusive	21,839	19,927
	<b>25,829</b>	27,740

### As lessee

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

At 30 June 2017 and 31 December 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 30 June 2017 RMB'000 (unaudited)	As at 31 December 2016 RMB'000 (audited)
Within one year	324	323
In the second to fifth years, inclusive	243	405
	<b>567</b>	728

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 20. COMMITMENTS

In addition to the operating lease commitments detailed in note 19 above, the Group had the following capital commitments as at 30 June 2017 and 31 December 2016:

	As at 30 June 2017 RMB'000 (unaudited)	As at 31 December 2016 RMB'000 (audited)
Contracted, but not provided for: Property development activities	2,033,218	1,730,898

### 21. CONTINGENT LIABILITIES

At 30 June 2017 and 31 December 2016, contingent liabilities not provided for in the interim condensed consolidated financial statements were as follows:

	As at 30 June 2017 RMB'000 (unaudited)	As at 31 December 2016 RMB'000 (audited)
Guarantees given to banks in respect of mortgage facilities granted to the purchasers of the Group's properties	1,817,796	2,454,696

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 21. CONTINGENT LIABILITIES *(continued)*

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

## 22. RELATED PARTY TRANSACTIONS

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

Name	Relationship
Mr. Bai Xuankui	Director, the ultimate controlling shareholder
Mr. Bai Guohua	Director, the ultimate controlling shareholder
Shanxi Wanjia Property Management Co., Ltd. (" <b>Shanxi Wanjia</b> ")	Company controlled by the daughter of Mr. Bai Xuankui
Shanxi Wanzhong Heating Co., Ltd. (" <b>Shanxi Wanzhong</b> ")	Company controlled by the daughter of Mr. Bai Xuankui
Shanghai Xuanyu Investment Management Center (" <b>Shanghai Xuanyu</b> ")	Company controlled by Mr. Bai Xuankui

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 22. RELATED PARTY TRANSACTIONS *(continued)*

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

	Note	Six months ended 30 June	
		2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Interest expense to a related party Shanghai Xuanyu	(i)	—	2,405
Repayment of loans from a related party Shanghai Xuanyu	(i)	—	80,000
Payment of property management service fee to a related party			
Shanxi Wanjia		337	—
Shanxi Wanzhong		223	—
		560	142
Advance from a related party Shanxi Wanjia		35	—
Refund of advance from a related party Shanxi Wanjia		35	142

Note:

- (i) The loans bore interest at 6.98% per annum.

- (b) Other transactions with related parties:

The Company's controlling shareholders haven't guaranteed the Group's bank loans as at 30 June 2017 (31 December 2016: RMB175,000,000) (note 17).

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 22. RELATED PARTY TRANSACTIONS *(continued)*

- (c) Outstanding balances with related parties:

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

	Note	As at 30 June 2017 RMB'000 (unaudited)	As at 31 December 2016 RMB'000 (audited)
Due to a director Mr. Bai Guohua	(i)	90	93
Due to a related party-current Shanxi Wanjia	(i)	—	337
Shanxi Wanzhong	(i)	7	230
		7	567

Note:

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

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

	Six months ended 30 June	
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Short term employee benefits	1,441	1,215
Pension scheme contributions	99	117
Total compensation paid to key management personnel	1,540	1,332



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

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

The fair values of the available-for-sale investments have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

#### Fair value hierarchy

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

#### Assets measured at fair value:

As at 30 June 2017

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Available-for-sale investments	—	294,465	—	294,465

As at 31 December 2016

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Available-for-sale investments	—	493,810	—	493,810

The Group did not have any financial liabilities measured at fair value as at 30 June 2017 (31 December 2016: Nil).



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### **24. EVENT AFTER THE REPORTING PERIOD**

The Group did not have any significant events after the reporting period.

### **25. APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

The unaudited interim condensed consolidated financial statements were approved and authorised for issue by the Board on 29 August 2017.





CHEN XING

