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## **Ronshine China Holdings Limited**

**融信中國控股有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock code: 3301)**

### **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016**

#### **FINANCIAL HIGHLIGHTS**

- Contracted sales amounted to RMB13.22 billion, increased by approximately 176.7% as compared with the six months ended 30 June 2015.
- Contracted gross floor area amounted to 840,073 square meters, increased by approximately 182.3% as compared with the six months ended 30 June 2015.
- Total revenue amounted to RMB6,983 million, increased by 231.5% as compared with the six months ended 30 June 2015.
- Profit for the period amounted to RMB1,017 million, increased by approximately 261.7% as compared with the six months ended 30 June 2015.
- Profit for the period attributable to owners of the Company amounted to RMB858 million, increased by approximately 197.1% as compared with the six months ended 30 June 2015.
- Gearing ratio amounted to 0.90 times, decreased by approximately 63.6% as compared with the beginning of the year.

## INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Ronshine China Holdings Limited (the “**Company**”) is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2016.

### Interim Condensed Consolidated Income Statement

	<i>Note</i>	Six months ended 30 June	
		2016	2015
		<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i> <i>(Unaudited)</i>
Revenue	5	6,983,410	2,106,515
Cost of sales	6	<u>(5,698,424)</u>	<u>(1,485,204)</u>
<b>Gross profit</b>		1,284,986	621,311
Selling and marketing costs	6	(237,573)	(166,162)
Administrative expenses	6	(183,373)	(119,820)
Fair value gains on the remeasurement of investments in joint ventures		278,074	—
Fair value gains on investment properties		9,000	—
Other income		<u>4,750</u>	<u>4,716</u>
<b>Operating profit</b>		1,155,864	340,045
Finance income - net	7	41,274	5,674
Share of profits of investments accounted for using the equity method, net		<u>305,241</u>	<u>116,772</u>
<b>Profit before income tax</b>		1,502,379	462,491
Income tax expenses	8	<u>(485,585)</u>	<u>(181,407)</u>
<b>Profit for the period</b>		<u>1,016,794</u>	<u>281,084</u>
<b>Profit for the period attributable to:</b>			
Owners of the Company		858,164	288,806
Non-controlling interests		133,661	(7,722)
Holders of Perpetual Capital Instruments		<u>24,969</u>	<u>—</u>
		<u>1,016,794</u>	<u>281,084</u>
<b>Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)</b>			
- Basic and diluted	9	<u>0.65</u>	<u>0.29</u>

## Interim Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30 June	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<b>Profit for the period</b>	1,016,794	281,084
Other comprehensive income	—	—
<b>Total comprehensive income for the period</b>	<u>1,016,794</u>	<u>281,084</u>
<b>Total comprehensive income for the period attributable to:</b>		
Owners of the Company	858,164	288,806
Non-controlling interests	133,661	(7,722)
Holders of Perpetual Capital Instruments	<u>24,969</u>	<u>—</u>
	<u>1,016,794</u>	<u>281,084</u>

## Interim Condensed Consolidated Balance Sheet

		As at 30 June 2016	As at 31 December 2015
	<i>Note</i>	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i> <i>(Audited)</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		1,052,657	840,824
Land use rights		487,975	483,787
Investment properties		3,328,000	—
Intangible assets		4,722	2,774
Investments accounted for using the equity method		1,831,412	2,534,738
Available-for-sale financial assets		46,000	46,000
Deferred tax assets		<u>213,314</u>	<u>151,282</u>
		<u>6,964,080</u>	<u>4,059,405</u>
<b>Current assets</b>			
Properties under development		27,158,681	23,338,429
Completed properties held for sale		7,245,754	1,301,888
Trade and other receivables and prepayments	11	8,458,831	1,868,565
Amounts due from customers for contract works		256,534	143,361
Prepaid taxation		358,232	205,499
Available-for-sale financial assets		—	41,000
Term deposits with initial terms of over three months		—	1,021,799
Restricted cash		526,339	74,458
Cash and cash equivalents		<u>12,298,983</u>	<u>2,742,466</u>
		<u>56,303,354</u>	<u>30,737,465</u>
<b>Total assets</b>		<u><u>63,267,434</u></u>	<u><u>34,796,870</u></u>

## Interim Condensed Consolidated Balance Sheet

		As at 30 June 2016	As at 31 December 2015
	Note	RMB'000 (Unaudited)	RMB'000 (Audited)
<b>EQUITY</b>			
<b>Capital and reserves attributable to the owners of the Company</b>			
Share capital		12	—
Share premium		2,485,669	989,745
Other reserves		4,550,662	3,312,777
		<u>7,036,343</u>	<u>4,302,522</u>
Non-controlling interests		5,614,509	770,210
Perpetual Capital Instruments		<u>1,721,275</u>	<u>—</u>
<b>Total equity</b>		<u>14,372,127</u>	<u>5,072,732</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		17,961,732	6,926,063
Deferred income tax liabilities		<u>1,405,506</u>	<u>—</u>
		<u>19,367,238</u>	<u>6,926,063</u>
<b>Current liabilities</b>			
Trade and other payables	12	5,343,124	2,273,632
Amounts due to related parties		113,316	265,007
Pre-sale proceeds received from customers		14,859,067	10,083,124
Current income tax liabilities		1,439,162	729,812
Borrowings		<u>7,773,400</u>	<u>9,446,500</u>
		<u>29,528,069</u>	<u>22,798,075</u>
<b>Total liabilities</b>		<u>48,895,307</u>	<u>29,724,138</u>
<b>Total equity and liabilities</b>		<u>63,267,434</u>	<u>34,796,870</u>

*Notes:*

## 1 General information

Ronshine China Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 11 September 2014 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-111, Cayman Islands. The Company’s principal activity is investment holding. The Company and its subsidiaries (together the “**Group**”) are principally engaged in property development business in the People’s Republic of China (the “**PRC**”).

In preparing for the listing of the Company’s shares on the Main Board of The Stock Exchange Hong Kong Limited (the “**Stock Exchange**”), a reorganisation (the “**Reorganisation**”) was undertaken pursuant to which the Company became the holding company of the group companies comprising the Group. Details of the Reorganisation are set out in the prospectus of the Company dated 31 December 2015 (the “**Prospectus**”).

The Company’s shares were listed on the Main Board of the Stock Exchange on 13 January 2016.

This interim condensed consolidated financial information is presented in Renminbi (“**RMB**”), unless otherwise stated. This interim condensed consolidated financial information was approved for issue by the Board on 22 August 2016.

This interim condensed consolidated financial information has not been audited.

## 2 Basis of preparation

This interim condensed consolidated financial information for the six months ended 30 June 2016 has been prepared in accordance with HKAS 34, ‘Interim financial reporting’. The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

## 3 Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual consolidated financial statements of the Group for the year ended 31 December 2015, as described in those annual financial statements.

- (a) New standards, amendments to standards and interpretations adopted by the Group from 1 January 2016.

The following new standards, amendments to standards and interpretations are mandatory for the Group's financial year beginning on 1 January 2016. The adoption of these new standards, amendments to standards and interpretations does not have any significant impact to the results and financial position of the Group.

HKFRS 11 (Amendment)	Accounting for acquisitions of interests in joint operation
HKAS 16 and HKAS 38 (Amendments)	Clarification of acceptable methods of depreciation and amortisation
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment entities: applying the consolidation exception
HKAS 27 (Amendment)	Equity method in separate financial statements
Annual improvements 2014	Annual improvements 2012 - 2014 cycle
HKAS 1 (Amendment)	Disclosure initiative
HKFRS 14	Regulatory deferral accounts
HKAS 16 and HKAS 41 (Amendments)	Agriculture: bearer plants

- (b) Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

#### 4 Segment information

The executive directors have been identified as the chief operating decision maker. Management has determined the operating segments based on the reports reviewed by the executive directors, which are used to allocate resources and assess performance.

The Group is principally engaged in the property development in the PRC. Management reviews the operating results of the business as one segment to make decisions about resources to be allocated. Therefore, the executive directors regard that there is only one segment which is used to make strategic decisions. Revenue and profit after income tax are the measures reported to the executive directors for the purpose of resources allocation and performance assessment.

The major operating entities of the Group are domiciled in the PRC. All of the Group's revenue are derived in the PRC for the six months ended 30 June 2016 (six months ended 30 June 2015: same).

As at 30 June 2016, all of non-current assets of the Group were located in the PRC (31 December 2015: same).

There was no revenue derived from a single external customer accounting for 10% or more of the Group's revenue for the six months ended 30 June 2016 (six months ended 30 June 2015: same).

## 5 Revenue

Revenue of the Group for the six months ended 30 June 2016 is as follow:

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue from sales of properties	6,865,200	2,073,632
Revenue from construction contracts	92,701	32,883
Rental income	<u>25,509</u>	<u>—</u>
	<u><b>6,983,410</b></u>	<u><b>2,106,515</b></u>

## 6 Expenses by nature

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Cost of properties sold (excluding staff costs)	5,196,934	1,322,751
Cost of construction contract (excluding staff costs)	85,146	29,692
Staff costs (including directors' emoluments)	141,779	75,184
Business taxes and other taxes	411,698	126,021
Marketing and advertising costs	127,124	115,761
Office lease payments	12,126	11,929
Property management fees	21,004	17,199
Depreciation	6,334	7,438
Listing expenses	3,834	7,081
Donations	16,320	850
Auditors' remuneration	1,926	338
Amortisation of intangible assets	<u>637</u>	<u>530</u>



7 **Finance income — net**

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Finance costs		
- Bank and other borrowings	1,005,773	1,099,009
- Less: capitalised interest	<u>(1,005,773)</u>	<u>(1,099,009)</u>
	<u>—</u>	<u>—</u>
Finance income		
- Interest income from bank deposits	26,467	5,674
- Net foreign exchange gains	<u>14,807</u>	<u>—</u>
Finance income - net	<u><u>41,274</u></u>	<u><u>5,674</u></u>

8 **Income tax expenses**

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Current income tax:		
Hong Kong profits tax	—	—
PRC corporate income tax	238,716	87,937
Land appreciation tax (“LAT”)	<u>244,068</u>	<u>121,492</u>
	482,784	209,429
Deferred income tax	<u>2,801</u>	<u>(28,022)</u>
	<u><u>485,585</u></u>	<u><u>181,407</u></u>

**Hong Kong profits tax**

The applicable Hong Kong profit tax rate is 16.5% for the six months ended 30 June 2016 (six months ended 30 June 2015: 16.5%). No Hong Kong profit tax has been provided for the six months ended 30 June 2016 as the Group did not have any assessable profits (six months ended 30 June 2015: same).

### **PRC corporate income tax**

The income tax provision of the Group in respect of operations in mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the six months ended 30 June 2016 and 2015, based on the existing legislation, interpretations and practices in respect thereof.

The corporate income tax rate applicable to the group entities located in mainland China is 25% according to the Corporate Income Tax Law of the PRC (the “**CIT Law**”) effective on 1 January 2008.

### **LAT**

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

The Group has made provision of LAT for sales of properties according to the aforementioned progressive rates.

### **Overseas income tax**

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and, is exempted from Cayman Islands income tax. The Company’s direct subsidiary in the British Virgin Islands (the “**BVI**”) was incorporated under the Business Companies Act of the British Virgin Islands and is exempted from British Virgin Islands income tax.

### **PRC dividend withholding income tax**

Pursuant to the Detailed Implementation Regulations for implementation of the Corporate Income Tax Law issued on 6 December 2007, dividends distributed from the profits generated by the PRC companies after 1 January 2008 to their foreign investors shall be subject to withholding income tax of 10%, a lower 5% withholding income tax rate may be applied when the immediate holding companies of the PRC subsidiaries are incorporated in Hong Kong and fulfil the requirements to the tax treaty arrangements between the PRC and Hong Kong. The Group has not accrued any withholding income tax for the undistributed earnings of its PRC subsidiaries as the Group does not have a plan to distribute these earnings from its PRC subsidiaries.

## 9 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2016 and 2015. In determining the weighted average number of ordinary shares in issue, 100 shares issued during the Reorganisation and 1,012,499,000 shares issued by way of capitalisation were deemed to have been issued since 1 January 2015.

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Profit attributable to owners of the Company (RMB'000)	858,164	288,806
Weighted average number of shares in issue	<u>1,329,622,055</u>	<u>1,012,499,100</u>
Basic earnings per share (RMB per share)	<u>0.65</u>	<u>0.29</u>

The Company did not have any potential ordinary shares outstanding for the six months ended 30 June 2016 (six months ended 30 June 2015: same). Diluted earnings per share is equal to basic earnings per share.

## 10 Dividend

The directors of the Company did not recommend the payment of any dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: same).

# 11 Trade and other receivables and prepayments

	As at 30 June 2016	As at 31 December 2015
	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
<b>Trade receivables (Note (a))</b>	<u>310,722</u>	<u>26,804</u>
<b>Note receivables</b>	<u>5,148</u>	<u>—</u>
<b>Other receivables</b>		
- Bidding deposits for acquisition of land use rights	647,000	181,880
- Receivables from local governments	477,472	66,627
- Amounts due from minority shareholder of a group company	195,793	—
- Deposits for construction contracts (Note (b))	64,545	98,482
- Others	<u>194,597</u>	<u>59,370</u>
	<u>1,579,407</u>	<u>406,359</u>
<b>Prepayments</b>		
- Prepayments for acquisition of land use rights	6,080,030	1,061,285
- Prepaid business taxes and other taxes	445,885	345,472
- Others	<u>37,639</u>	<u>28,645</u>
	<u>6,563,554</u>	<u>1,435,402</u>
	<u><u>8,458,831</u></u>	<u><u>1,868,565</u></u>

(a) Aging analysis of the trade receivables based on invoice date is as follows:

	As at 30 June 2016	As at 31 December 2015
	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
Within 90 days	284,780	23,708
Over 90 days and within 365 days	17,481	—
Over 365 days	<u>8,461</u>	<u>3,096</u>
	<u><u>310,722</u></u>	<u><u>26,804</u></u>

Proceeds receivable in respect of sale of properties are settled in accordance with the terms stipulated in the sale and purchase agreements. Generally, purchasers of properties are required to settle the balance within 90 days as specified in the sales and purchase agreements.

As at 30 June 2016, trade receivables of RMB25,942,000 were past due but not impaired (31 December 2015: RMB3,096,000). These relate to a number of independent customers for whom there are no significant financial difficulty. Management is of the view that the overdue amounts can be recovered as the Group is entitled to take over legal title and possession of underlying properties for re-sales.

Included in the trade receivables as at 30 June 2016, amounts of RMB81,648,462 were subsequently settled up to the date of the interim condensed consolidated financial statements.

- (b) The amounts represented deposits for construction contracts of resettlement housing.
- (c) As at 30 June 2016, the Group's trade and other receivables were all denominated in RMB (31 December 2015: same).
- (d) As at 30 June 2016, the Group's maximum exposure to credit risk was the carrying value of each class of receivables mentioned above (31 December 2015: same). No material trade and other receivables were impaired as at 30 June 2016 (31 December 2015: same).

## 12 Trade and other payables

	<b>As at 30 June 2016</b>	<b>As at 31 December 2015</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Trade payables (Note (a))	3,304,408	1,640,102
Amounts due to minority shareholders of certain group companies	885,392	—
Amounts due to a trust company	346,714	—
Deposits from contractors and suppliers	194,109	125,282
Bills payable	163,351	—
Other taxes payable	151,578	17,537
Accrued payroll	65,032	78,124
Interests payable	50,137	61,988
Deposits received for sales of properties	42,210	252,607
Others	<u>140,193</u>	<u>97,992</u>
	<u><u>5,343,124</u></u>	<u><u>2,273,632</u></u>

(a) The ageing analysis of the trade payables is as follows:

	<b>As at 30 June 2016</b>	<b>As at 31 December 2015</b>
	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i> <i>(Audited)</i>
Within 90 days	811,742	546,914
Over 90 days and within 365 days	884,754	490,341
Over 365 days	<u>1,607,912</u>	<u>602,847</u>
	<u><u>3,304,408</u></u>	<u><u>1,640,102</u></u>

The Group's trade and other payables as at 30 June 2016 were denominated in RMB (31 December 2015: except for other payables of RMB11,599,000 denominated in HK\$, the Group's remaining trade and other payables were denominated in RMB).

## OVERVIEW AND OUTLOOK

### Market and business review

The Group experienced strong growth in the first half of 2016. During the six months ended 30 June 2016, the Group's contracted sales and gross floor area sold amounted to RMB13.22 billion and 840,073 square meters, respectively, representing an increase of approximately 176.7% and 182.3%, respectively, as compared with that for the six months ended 30 June 2015. During the same period, the Group's total revenue, profit and profit attributable to Company's shareholders amounted to RMB6,983 million, RMB1,017 million and RMB858 million, respectively, representing an increase of approximately 231.5%, 261.7% and 197.1%, respectively, as compared with that for the six months ended 30 June 2015. As at 30 June 2016, the Group's gearing ratio was 0.90 times, representing a decrease of approximately 63.6% as compared with that at the beginning of the year. The Group will continue to adjust and optimise its capital structure and will strive to achieve a stable and sound financial foundation for the development of the Group's business going forward.

In recent years, international economic conditions continue to present various uncertainties and complications while the domestic Chinese economy has been undergoing important but lengthy structural adjustments. Faced with such challenges, the Chinese government has implemented various macroeconomic austerity measures and proceeded with extensive supply-side reforms to ensure the stable and sustainable development of the Chinese economy.

The Chinese real estate market has recovered since the second half of 2015, and continues to show stable and healthy growth in general. However, the recovery in the Chinese property market has varied greatly between regions. In particular, first-tier and second-tier cities continue to show strong demand in the property market as a result of rapid economic development and steady income growth. Consequently, competition for land acquisitions in such cities has become increasingly intense.

Thanks to the Group's past years of stable development, the Company successfully listed its shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 13 January 2016 (the "**Listing Date**"), raising net proceeds of approximately HK\$1,780 million. One of the Company's principal operating subsidiaries, Rongxin (Fujian) Investment Company Limited ("**Rongxin Group**"), was also assigned "AA+" long term general corporate credit rating with a stable outlook by United Credit Ratings Co., Ltd. on 1 July 2016. During the six months ended 30 June 2016, the Group issued through Rongxin Group various tranches of domestic public and private corporate bonds on the Shanghai Stock Exchange and the Shenzhen Stock Exchange, with an aggregate principal amount of RMB6.9 billion. The issuance of these domestic corporate bonds not only secured funding for the Group's development, but also reduced the Group's financing costs in line with its long-term interest.

The Group has been establishing footholds in first-tier and second-tier cities in China, including Shanghai, Hangzhou, Fuzhou and Xiamen, and will continue to actively explore opportunities in the core regions of the Yangtze River Delta. During the first half of 2016, the Group acquired nine land parcels located in first-tier and second-tier cities including Shanghai, Hangzhou, Fuzhou and Xiamen through public tendering. In view of the intense competition for land through public tendering in China, the Group also actively sought land merger and acquisition opportunities during the six months ended 30 June 2016, and successfully completed one land merger and acquisition transaction in March 2016 through the acquisition of a 50% equity interest in Fujian Ronghui Real Estate Company Limited.

As at 30 June 2016, the Group had a total land reserve of 9.28 million square meters (5.98 million square meters, after taken into account the interests of owners of the Company in the relevant projects) with an average land cost of approximately RMB6,009 per square meter. This will serve as a solid foundation for the Group's sustainable development and profitability in the future. In terms of asset values, over 60% of the Group's marketable properties were located in core cities on the Yangtze River Delta such as Shanghai and Hangzhou, and over 93% of the Group's marketable properties were located in cities such as Shanghai, Hangzhou, Fuzhou and Xiamen. Such distribution of the Group's property projects will place the Group in a favourable position to capture the opportunities arising from market differentiation and maintain rapid and stable growth.

## **Prospects**

In furtherance of the Group's development, the Group acquired, during the first half of 2016, a number of quality land parcels in cities such as Hangzhou, Xiamen and Shanghai after carrying out the relevant detailed market research and surveys. In the future, the Group will continue to proactively explore opportunities in first-tier and second-tier Chinese cities that satisfied the requirements of the Company's development strategy, prudently evaluate the development potential of such cities, and establish strategic presence in suitable cities to expand the Group's businesses. The Group also intends to selectively acquire quality land reserves to realise the Group's strategic development goals while maintaining the healthy condition of the Group's financials.

The Group is committed to developing high quality property projects that serve as benchmarks for the industry. In recent years, the gradually rising land prices in core first and second tier cities have placed more demands on the product features of real estate enterprises. Going forward, the Company will further comprehensively enhance its product features in terms of product design, brand services, engineering quality and property services, and will invest in customer research to increase its product value, thereby improving the market competitiveness of the Group's products. At the same time, the Group will continue to optimise its cost structure through cost management so as to enhance profitability.



In respect of capital management, the Group will continue to actively develop various financing channels and strive towards an asset-light strategic model. By continuously optimising its capital structure and maintaining its alertness and sensitivity to developments in the capital markets, the Group will be able to seize on financing opportunities that lower financing costs and increase profitability. The Group will also maintain its prudent and stable fiscal policy to create a stable and sustainable return for investors.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Summary of operating results

	For the six months ended 30 June		Change in percentage
	2016	2015	
<b>Contracted sales</b>			
Contracted sales amount ( <i>RMB'000</i> )	13,220,040	4,777,694	176.7%
Contracted gross floor area ( <i>sq.m</i> )	840,073	297,557	182.3%
Average unit price of contracted sales ( <i>RMB/sq.m</i> )	15,737	16,056	(2.0)%
<b>Property delivered</b>			
Revenue from delivery of properties ( <i>RMB'000</i> )	6,865,200	2,073,632	231.1%
Delivered gross floor area ( <i>sq.m</i> )	474,870	211,170	124.9%
Recognised average selling price of properties delivered ( <i>RMB/sq.m</i> )	14,457	9,820	47.2%
<b>Revenue</b> ( <i>RMB'000</i> )	6,983,410	2,106,515	231.5%
<b>Cost of Sales</b> ( <i>RMB'000</i> )	(5,698,424)	(1,485,204)	283.7%
<b>Gross profit</b> ( <i>RMB'000</i> )	1,284,986	621,311	106.8%
<b>Other income</b> ( <i>RMB'000</i> )	4,750	4,716	0.7%
<b>Profit before income tax</b> ( <i>RMB'000</i> )	1,502,379	462,491	224.8%
<b>Profit for the period</b> ( <i>RMB'000</i> )	1,016,794	281,084	261.7%
- attributable to owners of the Company ( <i>RMB'000</i> )	858,164	288,806	197.1%
- attributable to non-controlling interests ( <i>RMB'000</i> )	133,661	(7,722)	1,830.9%
- attributable to holders of Perpetual Capital Instruments ( <i>RMB'000</i> )	24,969	—	N/A
Gross profit margin <sup>(Note 1)</sup>	18.4%	29.5%	(37.6)%
Net profit margin <sup>(Note 2)</sup>	14.6%	13.3%	9.8%
Interest coverage ratio <sup>(Note 3)</sup>	2.56 times	1.42 times	80.3%

	<b><u>As at 30</u></b> <b><u>June 2016</u></b>	<b><u>As at 31</u></b> <b><u>December 2015</u></b>	<b><u>Change in</u></b> <b><u>percentage</u></b>
Total assets ( <i>RMB'000</i> )	<b>63,267,434</b>	34,796,870	81.8%
Total liabilities ( <i>RMB'000</i> )	<b>48,895,307</b>	29,724,138	64.5%
Total equity ( <i>RMB'000</i> )	<b>14,372,127</b>	5,072,732	183.3%
Capital and reserve attributable to owners of the Company ( <i>RMB'000</i> )	<b>7,036,343</b>	4,302,522	63.5%
Current ratio <sup>(Note 4)</sup>	<b>1.91 times</b>	1.35 times	41.5%
Gearing ratio <sup>(Note 5)</sup>	<b>0.90 times</b>	2.47 times	(63.6)%

*Notes:*

- (1) The calculation of gross profit margin is based on gross profit divided by revenue and multiplied by 100%.
- (2) The calculation of net profit margin is based on net profit divided by revenue and multiplied by 100%.
- (3) The calculation of interest coverage ratio is based on (i) profit before income tax plus interest of bank and other borrowings less finance income and divided by (ii) interest of bank and other borrowings less finance income.
- (4) The calculation of current ratio is based on current assets divided by current liabilities.
- (5) The calculation of gearing ratio is based on total borrowings less restricted cash, cash and cash equivalents and term deposits with initial terms of over three months and divided by total equity.

## Property development

### *Contracted Sales*

For the six months ended 30 June 2016, the Group achieved contracted sales of RMB13,220.0 million, representing a growth of approximately 176.7% compared with RMB4,777.7 million for the six months ended 30 June 2015. This increase was mainly attributable to the increase in the total gross floor area (“GFA”) of the Group’s contracted sales by approximately 182.3% from 297,557 sq.m for the six months ended 30 June 2015 to 840,073 sq.m for the six months ended 30 June 2016.

The amount of the Group’s contracted sales in Shanghai, Hangzhou, Fuzhou, Xiamen and Zhangzhou accounted for (i) approximately 12.6%, 27.3%, 34.2%, 7.2% and 18.7% of the Group’s total contracted sales amount for the six months ended 30 June 2016, respectively, and (ii) approximately 6.3%, 13.9%, 38.3%, 5.8% and 35.7% of the Group’s total GFA of contracted sales for the six months ended 30 June 2016, respectively. The following table sets forth details of the contracted sales of the Group for the six month ended 30 June 2016:

	<b>Amount</b>	<b>Percentage</b>	<b>GFA</b>	<b>Percentage</b>	<b>Average</b>
	<b>(RMB</b>				<b>selling price</b>
	<b>million)</b>	<b>(%)</b>	<b>(sq.m)</b>	<b>(%)</b>	<b>(RMB /sq.m)</b>
Shanghai	1,656.1	12.6	53,321	6.3	31,059
Hangzhou	3,607.6	27.3	116,521	13.9	30,961
Fuzhou	4,526.0	34.2	321,846	38.3	14,062
Xiamen	956.0	7.2	48,357	5.8	19,770
Zhangzhou	<u>2,474.3</u>	<u>18.7</u>	<u>300,028</u>	<u>35.7</u>	<u>8,247</u>
<b>Total</b>	<u><u>13,220.0</u></u>	<u><u>100.0</u></u>	<u><u>840,073</u></u>	<u><u>100.0</u></u>	<u><u>15,737</u></u>

### **Projects completed**

For the six months ended 30 June 2016, the Group completed a total of eight projects or phases of projects, with total GFA of 857,356 sq.m. (566,817 sq.m., after taken into account the interests of owners of the Company in the relevant projects).

### **Projects under construction**

As at 30 June 2016, the Group had a total of 22 projects or phases of projects under construction, with total planned GFA of 5,741,832 sq.m. (3,632,640 sq.m., after taken into account the interests of owners of the Company in the relevant projects).

## Land reserve

During the six months ended 30 June 2016, there were a total of ten newly acquired land parcels with a total GFA of 2,601,540 sq.m. (1,359,890 sq.m., after taken into account the interests of owners of the Company in the relevant projects). The average cost of land parcels acquired was approximately RMB7,504 per sq.m..

The following table sets forth details of the Group's newly acquired land parcels during the six months ended 30 June 2016:

City	Project name	Date of acquisition	Site area	Total GFA		Land cost	Total land cost attributable to the owners of the Company	Average land cost
				Total GFA	Company interested			
			(sq.m)	(sq.m)	(sq.m)	(RMB million)	(RMB million)	(RMB/sq.m)
Fuzhou	The Bund (融信•外灘)	3 February 2016	35,250	155,423	79,266	177	90	1,430
Fuzhou	Hot Spring City (融滙•溫泉城)	21 March 2016	1,018,836	1,350,112	675,056	1,746	873	1,610
Hangzhou	Lan Sky (融信•蘭天)	17 February 2016	63,560	202,892	103,475	912	465	5,739
Hangzhou	Yongxing Capital (融信•永興首府)	23 February 2016	44,307	128,463	33,400	1,390	361	13,076
Shanghai	Platinum (融信•鉑爵)	25 February 2016	21,196	101,804	51,920	980	500	15,409
Hangzhou	Xiaoshan Residence (融信•蕭山公館)	5 April 2016	41,642	114,336	85,752	1,700	1,275	18,559
Hangzhou	Qinglong Project (慶隆地塊)	20 May 2016	27,845	90,718	46,266	2,361	1,204	31,404
Xiamen	Xiamen Bowan (廈門鉑灣)	3 June 2016	39,715	170,914	170,914	2,634	2,634	23,207
Hangzhou	Jingkai Project (經開地塊)	15 June 2016	42,709	129,871	33,766	1,709	444	16,002
Hangzhou	Yinhe Primary School Project (銀河小學地塊)	20 June 2016	43,686	157,007	80,074	1,812	924	13,822
<b>Total</b>			<b><u>1,378,746</u></b>	<b><u>2,601,540</u></b>	<b><u>1,359,890</u></b>	<b><u>15,421</u></b>	<b><u>8,771</u></b>	<b><u>7,504</u></b>

As at 30 June 2016, the total GFA of the Group's land reserve was approximately 5.98 million sq.m, among which, approximately 3.63 million sq.m were under construction, and approximately 2.35 million sq.m were held for future development.

As at 30 June 2016, the cost per sq.m of the Group's land reserve was RMB6,009.5, of which, approximately 81.4% located in the prime area in the first-tier and second-tier cities in the PRC. The Directors believe that the relatively high-quality land reserve provides the Group with effective support of its high profitability in the future.

The following table sets forth details of the land reserve of owners of the Company as at 30 June 2016:

Region	Name of project	Total land value (RMB10,000)	Total GFA of reserve (10,000 sq.m)	Average cost per sq.m (RMB/sq.m)
Shanghai	Imperial Villa (融信•鉑灣)	32,331	7.09	11,396
	Platinum (融信•鉑爵)	49,980	5.19	15,409
	Shanghai Xujing Project (徐涇鎮會展中心3地塊一期、二期、三期、四期)	220,636	40.39	8,539
	French Legend (融信•法蘭西世家)	18,319	4.83	10,803
	Shanghai Huacao Lot I (閔行區華漕鎮MHPO-1402單元41-02地塊)	20,315	8.10	6,165 <sup>Note</sup>
	Shanghai Huacao Lot II (閔行區華漕鎮MHPO-1402單元35-01地塊)	10,110	2.41	6,018 <sup>Note</sup>
	Shanghai Huacao Lot III (閔行區華漕鎮MHPO-1402單元36-01地塊)	4,193	0.94	6,098 <sup>Note</sup>
	Shanghai Huacao Lot IV (閔行區華漕鎮MHPO-1402單元42-01地塊)	23,580	5.34	6,101 <sup>Note</sup>
Hangzhou	Blue Peacock Phase 1 (融信•藍孔雀一期)	64,260	6.33	13,953
	Blue Peacock Phase 2 (融信•藍孔雀二期)	112,200	10.80	14,966
	Hangzhou Mansion (杭州公館)	338,437	22.88	25,717
	Lan Sky (融信•瀾天)	46,512	10.35	5,739
	Xiaoshan Residence (融信•蕭山公館)	127,517	8.58	18,559
	Yongxing Capital (融信•永興首府)	36,154	3.34	13,076
	Yinhe Primary School Project (銀河小學地塊)	92,412	8.01	13,822
	Jingkai Project (經開地塊)	44,434	3.38	16,002
Fuzhou	Qinglong Project (慶隆地塊)	120,411	4.63	31,404
	The Twin Harbor City (融信•雙杭城)	562,000	111.13	6,065
	The Coast (融信•後海)	32,266	4.54	7,406
	The White House (融信•白宮)	8,958	6.63	3,584
	Pingtian David City (融信•平潭大衛城)	17,483	9.37	2,341
	The Long Island (融信•長島)	130,000	80.91	2,437
	West Coast (融信•陽光城西海岸)	4,292	9.39	910
	The Bund (融信•外灘)	9,002	7.93	1,430
Xiamen	Hot Spring City (融信•溫泉城)	87,300	67.51	1,610 <sup>Note</sup>
	Ocean City (融信•海上城)	19,307	18.32	1,989
	Xiamen Bowan (廈門鉑灣)	263,400	17.09	23,207
Zhangzhou	Future City (融信•未來城)	30,000	16.04	2,573
	Festival City (融信•觀山海)	31,951	27.74	1,549
	Imperial Land (一品江山)	26,000	15.82	2,206
	Zhangzhou Wanke City (漳州萬科城)	30,080	20.80	1,773
	College City (學院名築)	57,800	18.10	4,059
	Zhangzhou Harbor B8 Lot (漳州港B8)	51,800	13.86	4,868
<b>Total</b>		<b><u>2,723,439</u></b>	<b><u>597.75</u></b>	<b><u>6,009</u></b>

Note: It represents the original land costs of these projects only, and haven't reflected the fair value upwards recognised upon the acquisitions or consolidations by the Group during the six months ended 30 June 2016.

## Financial Review

### Revenue

For the six months ended 30 June 2016, the Group derived its revenue from (i) the sales of properties in the PRC; (ii) certain construction contracts with local PRC governments with respect to the construction of resettlement housing and (iii) the rental income generated from the lease of investment properties. The following table sets forth the details of the Group's revenue recognised from such sources for the period indicated:

	For the six months ended 30 June		Change in percentage
	2016	2015	
	RMB'000	RMB'000	
<b>Revenue</b>			
Sales of properties	<b>6,865,200</b>	2,073,632	231.1%
Construction contracts <i>(Note 1)</i>	<b>92,701</b>	32,883	181.9%
Rental income <i>(Note 2)</i>	<b>25,509</b>	—	N/A
<b>Total</b>	<b><u>6,983,410</u></b>	<b><u>2,106,515</u></b>	231.5%

The revenue of the Group increased by approximately 231.5% from RMB2,106.5 million for the six months ended 30 June 2015 to RMB6,983.4 million for the six months ended 30 June 2016. This increase was mainly attributable to:

- (i) the increase in the total GFA of properties delivered by the Group by approximately 124.9% from 211,170 sq.m for the six months ended 30 June 2015 to 474,870 sq.m for the six months ended 30 June 2016;
- (ii) the increase in the recognised average selling price of properties delivered by the Group by approximately 47.2% from RMB9,820 per sq.m for the six months ended 30 June 2015 to RMB14,457 per sq.m for the six months ended 30 June 2016; and
- (iii) the recognition of a rental income of RMB25.5 million for the six months ended 30 June 2016, which income was generated from a shopping mall held by Fuzhou Shiou Property Development Company Limited (“**Shiou Property**”, together with its subsidiaries, the “**Shiou Group**”).

The following table sets forth the details of the Group's revenue by project for the period indicated:

Project name	For the six months ended 30 June			
	2016		2015	
	Area (sq.m)	Amount (RMB'000)	Area (sq.m)	Amount (RMB'000)
Pingtian David City (融信 ● 平潭大衛城)	198,916	1,735,058	—	—
White House (融信 ● 白宮)	104,669	1,578,962	—	—
Imperial Villa (融信 ● 鉅灣)	61,296	1,526,997	—	—
Ocean City (融信 ● 海上城)	42,627	782,294	—	—
The Coast (融信 ● 後海)	36,469	583,500	—	—
Show Kingdom (世歐王莊)	26,608	596,565	—	—
Show Kingdom — Shiou Mall (世歐王莊—世歐廣場) <sup>(Note 2)</sup>	—	25,509	—	—
The Coast — Resettlement housing (融信 ● 後海—安置房) <sup>(Note 1)</sup>	—	49,926	—	27,015
David City (融信 ● 大衛城)	1,912	43,016	3,249	52,706
Hot Spring City — Resettlement housing (融信 ● 溫泉城—安置房) <sup>(Note 1)</sup>	—	37,892	—	—
Lan Garden (融信 ● 瀾園)	1,925	9,361	169,566	1,313,698
Lan Hill (世歐瀾山)	304	7,734	—	—
Hangzhou Mansion — Resettlement housing (杭州公館—安置房) <sup>(Note 1)</sup>	—	4,883	—	5,868
Lan County (融信 ● 瀾郡)	144	1,713	36,012	692,428
First City Rongxin Super Star City (融信 ● 第一城)	—	—	2,222	13,947
Rongxin Spanish (融信 ● 西班牙)	—	—	121	853
<b>Total</b>	<b>474,870</b>	<b>6,983,410</b>	<b>211,170</b>	<b>2,106,515</b>

Notes:

- (1) The Group cooperated or agreed to cooperate with local governments in constructing resettlement housing units adjacent to certain projects of the Group. The construction of such resettlement housing was typically included by the relevant local governments as part of the package for the acquisition of the related parcels of land for commercial development. Under such arrangement, the Group pays the relevant land premium and receive the land use rights certificates registered to the Group's name with respect to the land parcels underlying the resettlement properties during the construction phase, but are obligated to deliver the properties upon completion back to the local government. For further details of the construction of resettlement housing, please refer to the section headed "Business — Construction of Resettlement Housing" on pages 231 to 236 in the Prospectus.
- (2) The Group generated rental income from a shopping mall held by Shiou Group.

Revenue generated from the sales of properties amounted to RMB6,865.2 million for the six months ended 30 June 2016. The following table sets forth the details of the revenue generated from the sales of properties of the Group by geographical location for the six month ended 30 June 2016:

<b>For the six months ended 30 June 2016</b>					
	<b>Revenue</b>	<b>Percentage</b>	<b>GFA delivered by the Group</b>	<b>Percentage</b>	<b>Average selling price</b>
	<i>(RMB million)</i>	<i>(%)</i>	<i>(sq.m)</i>	<i>(%)</i>	<i>(RMB/sq.m)</i>
Shanghai	1,527.0	22.2	61,295	12.9	24,912
Fuzhou	4,546.5	66.3	369,023	77.7	12,321
Xiamen	782.3	11.4	42,627	9.0	18,352
Zhangzhou	9.4	0.1	1,925	0.4	4,862
<b>Total</b>	<b><u>6,865.2</u></b>	<b><u>100.0</u></b>	<b><u>474,870</u></b>	<b><u>100.0</u></b>	<b><u>14,457</u></b>

### ***Cost of sales***

The Group's cost of sales increased by approximately 283.7% from RMB1,485.2 million for the six months ended 30 June 2015 to RMB5,698.4 million for the six months ended 30 June 2016. This increase was mainly attributable to the increase in the number of properties sold by the Group during the six months ended 30 June 2016.

The following table sets forth the details of the Group's cost of sales for the period indicated:

	<b>For the six months ended 30 June</b>		<b>Change in percentage</b>
	<b>2016</b>	<b>2015</b>	
	<i>RMB'000</i>	<i>RMB'000</i>	
<b>Cost of sales</b>			
Cost of properties sold	<b>5,605,841</b>	1,453,708	285.6%
Cost of construction contract	<b>88,093</b>	31,496	179.7%
Cost of rental income	<b>4,490</b>	—	N/A
<b>Total</b>	<b><u>5,698,424</u></b>	<b><u>1,485,204</u></b>	283.7%

### ***Gross profit and gross profit margin***

Gross profit represents revenue less cost of sales. As a result of the foregoing, the Group's gross profit increased by approximately 106.8% from RMB621.3 million for the six months ended 30 June 2015 to RMB1,285.0 million for the six months ended 30 June 2016.



The Group's gross profit margin decreased from 29.5% for the six months ended 30 June 2015 to 18.4% for the six months ended 30 June 2016, primarily because the Group delivered proportionally more properties at comparatively lower profit margin in the first half of 2016 as compared to the properties which the Group delivered in the first half of 2015.

### ***Other income***

The Group's other income primarily includes (i) gains from certain cash management products; and (ii) deposits forfeited from some of the Group's prospective customers who breached the property purchase agreements. The Group's other income remained relatively stable and amounted to RMB4.7 million and RMB4.8 million for the six months ended 30 June 2015 and 2016, respectively.

### ***Fair value gains***

Due to the consolidation of the financial results of Shiou Group and certain joint ventures with Greenland Property Group Company Limited ("**Greenland Group**") for the property development projects in Huacao, Minhang District, Shanghai, namely Shanghai Kaiyu Property Development Co., Ltd ("**Shanghai Kaiyu**"), Shanghai Kairi Property Development Co., Ltd. ("**Shanghai Kairi**"), Shanghai Kaichang Property Development Co., Ltd. ("**Shanghai Kaichang**") and Shanghai Kaichong Property Development Co., Ltd. ("**Shanghai Kaichong**", together with Shanghai Kaiyu, Shanghai Kairi and Shanghai Kaichang, the "**Huacao Joint Ventures**"), the Group recorded a fair value gains on the re-measurement of joint ventures of RMB278.1 million and a fair value gains on investment properties of RMB9.0 million. The following table sets forth the breakdown of these fair value gains:

	<b>For the six months ended 30 June 2016</b>
	<i>(RMB'000)</i>
<b>Fair value gains on the re-measurement of joint ventures</b>	
Shiou Group	201,810
Huacao Joint Ventures	<u>76,264</u>
	<b><u>278,074</u></b>
<b>Fair value gains on investment properties</b>	
Shiou Group	<u>9,000</u>

For further details, please refer to the section headed "Management Discussion and Analysis — Consolidation of the financial results of certain joint ventures" below.

### ***Selling and marketing costs***

The Group's selling and marketing costs include (i) staff costs for sales personnel; (ii) advertisement expenses; (iii) office and travel expenses; (iv) property management fees; and (v) others costs including vehicle use fee, depreciation, amortisation and other miscellaneous fees and expenses.

The Group's selling and marketing costs increased by approximately 43.0% from RMB166.2 million for the six months ended 30 June 2015 to RMB237.6 million for the six months ended 30 June 2016, primarily due to the increases in marketing expenses and the number of the sales staff of the Group as a results of increased sales activities.

### ***Administrative expenses***

The Group's administrative expenses include (i) staff costs for administrative personnel; (ii) other taxes; (iii) listing expenses; (iv) office and travel expenses; (v) entertainment expenses; (vi) audit fees; (vii) office lease expenses; (viii) depreciation and amortisation; and (xi) others.

The Group's administrative expenses increased by approximately 53.0% from RMB119.8 million for the six months ended 30 June 2015 to RMB183.4 million for the six months ended 30 June 2016, mainly attributable to (i) the increase in the number of administrative staff due to the increase in the number of new projects and project under construction of the Group and (ii) the increase in donation by approximately 1,820.0% from RMB850,000 for the six months ended 30 June 2015 to RMB16.3 million for the six months ended 30 June 2016.

### ***Finance income — net***

Finance income primarily consists of interest income from bank deposits and foreign exchange gains. Finance income increased by approximately 627.4% from RMB5.7 million for the six months ended 30 June 2015 to RMB41.3 million for the six months ended 30 June 2016, primarily due to the increased bank deposits of the Group and foreign exchange gains.

### ***Share of profits of investments accounted for using the equity method, net***

The Group accounts for its interests in joint ventures and an associated company during the six months ended 30 June 2016 using equity methods. Share of profits of investments accounted for using the equity method, net represents the aggregate profits of such joint ventures and an associated company as weighted by the Group's respective shares of beneficial ownership.

The following table sets forth selected information on such joint ventures and associated company for the six months ended 30 June 2016:

<b>Company</b>	<b>Beneficial ownership of the Group</b>	<b>Project</b>	<b>City</b>
Shanghai Kaitai Property Development Co., Ltd. (“ <b>Shanghai Kaitai</b> ”)	50%	Shanghai Xujing Project (徐涇鎮會展中心3地塊)	Shanghai
Shanghai Kaidai Property Development Co., Ltd. (“ <b>Shanghai Kaidai</b> ”)	50%	French Legend (融信 • 法蘭西世家)	Shanghai
Fuzhou Liboshuntai Property Development Co., Ltd. (“ <b>Fuzhou Liboshuntai</b> ”)	50%	West Coast (融信 • 陽光城西海岸)	Fuzhou
Hairong (Zhangzhou) Property Co., Ltd.	50%	Imperial Land (一品江山)	Zhangzhou
Zhangzhou City Wankebinjiang Property Co., Ltd. <i>(Note 1)</i>	20%	Zhangzhou Wanke City (漳州萬科城)	Zhangzhou

*Note:*

(1) Zhangzhou City Wankebinjiang Property Co., Ltd. is an associated company of the Group.

Among such joint ventures and associated company, the Group considers Shanghai Kaitai and Fuzhou Liboshuntai to be material to the Group for the six months ended 30 June 2016.

- As at or for the six months ended 30 June 2016, the total assets, total liabilities, net asset, revenue and net profit of Shanghai Kaitai amounted to RMB6,860.0 million, RMB4,691.7 million, RMB2,168.2 million, RMB654.2 million and RMB170.7 million, respectively (six months ended 30 June 2015: RMB6,753.9 million, RMB4,756.3 million, RMB1,997.6 million, nil and net loss of RMB4.2 million, respectively).
- As at or for the six months ended 30 June 2016, the total assets, total liabilities, net asset, revenue and net profit of Fuzhou Liboshuntai amounted to RMB1,286.1 million, RMB793.3 million, RMB492.8 million, RMB1,634.5 million and RMB326.1 million, respectively (six months ended 30 June 2015: RMB1,918.1 million, RMB1,751.4 million, RMB166.7 million, nil and net loss of RMB6.5 million, respectively).

The Group’s net share of profits of investments accounted for using the equity method increased by approximately 161.4% from RMB116.8 million for the six months ended 30 June 2015 to RMB305.2 million for the six months ended 30 June 2016, primarily due to the recognition of revenue from the sales of properties upon the completion and delivery of properties of Shanghai Kaitai and Fuzhou Liboshuntai during the six months ended 30 June 2016.

### ***Profit before income tax***

As a result of the aforementioned changes of the Group's financials, the Group's profit before income tax increased by approximately 224.8% from RMB462.5 million for the six months ended 30 June 2015 to RMB1,502.4 million for the six months ended 30 June 2016.

### ***Income tax expenses***

The Group's income tax expenses comprise provisions made for enterprise income tax ("EIT") (including deferred income tax) and land appreciation tax ("LAT") in the PRC.

The Group's income tax expenses increased by approximately 167.7% from RMB181.4 million for the six months ended 30 June 2015 to RMB485.6 million for the six months ended 30 June 2016. Specifically, EIT (including deferred income tax) increased by approximately 303.1% from RMB59.9 million for the six months ended 30 June 2015 to RMB241.5 million for the six months ended 30 June 2016, and LAT increased by approximately 100.9% from RMB121.5 million for the six months ended 30 June 2015 to RMB244.1 million for the six months ended 30 June 2016.

The effective income tax rate of the Group for the six months ended 30 June 2016 was 35.8%, compared to 26.7% for the six months ended 30 June 2015. Effective income tax was calculated based on EIT divided by profit before income tax (excluding the share of profits of investments accounted for using the equity method, net, fair value gains on the remeasurement of joint ventures and LAT).

### ***Profit for the period attributable to owners of the Company***

As a result of the aforementioned changes of the Group's financials, the Group's profit for the period attributable to owners of the Company increased by approximately 197.1% from RMB288.8 million for the six months ended 30 June 2015 to RMB858.2 million for the six months ended 30 June 2016.

### ***Profit for the period attributable to non-controlling interests***

Profit for the period attributable to non-controlling interests increased by approximately 1,830.9% from a loss of RMB7.7 million to a profit of RMB133.7 million. This increase was primarily attributable to the recognition of revenue during the six months ended 30 June 2016 from the sales of certain Group's projects, including Pingtan David City, White House, Imperial Villa and Show Kingdom, which were jointly developed with non-controlling parties.

## Financing activities

### *Proceeds from the issuance of public and private corporate bonds on the Shanghai Stock Exchange and the Shenzhen Stock Exchange*

Rongxin Group, a wholly-owned subsidiary of the Company, issued the following bonds based on the approvals it obtained (i) for the public issuance of corporate bonds on the Shanghai Stock Exchange in an aggregate principal amount of up to RMB2.5 billion (the “**Shanghai Public Corporate Bonds**”); (ii) for the private placement of corporate bonds on the Shenzhen Stock Exchange in an aggregate principal amount of up to RMB3.5 billion (the “**Shenzhen Private Corporate Bonds**”); and (iii) for the private placement of corporate bonds on the Shanghai Stock Exchange in an aggregate principal amount of up to RMB5.0 billion (the “**Shanghai Private Corporate Bonds**”, together with Shanghai Public Corporate Bonds and Shenzhen Private Corporate Bonds, the “**Domestic Corporate Bonds**”):

- (a) on 24 December 2015, Rongxin Group issued the first tranche of the Shanghai Public Corporate Bonds in an aggregate principal amount of RMB1.2 billion with a 5-year term at a coupon rate of 6.4% per annum;
- (b) on 19 January 2016, Rongxin Group issued the second tranche of the Shanghai Public Corporate Bonds in an aggregate principal amount of RMB1.3 billion with a 5-year term at a coupon rate of 6.2% per annum. At the maturity of third year, Rongxin Group has an option to adjust the coupon rate, and investors can exercise retractable option;
- (c) on 26 January 2016, Rongxin Group issued the first tranche of the Shenzhen Private Corporate Bonds in an aggregate principal amount of RMB3.1 billion with an initial 2-year term at a coupon rate of 7.89% per annum. At the maturity of the second year, the investors have a right to extend the maturity date of the bonds for another two years;
- (d) on 18 February 2016, Rongxin Group issued the second tranche of the Shenzhen Private Corporate Bonds in an aggregate principal amount of RMB0.4 billion with an initial 2-year term at a coupon rate of 7.6% per annum. At the maturity of the second year, the investors have a right to extend the maturity date of the bonds for a further two years;

- (e) on 21 March 2016, Rongxin Group issued the first tranche of the Shanghai Private Corporate Bonds in an aggregate principal amount of RMB0.5 billion with a 3-year term at a coupon rate of 7.5% per annum. At the maturity of the second year, Rongxin Group has a right to adjust the interest rate of the outstanding bonds, and the bond subscriber has a right to sell all or any part of the outstanding bonds to Rongxin Group at the nominal value;
- (f) on 29 April 2016, Rongxin Group issued the second tranche of the Shanghai Private Corporate Bonds in an aggregate principal amount of RMB0.55 billion with a 3-year term at a coupon rate of 7.4% per annum. At the maturity of the second year, the investors have a right to request Rongxin Group to early redeem the second tranche of the Shanghai Private Corporate Bonds;
- (g) on 24 June 2016, Rongxin Group issued the third tranche of the Shanghai Private Corporate Bonds in an aggregate principal amount of RMB1.05 billion with a 3-year term at a coupon rate of 7.52% per annum; and
- (h) on 29 July 2016, Rongxin Group issued the fourth tranche of the Shanghai Private Corporate Bonds in an aggregate principal amount of RMB2.9 billion with a 3-year term at a coupon rate of 5.8% per annum. At the maturity of the second year, the investors have a right to request Rongxin Group to early redeem the fourth tranche of the Shanghai Private Corporate Bonds.

The proceeds from the above issue of Domestic Corporate Bonds have been used to refinance the Group's existing indebtedness.

As at the date of this announcement, no unissued amounts of the approved amounts of the Domestic Corporate Bonds were outstanding. For further details, please refer to the section headed "Summary and Highlights — Recent Developments — Developments in our Business" in the Prospectus and the announcements of the Company dated 15 January 2016, 17 January 2016, 19 January 2016, 25 January 2016, 26 January 2016, 17 February 2016, 18 February 2016, 18 March 2016, 21 March 2016, 29 April 2016, 24 June 2016 and 29 July 2016.

#### ***Proceeds from the issue of asset-backed securities***

On 8 July 2016, Rongxin Group issued asset-backed securities in three tranches on the Shanghai Stock Exchange with a principal amount of RMB880.0 million. These securities were backed by the accounts receivable for the balance payment of properties sold by the Group. The proceeds from the issue of the assets-backed securities are expected to be used for general working capital of the Group. For further details, please refer to the announcement of the Company dated 8 July 2016.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2016, the Group's net current assets amounted to RMB26,775.3 million (31 December 2015: RMB7,939.4 million). Specifically, the Group's total current assets increased by approximately 83.2% from RMB30,737.5 million as at 31 December 2015 to RMB56,303.4 million as at 30 June 2016. The Group's total current liabilities increased by approximately 29.5% from RMB22,798.1 million as at 31 December 2015 to RMB29,528.1 million as at 30 June 2016. The increase in the Group's total current assets was primarily attributable to (i) the increase in bidding deposits and prepayments for acquisition of land use rights by approximately 441.1% from RMB1,243.2 million as at 31 December 2015 to RMB6,727.0 million as at 30 June 2016 due to the acquisition of 10 land parcels located in first-tier and second-tier cities including Shanghai, Hangzhou, Fuzhou and Xiamen; and (ii) the increase in completed projects held for sales by approximately 456.6% from RMB1,301.9 million as at 31 December 2015 to RMB7,245.8 million as at 30 June 2016.

As at 30 June 2016, the Group had bank deposits (including term deposits with initial terms of over three months, restricted cash, and cash and cash equivalents) of RMB12,825.3 million (31 December 2015: RMB3,838.7 million), total borrowings of RMB25,735.1 million (31 December 2015: RMB16,372.6 million) and weighted average effective interest rate for outstanding borrowings of approximately 7.9% (including bank borrowings, trust and other borrowings and the Domestic Corporate Bonds) (31 December 2015: approximately 10.5%).

As at 30 June 2016, the aggregated issued amount of the Domestic Corporate Bonds was RMB8,100 million, representing approximately 31% of the total borrowings of the Group.

## **PLEDGE OF ASSETS**

As at 30 June 2016, the Group's bank and other borrowings were secured by the Group's assets of RMB26,122.3 million (31 December 2015: RMB15,038.7million) which includes (i) completed properties held for sale; (ii) properties under development; (iii) property, plant and equipment; (iv) land use rights; (v) restricted cash and (vi) investment property. Certain other borrowings were also secured by the equity interests of certain subsidiaries.



## **CONTINGENT LIABILITIES**

The Group's contingent liabilities primarily include guarantees that the Group had provided to PRC banks in respect of the mortgage loans granted by the banks to purchasers of the Group's properties. The purchaser mortgage guarantees are typically released when the title deeds of the respective properties are pledged to the banks as security to continue to support the mortgage loans, which generally takes place after the properties are delivered to the purchasers. The borrowing guarantees represent the maximum exposure of the guarantees provided for the borrowings of related parties and an independent third party at the respective balance sheet dates. The total outstanding guarantee amounts provided by the Group amounted to RMB13,293.1 million as at 30 June 2016 (31 December 2015: RMB9,444.3 million).

The Directors believe that, in case of a default by the Group's purchasers on their mortgage payments, the net realisable value of the relevant properties will be sufficient to repay the outstanding mortgage loans, together with any accrued interest and penalty. Therefore, the Group did not make any provision in connection with these guarantees. The Group also provides various quality warranties to purchasers of its properties, with a term ranging from one to five years, in accordance with the relevant PRC laws and regulations. Such warranties are covered by back-to-back warranties provided to the Group by the respective construction contractors. In addition, the Group has, from time to time, also been a party to lawsuits and other legal proceedings in the normal course of business.

### **Current ratio**

As at 30 June 2016, the current ratio of the Group was 1.91 times (31 December 2015: 1.35 times). The increase of the Group's current ratio was mainly attributable to the Group's expansion with increased development projects.

### **Gearing ratio**

As at 30 June 2016, the gearing ratio of the Group was 0.90 times (31 December 2015: 2.47 times). The improvement of the Group's gearing ratio was mainly attributable to the Group's effort on managing its gearing level including, among others, (i) equity contributions from controlling shareholder and strategic investors; (ii) increase in revenue for the six months ended 30 June 2016; and (iii) the adoption of various measures to control the costs and expenses of the Group including setting up target costs for project design and development, implementing centralised procurement and stipulating detailed and prudent financial policies to manage the Group's selling and marketing costs and administrative expenses.



The Company will continue to closely monitor the due dates of borrowings and manage the level of liquid capital to ensure that cash flows are sufficient for repayment of its indebtedness and meeting the cash requirements for payables in its business.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS**

Save for the consolidations as detailed in the section headed “Management Discussion and Analysis — Consolidation of the financial results of certain joint ventures” below, the Group has no other material acquisitions and disposals of subsidiaries, associates and joint ventures during the period under review. The Group will continue to focus on its existing property development business and acquiring high-quality land parcel in the first-tier cities in China. No concrete plan for future investments is in place as at the date of this announcement.

## **USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING**

On 13 January 2016, the Company issued 337,500,000 shares at an offer price of HK\$5.36 per share on the Stock Exchange by global offering. On 28 January 2016, the Company further issued 2,348,000 shares pursuant to the partial exercise of the over-allotment option at an offer price of HK\$5.36 per share. Upon completion of the global offering, the Company raised net proceeds of approximately HK\$1,780 million.

The Group did not utilise any portion of the net proceeds as at the date of this announcement. The net proceeds is currently held in bank deposits and it is intended that it will be applied in the manner consistent with the proposed allocations in the Prospectus.

## **FOREIGN CURRENCY RISK**

The Group primarily operates its business in the PRC. The currency in which the Group denominates and settles substantially all of its transactions is Renminbi. Any depreciation of Renminbi would adversely affect the value of any dividends the Group pay to shareholders outside of the PRC. The Group currently does not engage in hedging activities designed or intended to manage foreign exchange rate risk. The Group will continue to monitor foreign exchange changes to best preserve the Group’s cash value.

## **EMPLOYEE AND REMUNERATION POLICY**

As at 30 June 2016, the Group employed a total of 853 full-time employees (30 June 2015: 733 full-time employees). For the six months ended 30 June 2016, the staff cost recognised as expenses of the Group amounted to RMB141.8 million.

The remuneration policy of the Group is to provide remuneration packages including salary, bonus and various allowances, so as to attract and retain top quality staff. In general, the Group determines employee salaries based on each employee's qualification, position and seniority. The Group has designed a periodical review system to assess the performance of its employees, which forms the basis of the determination on salary raise, bonus and promotion. As required by PRC regulations, the Group makes contributions to mandatory social security funds for the benefit of the Group's PRC employees that provide for pension insurance, medical insurance, unemployment insurance, personal injury insurance, maternity insurance and housing funds.

Furthermore, the Group has implemented systematic, specialty-focused vocational training programs for its employees at different levels on regular basis to meet different requirements and emphasise individual initiative and responsibility. The Group believes that these initiatives have contributed to increased employee productivity.

The Group's employees do not negotiate their terms of employment through any labor union or by way of collective bargaining agreements. During the six months ended 30 June 2016, no labor dispute had occurred which materially and adversely affected or was likely to have a material and adverse effect on the operations of the Group.

## **CONSOLIDATION OF THE FINANCIAL RESULTS OF CERTAIN JOINT VENTURES**

### **Consolidation of the financial results of Shiou Group**

#### ***Background***

Shiou Group is primarily engaged in the development and management of certain property development projects in Fuzhou, namely Riverside City, Beyond City, Lan Hill and Show Kingdom. Historically, Shiou Group was accounted for as a joint venture of the Group and owned as to 50% by Rongxin Group, a wholly owned subsidiary of the Company, and 50% by a real estate developer. On 15 March 2016, the real estate developer transferred its 50% equity interests in Shiou Group to an independent third party, a company established in the PRC and principally engaged in property investment in the PRC (the "Investor"). To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the independent third party and its ultimate beneficial owner are independent of the Company and its connected persons. As the Investor does not have sufficient experience in managing PRC property development projects, in view of the Group's

historical performance on managing Shiou Group and in order to enhance the business efficiency of Shiou Group, the Investor is willing to become a passive investor and passed the controlling rights of Shiou Group to Rongxin Group in March 2016.

In accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), Shiou Group has therefore been reclassified from a joint venture of the Group to a subsidiary of the Group (the “**Shiou Reclassification**”), and its results of operations and financial position have therefore been recorded in the Group’s consolidated financial statements since the date when the Group obtained the control. The Group’s 50% equity interests in Shiou Group remained unchanged.

### ***Financial impact of the consolidation***

Prior to the Shiou Reclassification, Shiou Group was accounted for as a 50% owned joint venture of the Company, and the Company’s interests in Shiou Group were initially recognised as share of profits of investments accounted for using the equity method. Following the Shiou Reclassification, Shiou Group has been consolidated as a 50% owned subsidiary of the Company, and its results of operations and financial position have been recorded in the Group’s consolidated financial information.

As a result of the Shiou Reclassification, the Group recorded fair value gains on the remeasurement of investment in joint ventures of RMB201.8 million, accounting for approximately 13.4% of the Group’s profit before income tax for the six months ended 30 June 2016. Such fair value gains were derived from the remeasurement of the Group’s interests in Shiou Group due to the Shiou Reclassification, and has been recognised in the consolidated income statements of the Group in accordance with HKFRS.

The Shiou Reclassification was merely a change in accounting treatment with no change in the Group’s 50% equity interests in Shiou Group, and the Board is of the view that the consolidation of the results of operations of Shiou Group did not significantly impact the results of operation of the Group for the six month ended 30 June 2016.

## **Consolidation of the financial results of the Huacao Joint Ventures**

### ***Background***

The Huacao Joint Ventures are primarily engaged in the development and management of certain property development projects in Shanghai, namely Shanghai Huacao Lot I, Shanghai Huacao Lot II, Shanghai Huacao Lot III and Shanghai

Huacao Lot IV (the “**Huacao Projects**”). Historically, the Huacao Joint Ventures were accounted for as the Group’s joint ventures with Greenland Group, an independent third party which is a company established in the PRC and principally engaged in property development in the PRC.

The development and management of the Huacao Projects were historically led by the Group. In view of the Group’s historical performance on managing the Huacao Project and in order to enhance the business efficiency of Huacao Joint Ventures, Greenland Group is willing to become a passive investor and passed its controlling rights in the Huacao Joint Ventures to the Group in March 2016.

In accordance with HKFRS issued by the HKICPA, the Huacao Joint Ventures have therefore been reclassified from the joint ventures of the Group to the subsidiaries of the Group (the “**Huacao Reclassification**”), and their results of operations and financial position have therefore been recorded in the Group’s consolidated financial statements since the date when the Group obtained the control. The Group’s equity interests in the Huacao Joint Ventures remained unchanged.

#### ***Financial impact of the consolidation***

Prior to the Huacao Reclassification, the Huacao Joint Ventures were accounted for as the joint ventures of the Company, and the Company’s interests in the Huacao Joint Ventures were initially recognised as share of profits of investments accounted for using the equity method, net. Following the Huacao Reclassification, the Huacao Joint Ventures have been consolidated as the subsidiaries of the Company, and their results of operations and financial position have been recorded in the Group’s consolidated financial information.

As a result of the Huacao Reclassification, the Group recorded fair value gains on the remeasurement of investment in joint ventures of RMB76.3 million, accounting for approximately 5.0% of the Group’s profit before income tax for the six months ended 30 June 2016. Such fair value gains were derived from the remeasurement of the Group’s interests in the Huacao Joint Ventures due to the Huacao Reclassification, and has been recognised in the consolidated income statements of the Group in accordance with HKFRS.

The Huacao Reclassification was merely a change in accounting treatment with no change in the Group’s equity interests in each of the Huacao Joint Ventures, and the Board is of the view that the consolidation of the results of operations of the Huacao Joint Ventures did not significantly impact the results of operation of the Group for the six month ended 30 June 2016.

#### **INTERIM DIVIDEND**

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2016 (2015: Same).

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

During the period from the Listing Date till 30 June 2016, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the securities of the Company.

## **CORPORATE GOVERNANCE**

The Group is committed to achieving high standards of corporate governance to safeguard the interests of the holders of the shares of the Company and to enhance corporate value and accountability.

The Company has adopted the corporate governance code (the “**Corporate Governance Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) as its own code on corporate governance and, to the best knowledge of the Directors, the Company had complied with all applicable code provisions under the Corporate Governance Code throughout the period from the Listing Date till 30 June 2016, save and except for the deviation from code provision A.2.1 of the Corporate Governance Code as disclosed below.

Code Provision A.2.1 of the Corporate Governance Code provided that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The roles of the chairman and chief executive officer of the Company are both performed by Mr. Ou Zonghong (“**Mr. Ou**”), an executive Director. The Board believes that vesting the roles of both chairman and chief executive officer in the same individual enables the Company to achieve higher responsiveness, efficiency and effectiveness when formulating business strategies and executing business plans. Furthermore, in view of Mr. Ou’s extensive industrial experience and significant role in the historical development of the Group, the Board believes that it is beneficial to the business prospects of the Group that Mr. Ou continues to act as the chairman and chief executive officer of the Group following the Listing Date, and that the balance of power and authority is sufficiently maintained by the operation of the Board, comprising the executive Directors and independent non-executive Directors.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules (the “**Model Code**”) as the guidelines for the Directors’ dealings in the securities of the Company. Following specific enquiries to each of the Directors, the Directors have confirmed their compliance with the required standards set out in the Model Code during the period from the Listing Date till 30 June 2016.

## AUDIT COMMITTEE

The Board has established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with Rules 3.21 and 3.22 of the Listing Rules and code provision C.3 of the Corporate Governance Code.

The primary duties of the Audit Committee are to review and supervise the financial reporting process, risk management and internal control system of the Group, oversee the audit process, provide advice and comments to the Board and perform other duties and responsibilities as may be assigned by the Board. The Audit Committee consists of three members, namely Mr. Qu Wenzhou, Mr. Lo, Wing Yan William and Mr. Ren Yunan, each of them is an independent non-executive Director. The chairman of the Audit Committee is Mr. Qu Wenzhou who possesses appropriate professional qualifications. The Audit Committee had reviewed the interim results for the six months ended 30 June 2016. The interim results for the six months ended 30 June 2016 has not been audited but has been reviewed by PricewaterhouseCoopers, the auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

## PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) as well as the website of the Company at [www.rongxingroup.com](http://www.rongxingroup.com). The Company’s interim report for the six months ended 30 June 2016 will be dispatched to shareholders of the Company and published on the aforementioned websites in due course.

By order of the Board  
**Ronshine China Holdings Limited**  
**Ou Zonghong**  
*Chairman*

Hong Kong, 22 August 2016

*As at the date of this announcement, Mr. Ou Zonghong, Mr. Wu Jian, Mr. Lin Junling and Ms. Zeng Feiyan are the executive directors of the Company; and Mr. Lo, Wing Yan William, Mr. Ren Yunan and Mr. Qu Wenzhou are the independent non-executive directors of the Company*