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**Tian Shan Development (Holding) Limited**  
**天山發展(控股)有限公司**

*(Incorporated in the Cayman Islands with limited liability)*  
(Stock code: 2118)

**ANNOUNCEMENT OF ANNUAL RESULTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

The board of directors (the “Board”) of Tian Shan Development (Holding) Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2014.

**FINANCIAL HIGHLIGHTS**

- The Group’s turnover for the year 2014 decreased by 12.5% to RMB2,416.8 million from RMB2,762.7 million as compared with the prior year.
- The Group’s profit for the year 2014 increased by 8.9% to RMB281.9 million from RMB258.8 million as compared with the prior year.
- Basic earnings per share increased by 8.9% to RMB28.19 cents in 2014 from RMB25.88 cents in 2013.

## CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2014

(Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
<b>Turnover</b>	2	<b>2,416,825</b>	2,762,697
Cost of sales		<u>(1,525,157)</u>	<u>(2,000,781)</u>
<b>Gross profit</b>		<b>891,668</b>	761,916
Other revenue		<b>14,233</b>	10,827
Selling and marketing expenses		<b>(164,969)</b>	(224,931)
Administrative expenses		<b>(168,750)</b>	(176,362)
<b>Profit from operations</b>		<u>572,182</u>	<u>371,450</u>
Finance income		<b>6,209</b>	5,478
Finance expenses		<b>(41,474)</b>	(15,415)
<b>Net finance expenses</b>	3(a)	<u>(35,265)</u>	<u>(9,937)</u>
<b>Profit before change in fair value of investment properties and income tax</b>		<b>536,917</b>	361,513
Increase in fair value of investment properties		<u>49,302</u>	<u>52,123</u>
<b>Profit before taxation</b>	3	<b>586,219</b>	413,636
Income tax	4	<b>(304,338)</b>	(154,852)
<b>Profit for the year</b>		<u><b>281,881</b></u>	<u>258,784</u>
<b>Earnings per share (RMB cents)</b>	6		
Basic		<u><b>28.19</b></u>	<u>25.88</u>
Diluted		<u><b>28.09</b></u>	<u>25.88</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2014

(Expressed in Renminbi)

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
<b>Profit for the year</b>	<b>281,881</b>	258,784
<b>Other comprehensive income for the year</b>		
<i>Item that maybe reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of foreign subsidiaries	<u>735</u>	<u>(2,886)</u>
<b>Total comprehensive income for the year</b>	<b><u>282,616</u></b>	<b><u>255,898</u></b>

There is no tax effect relating to the above component of other comprehensive income.

**CONSOLIDATED BALANCE SHEET**

at 31 December 2014

(Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment		479,648	469,704
Investment properties	7	703,483	607,554
Deferred tax assets	4(d)	28,870	34,178
		<u>1,212,001</u>	<u>1,111,436</u>
<b>Current assets</b>			
Inventories	8	6,051,430	3,841,842
Trade and other receivables	9	1,920,939	2,599,707
Prepaid tax	4(c)	28,195	48,276
Restricted cash		51,791	67,464
Cash and cash equivalents		599,968	641,801
		<u>8,652,323</u>	<u>7,199,090</u>
<b>Current liabilities</b>			
Bank loans – secured	10	53,000	193,432
Other loans – secured	11	1,751,390	522,200
Trade and other payables	12	3,896,414	4,014,638
Current taxation	4(c)	301,649	205,683
		<u>6,002,453</u>	<u>4,935,953</u>
<b>Net current assets</b>		<u>2,649,870</u>	<u>2,263,137</u>
<b>Total assets less current liabilities</b>		<u>3,861,871</u>	<u>3,374,573</u>
<b>Non-current liabilities</b>			
Bank loans – secured	10	368,710	376,000
Other loans – secured	11	945,550	939,800
Promissory notes	13	425,040	236,167
Bond payables		18,912	–
Deferred tax liabilities	4(d)	104,939	74,673
		<u>1,863,151</u>	<u>1,626,640</u>
<b>NET ASSETS</b>		<u>1,998,720</u>	<u>1,747,933</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		86,738	86,731
Reserves		1,911,982	1,661,202
<b>TOTAL EQUITY</b>		<u>1,998,720</u>	<u>1,747,933</u>

## NOTES TO THE FINANCIAL STATEMENTS

*(Expressed in Renminbi unless otherwise indicated)*

### 1 CORPORATE INFORMATION AND BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

#### (a) Corporation information

Tian Shan Development (Holding) Limited (“the Company”) was incorporated in the Cayman Islands on 10 June 2005 and registered as an exempted company with limited liability under the Companies Law (2013 Revision) of the Cayman Islands. Its principal place of business in Hong Kong is at Room 1205-1207, 12/F, Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong and its registered office is at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands. The Company and its subsidiaries (together “the Group”) are principally engaged in property development in the People’s Republic of China (the “PRC”). The shares of the Company have been listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 15 July 2010.

#### (b) Basis of preparation of the financial statements

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (“IASs”) and related interpretations issued by the International Accounting Standards Board (the “IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The consolidated financial statements for the year ended 31 December 2014 comprise the Company and its subsidiaries. The consolidated financial statements are presented in Renminbi (“RMB”) rounded to the nearest thousand Yuan.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to IFRS 10, IFRS 12 and IAS 27, *Investment entities*
- Amendments to IAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to IAS 36, *Recoverable amount disclosures for non-financial assets*

The above developments have had no material impact on the Group's financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## 2 TURNOVER AND SEGMENT REPORTING

The principal activity of the Group is property development.

Turnover mainly represents income from sales of properties. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	<b>2014</b>	2013
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Income from sales of properties	<b>2,355,180</b>	2,720,853
Gross rental income	<b>27,234</b>	17,751
Others	<b>34,411</b>	24,093
	<b><u>2,416,825</u></b>	<u>2,762,697</u>

The Group's customer base is diversified and none of the customers of the Group with whom transactions have exceeded 10% of the Group's revenue.

### 3 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after (crediting)/charging:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
<b>(a) Net finance expenses</b>		
Interest income	(5,189)	(5,443)
Exchange gain	<u>(1,020)</u>	<u>(35)</u>
Finance income	----- (6,209)	----- (5,478)
Interest expense and other borrowing costs on loans and borrowings wholly repayable within five years	468,450	214,659
Less: Interest capitalised ( <i>Note</i> )	<u>(426,976)</u>	<u>(199,244)</u>
Finance expenses	----- 41,474	----- 15,415
Net finance expenses	<u><u>35,265</u></u>	<u><u>9,937</u></u>

*Note:* Borrowing costs have been capitalised at an average rate of 11.08% per annum (2013: 9.9% per annum).

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
<b>(b) Staff costs</b>		
Wages, salaries and other staff costs	86,076	99,034
Contributions to retirement benefits scheme	7,825	8,404
Equity settled share-based payment expenses	<u>367</u>	<u>491</u>
	<u><u>94,268</u></u>	<u><u>107,929</u></u>
	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
<b>(c) Other items</b>		
Depreciation and amortisation	27,860	18,773
Auditors' remuneration	3,994	3,279
Gain on disposal of property, plant and equipment	(932)	(643)
Operating lease charges on hire of property	17,804	11,786
Rentals receivable less direct outgoings of RMB5,047,000 (2013: RMB3,056,000)	<u>(22,187)</u>	<u>(14,695)</u>

## 4 INCOME TAX

### (a) Income tax in the consolidated income statement represents:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
<b>Current tax</b>		
PRC Corporate Income Tax ( <i>note 4(c)</i> )	119,025	69,442
PRC Land Appreciation Tax ( <i>note 4(c)</i> )	149,739	86,580
	<u>268,764</u>	<u>156,022</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences ( <i>note 4(d)</i> )	35,574	(1,170)
	<u>304,338</u>	<u>154,852</u>

- (i) Pursuant to the rules and regulations of the British Virgin Islands (“the BVI”) and the Cayman Islands, the Group is not subject to any income tax in the BVI or the Cayman Islands.
- (ii) No Hong Kong Profits Tax has been provided for as the Group’s Hong Kong operations do not give rise to estimated assessable profits during the current and prior years.
- (iii) **PRC Corporate Income Tax (“CIT”)**

The provision for CIT is based on the respective applicable rates on the estimated assessable profits of the Group’s subsidiaries in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC.

The PRC subsidiaries of the Group were charged at a CIT rate of 25% (2013: 25%) on estimated assessable profits for the year, in accordance with the actual taxation method (查賬徵收) approved by local tax bureau pursuant to the applicable PRC tax regulations. For the year ended 31 December 2013, certain subsidiaries of the Group were subject to CIT calculated based on the deemed profit which represents 13% to 15% of their revenue in accordance with the authorised taxation method (核定徵收). The tax rate was 25% on the deemed profit. No entities of the Group were taxed under the authorised taxation method for the current year.



**(iv) PRC Land Appreciation Tax (“LAT”)**

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例) effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例實施細則) effective from 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 property sales of ordinary residential properties (普通標準住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items.

Certain subsidiaries of the Group were subject to LAT which is calculated based on 1% to 5% (2013: 1% to 5%) of their revenue in accordance with the authorised taxation method approved by respective local tax bureau.

**(v) Withholding tax**

Withholding taxes are levied on the non-PRC resident entities in respect of dividend distribution arising from profit of PRC subsidiaries earned after 1 January 2008 at a rate of 10%. No deferred tax liabilities were recognised (2013: Nil) for the undistributed earnings of the Group’s PRC subsidiaries earned for the year ended 31 December 2014 since it is not probable that they will be distributed to their immediate holding company outside PRC in the foreseeable future.

**(b) Reconciliation between tax expense and profit before taxation at applicable tax rates:**

	<b>2014</b>	2013
	<b>RMB’000</b>	RMB’000
Profit before taxation	<b>586,219</b>	413,636
Notional tax on profit before taxation calculated at the rates applicable to the jurisdictions concerned	<b>152,789</b>	105,081
Non-deductible expenses	<b>17,900</b>	6,891
PRC Land Appreciation Tax	<b>149,739</b>	86,580
PRC Land Appreciation Tax deductible for PRC Corporate Income Tax	<b>(16,090)</b>	(215)
Tax effect of adopting authorised taxation method (CIT)	–	(43,485)
Actual tax expense	<b>304,338</b>	154,852

(c) Current taxation in the consolidated balance sheet represents:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
<b>PRC Corporate Income Tax</b>		
At 1 January	27,532	19,511
Charged to profit or loss ( <i>note 4(a)</i> )	119,025	69,442
Tax paid	<u>(62,160)</u>	<u>(61,421)</u>
At 31 December	<u>84,397</u>	<u>27,532</u>
<b>PRC Land Appreciation Tax</b>		
At 1 January	129,875	105,783
Charged to profit or loss ( <i>note 4(a)</i> )	149,739	86,580
Tax paid	<u>(90,557)</u>	<u>(62,488)</u>
At 31 December	<u>189,057</u>	<u>129,875</u>
Total	<u><u>273,454</u></u>	<u><u>157,407</u></u>
<b>Representing:</b>		
Prepaid tax	28,195	48,276
Current taxation	<u>(301,649)</u>	<u>(205,683)</u>
	<u><u>(273,454)</u></u>	<u><u>(157,407)</u></u>

**(d) Deferred tax assets/(liabilities)**

The components of deferred tax assets/(liabilities) recognised in the consolidated balance sheet and the movements during the year are as follows:

	Revaluation of properties <i>RMB'000</i>	Pre-sale of properties <i>RMB'000</i>	Withholding tax <i>RMB'000</i>	Deductibility of LAT <i>RMB'000</i>	Tax loss <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2013	(43,018)	16,736	(19,400)	(274)	3,568	723	(41,665)
(Charged)/credited to the profit or loss ( <i>note 4(a)</i> )	(11,442)	6,260	–	9,350	(3,091)	93	1,170
At 31 December 2013	<u>(54,460)</u>	<u>22,996</u>	<u>(19,400)</u>	<u>9,076</u>	<u>477</u>	<u>816</u>	<u>(40,495)</u>
At 1 January 2014	(54,460)	22,996	(19,400)	9,076	477	816	(40,495)
(Charged)/credited to the profit or loss ( <i>note 4(a)</i> )	(28,252)	(22,996)	–	16,958	(477)	(807)	(35,574)
At 31 December 2014	<u>(82,712)</u>	<u>–</u>	<u>(19,400)</u>	<u>26,034</u>	<u>–</u>	<u>9</u>	<u>(76,069)</u>

**Representing:**

	<b>2014</b> <b><i>RMB'000</i></b>	2013 <i>RMB'000</i>
Deferred tax assets	<b>28,870</b>	34,178
Deferred tax liabilities	<b>(104,939)</b>	(74,673)
	<b><u>(76,069)</u></b>	<b><u>(40,495)</u></b>

**(e) Deferred tax assets and liabilities not recognised**

At 31 December 2014 and 2013, the Group has no material deferred tax assets and liabilities which have not been recognised in the financial statements.

## 5 DIVIDENDS

### (i) Dividends payable to equity shareholders of the Company attributable to the year

	<b>2014</b> <i>RMB'000</i>	2013 <i>RMB'000</i>
Final dividend proposed after the end of the balance sheet date of HK2.0 cents (equivalent to RMB1.6 cents) per ordinary share (2013: HK3.5 cents (equivalents to RMB2.8 cents) per ordinary share)	<u><b>16,000</b></u>	<u>28,000</u>

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date. The proposed final dividend is subject to the shareholders' approval at the forthcoming annual general meeting.

### (ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	<b>2014</b> <i>RMB'000</i>	2013 <i>RMB'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year, of HK3.5 cents (equivalents to RMB2.8 cents) per ordinary share (2013: HK1.5 cents (equivalents to RMB1.2 cents) per ordinary share)	<b>27,798</b>	11,952
Special dividend declared and paid of HK1 cent (equivalents to RMB0.79 cents) per ordinary share (2013: HK1 cent (equivalents to RMB0.78 cents) per ordinary share)	<u><b>7,926</b></u>	<u>7,849</u>
	<u><b>35,724</b></u>	<u>19,801</u>

## 6 EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB281,881,000 (2013: RMB258,784,000) and the weighted average of 1,000,052,329 ordinary shares (2013: 1,000,000,000 ordinary shares) in issue during the year.

**(b) Diluted earnings per share**

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB281,881,000 (2013: RMB258,784,000) and the weighted average number of ordinary shares of 1,003,485,744 shares (2013: 1,001,198,403 shares), calculated as follows:

**(i) Profit attributable to ordinary equity shareholders of the Company (basic and diluted)**

	<b>2014</b> <b>RMB'000</b>	2013 <b>RMB'000</b>
Profit attributable to ordinary equity shareholders (basic and diluted)	<b>281,881</b>	258,784

**(ii) Weighted average number of ordinary shares (diluted)**

	<b>2014</b> <b>'000</b>	2013 <b>'000</b>
Weighted average number of ordinary shares at 31 December	<b>1,000,052</b>	1,000,000
Effect of dilutive potential shares – share options	<b>2,359</b>	1,198
Effect of dilutive potential shares – warrants	<b>1,075</b>	–
Weighted average number of ordinary shares (diluted) at 31 December	<b>1,003,486</b>	1,001,198

**7 INVESTMENT PROPERTIES**

	<b>2014</b> <b>RMB'000</b>	2013 <b>RMB'000</b>
At 1 January	<b>607,554</b>	433,253
Transfer in from completed properties held for sale	<b>46,627</b>	118,249
Transfer in from fixed assets	–	3,929
Increase in fair value	<b>49,302</b>	52,123
At 31 December	<b>703,483</b>	607,554

**Representing:**

Valuation	<b>703,483</b>	607,554
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**Basis of valuation of investment properties**

All investment properties of the Group were revalued as at 31 December 2014 by an independent firm of surveyors, Jones Lang LaSalle Corporate Appraisal and Advisory Limited, who has among their staff, Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued on an open market value basis calculated by reference to net rental income and allowance for reversionary income potential.

## 8 INVENTORIES

Inventories in the consolidated balance sheet comprise:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Properties held for future development for sale	591,563	320,362
Properties under development for sale	3,810,962	2,001,225
Completed properties held for sale	1,641,667	1,516,995
Others	7,238	3,260
	<u>6,051,430</u>	<u>3,841,842</u>

## 9 TRADE AND OTHER RECEIVABLES

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Trade receivables ( <i>note (a)</i> )	54,271	19,222
Deposits, prepayments and other receivables	1,866,668	2,580,485
	<u>1,920,939</u>	<u>2,599,707</u>

All of the trade and other receivables, except rental deposits amounting to RMB8,786,000 (2013: RMB5,832,000), are expected to be recovered within one year.

### (a) Ageing analysis

The ageing analysis of trade receivables, all of which are neither individually nor collectively considered to be impaired, are as follows:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Current or less than 1 month overdue	40,861	13,824
3 months to 1 year overdue	13,410	5,398
	<u>54,271</u>	<u>19,222</u>

The trade receivables represented the amount due from the purchasers of the Group's properties. In most cases, the Group receives full payments from properties purchasers by way of initial payment and their mortgage loans from banks. For industrial properties, the Group allows certain purchasers, after assessment of their credit information, to pay by instalments within a maximum period of two years.

## 10 BANK LOANS – SECURED

(a) At 31 December 2014, bank loans were repayable as follows:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Within one year or on demand	53,000	193,432
After one year but within two years	159,710	53,000
After two years but within five years	209,000	323,000
	<u>368,710</u>	<u>376,000</u>
	<u>421,710</u>	<u>569,432</u>

(b) At 31 December 2014, assets of the Group against which bank loans are secured:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Properties under development for sale	126,535	32,264
Completed properties held for sale	298,050	327,367
Property, plant and equipment	–	373,459
Investment properties	82,096	–
Restricted cash	–	18,104
	<u>506,681</u>	<u>751,194</u>

## 11 OTHER LOANS – SECURED

(a) At 31 December 2014, other loans were repayable as follows:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Within one year or on demand	1,751,390	522,200
After one year but within two years	945,550	829,800
After two years but within five years	–	110,000
	<u>945,550</u>	<u>939,800</u>
	<u><u>2,696,940</u></u>	<u><u>1,462,000</u></u>

(b) At 31 December 2014, assets of the Group against which other loans are secured:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Properties held for future development for sale	49,497	93,744
Properties under development for sale	1,702,919	979,402
Completed properties held for sale	774,644	272,411
Fixed assets	375,562	–
Investment properties	182,511	238,937
	<u>3,085,133</u>	<u>1,584,494</u>



## 12 TRADE AND OTHER PAYABLES

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Trade payables ( <i>note (a)</i> )	104,064	136,178
Receipts in advance ( <i>note (b)</i> )	1,326,802	1,273,099
Other payables and accruals ( <i>notes (c), (d) and (e)</i> )	1,922,093	2,108,148
Amounts due to the ultimate holding company ( <i>note (f)</i> )	4,532	6,734
Amounts due to related parties ( <i>note (f)</i> )	1,463	54,435
Limited partners' interest ( <i>note (g)</i> )	537,460	436,044
	<u>3,896,414</u>	<u>4,014,638</u>

(a) An ageing analysis of trade payables are set out as follows:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Due within 1 month or on demand	<u>104,064</u>	<u>136,178</u>

- (b) Included in receipts in advance were deferred income which were expected to be recognised in profit or loss after more than one year amounted to RMB68,998,000 (2013: RMB68,463,000).
- (c) Included in other payables and accruals of the Group were retention payables which were expected to be settled after more than one year amounted to RMB101,652,000 (2013: RMB163,413,000).
- (d) Included in other payables and accruals were accrued construction costs to Hebei Tian Shan Industrial Group Construction Engineering Company Limited ("Tianshan Construction") amounting to RMB244,981,000 (2013: RMB394,469,000).
- (e) Included in other payables and accruals were provision for additional settlement costs of RMB138,129,000 (2013: RMB132,905,000) in respect of the resettlement plan of one of the Group's projects.
- (f) Amounts due to the ultimate holding company, Neway Enterprises Limited, and related parties are unsecured, interest-free and repayable on demand.
- (g) Limited partners' interest represented contributions from limited partners of partnerships over which the Group has control. Based on the partnership agreements, the Group has the contractual obligation to pay interest expenses to those limited partners at rates ranging from 12.5% to 15.0% per annum. The interest expenses are payable annually in arrears. The contributions have been recognised initially at fair value thereon are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

## 13 PROMISSORY NOTES/WARRANTS

### Liquidity component of the promissory notes:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
HK\$300 million promissory note ( <i>note (i)</i> )	238,518	236,167
US\$30 million promissory note ( <i>note (ii)</i> )	186,522	–
	<u>425,040</u>	<u>236,167</u>

- (i) On 30 October 2013, the Company issued a promissory note with principal amount of HK\$300,000,000 and 10,752,000 warrants to a third party. The promissory note is interest-bearing at 15% per annum and the interest is payable quarterly in arrears. The maturity date of the note is 29 October 2016 or 29 October 2018 if so extended when prior written consent of the holder and of the Company is obtained. The promissory note is secured jointly and severally by guarantees of one of the directors, Mr Wu Zhen Shan, and Neway Enterprises Limited (the controlling shareholder of the Company).

Detachable from the promissory note, each warrant may be exercised from the date of issue up to 29 October 2016 or so extended up to 29 October 2018 at an initial exercise price, subject to anti-dilutive adjustments, of HK\$2.79 per ordinary share of the Company. The warrants are classified as equity instruments of the Company.

- (ii) On 28 April 2014, the Company issued a promissory note with principal amount of US\$30,000,000 and 7,069,486 warrants to a third party. The promissory note is interest-bearing at 15% per annum and the interest is payable quarterly in arrears. The maturity date of the note is 28 April 2016 or 28 April 2017 if so extended when prior written consent of the holder and of the Company is obtained. The promissory note is secured jointly and severally by guarantees of one of the directors, Mr Wu Zhen Shan, and Neway Enterprises Limited (the controlling shareholder of the Company).

Detachable from the promissory note, each warrant may be exercised from the date of issue up to 28 April 2016 or so extended up to 28 April 2017 at an initial exercise price, subject to anti-dilutive adjustments, of HK\$3.31 per ordinary share of the Company. The warrants are classified as equity instruments of the Company.

## 14 COMMITMENTS

### Capital commitments outstanding at 31 December 2014 not provided for in the financial statements are set out as follows:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Authorised but not contracted for	9,223,181	6,238,624
Contracted but not provided for	<u>2,513,654</u>	<u>2,228,308</u>
	<u>11,736,835</u>	<u>8,466,932</u>

Capital commitments mainly related to land and development costs for the Group's properties under development.

## 15 CONTINGENT LIABILITIES

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties ( <i>note (i)</i> )	2,721,915	2,284,300
Guarantee provided to a bank in respect of facility granted to a related party ( <i>note (ii)</i> )	<u>69,300</u>	<u>84,700</u>
	<u><u>2,791,215</u></u>	<u><u>2,369,000</u></u>

### Notes:

- (i) The Group provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default in the mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to banks. The Group's guarantee period commences from the dates of grants of the relevant mortgage loans and ends after the purchasers obtain the individual property ownership certificates of the properties purchased. The maximum amounts of guarantees given to banks for mortgage facilities granted to the purchasers of the Group's properties at 31 December 2014 are RMB2,721,915,000 (2013: RMB2,284,300,000).

The directors consider that it is not probable that the Group will suffer a loss under these guarantees as during the periods under guarantees, the Group can take over the ownerships of the related properties and sell the properties to recover any amounts paid by the Group to the banks. The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the directors. The directors also consider that the market value of the underlying properties is able to cover the outstanding mortgage loans guaranteed by the Group in the event the purchasers default payments to the banks.

- (ii) The Company and its subsidiary, Tian Shan Real Estate Development Group Limited ("Tian Shan Real Estate"), jointly entered into an agreement with Tianshan Construction, pursuant to which the Company agreed to provide a repayment guarantee whereas Tian Shan Real Estate agreed to provide a repayment guarantee and charge over its investment properties, in favour of a banking facility of RMB53,000,000 (2013: RMB53,000,000) granted to Tianshan Construction. Under the guarantee, the Company and Tian Shan Real Estate shall unconditionally guarantee to pay the indebtedness, including: (i) the principal amount of the facility; (ii) the accrued interest during the term of facility and overdue interest that may incurred; and (iii) any expenses and fees incurred by the bank to enforce the guarantee.

As at 31 December 2014, the aggregate amount drawn under the banking facility by Tianshan Construction amounted to RMB53,000,000 (2013: RMB53,000,000). The guarantee amount represents the potential maximum exposure of the Group in accordance with the above guarantees.

## 16 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the balances and transactions disclosed elsewhere in the financial statements, the Group had the following significant transactions with related parties:

### Transactions with the Group's affiliated companies and their directors

	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
Construction cost ( <i>note (i)</i> )	273,677	302,055
Rental expense ( <i>note (ii)</i> )	386	386
Guarantee fee income ( <i>note (iii)</i> )	<u>(2,567)</u>	<u>(2,678)</u>

#### Notes:

- (i) The Group received construction services rendered by Tianshan Construction, a company wholly owned by the controlling shareholders of the Group. The directors consider that the terms of such work were carried out on normal commercial terms and in the ordinary course of the Group's business, except for a longer credit term granted to the Group.
- (ii) The balance represents rental expenses paid to Tianshan Construction for office and staff quarter occupied by the Group.
- (iii) The balance represents the guarantee fee received from Tianshan Construction in respect of investment properties of the Group secured against a banking facility of Tianshan Construction.
- (iv) The Group received property management services in relation to the unsold properties from Shijiazhuang Tian Shan Property Management Company Limited, a company wholly owned by the controlling shareholders of the Group, with no consideration.
- (v) The Group was granted a license to use the trademark "Tian Shan" pursuant to the relevant trademark licence agreement entered into between Hebei Tianshan Industrial Group Company Limited, a company wholly owned by the controlling shareholders of the Group as licensor and Tian Shan Real Estate, a subsidiary of the Group as licensee at nil consideration.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND PROSPECTS

#### Property Development and Investment

Tian Shan Development (Holding) Limited (the “Company”, together with its subsidiaries, the “Group”) is one of the leading property developers currently focusing on developing quality residential properties and industrial properties in Bohai Economic Rim. As at 31 December 2014, the Group had 17 property projects under development primarily in Shijiazhuang, Tianjin, Shangdong and Chengde.

The Group’s brand “Tian Shan” is well recognised by its customers. The Group’s business objective is to provide a comfortable living environment to its customers. With the continued growth of China’s economic especially the strong economic growth in the Bohai Economic Rim, during the year under review, the Group also recorded a satisfactory turnover and delivered gross floor area of RMB2,416.8 million and 437,214 sq.m., respectively. The total contracted sales amount was of RMB2,547.3 million or contracted sales gross floor area was of 457,611 sq.m. for the year under review.

In March 2014, the Tian Shan Real Estate Development Group Limited, a wholly-owned subsidiary of the Company established in the PRC, has entered into a co-operation agreement (the “Co-operation Agreement”) with two independent third parties to develop a commercial and residential property project with a site area of approximately 216,704 sq.m. located in Tangshan Phoenix New Town by (i) capital injection of RMB35,000,000 (equivalent to 70% equity interest of the enlarged registered capital) to Tangshan Infrastructure Property Development Limited, (“Tangshan Real Estate”) a limited liability company established in the PRC, upon capital increase proposal being approved by the government and (ii) committed to grant loans in aggregate of RMB821,902,000 to Tangshan Real Estate. As at 31 December 2014, the Group had paid RMB200,000,000 deposit to Tangshan Real Estate. Further details of the Co-operation Agreement were set out in the Company’s announcement dated 28 March 2014 and circular dated 27 June 2014. In April 2014, the Company has successfully issued a promissory note in the principal amount of US\$30,000,000 to Chance Talent Management Limited, an independent third party (the “Investor”). The promissory note will mature in two years, or if prior written consent of the holder of the promissory note and the Company is obtained before maturity date, the terms of the promissory note will be extended for a further one year. In connection with the promissory note, the Company has also issued warrants to the Investor for nil consideration which enables the Investor to subscribe for a maximum of 7,069,486 Company’s shares at an initial price of HK\$3.31 per share (subject to adjustment). On the date of issue, the closing price of the shares of the Company was HK\$2.98 per share. The fund is applied to the Group for property development. Further details of the promissory note and the warrants are set out in the Company’s announcement dated 2 April 2014.

During the year, the Group has replenished its land bank by acquiring certain new land parcels in Hebei Province. One of the most remarkable land parcel acquired is located in the center of Shijiazhuang City which was acquired through open market bidding arranged by local land bureau on 31 October 2013 at approximately RMB1,206 million. The land has a site area of approximately 58,332 sq.m. and planned gross floor area of approximately 285,313 sq.m. and it is intended to be developed into high-grade residential properties for sale. It has started its construction and pre-sale during the second half year of 2014.

During the year under review, the Group has also acquired another land parcel in Shijiazhuang of site area approximately 39,725 sq.m. which is intended to be develop into commercial properties with gross floor area of 214,400 sq.m. for sale in coming two years' time.

The Directors are optimistic that the Group will continue its growth by developing and sale of property projects in these new land banks.

The Group had in the year under review further expanded certain commercial properties in *Tian Shan Science and Technology Industrial Park* and *Luancheng Tian Shan Logistics Park* as investment properties for rental income to promote a more balanced cash flow from rental income in the long run.

In 2011, the Group had entered into a joint venture property development project (the "CBD Project") with Taiwan Durban Development Co., Limited ("Durban") in relation to demolition of total site areas of approximately 593,336 sq.m. at Liu Village, Hi-technology Industry Development Zone, Shijiazhuang, PRC. The CBD Project also involves the construction of approximately 630,000 sq.m., of which 500,000 sq.m. for re-settlement property and 130,000 sq.m. for community commercial property. As of 31 December 2014, the Group had invested RMB803.0 million to the CBD Project and recorded in the balance sheet as other receivables. The demolition and the construction of re-settlement property was originally planned to be completed by the end of 2013, as the Village Committee of Liu Village is still engaging in negotiation with some of the affected villagers regarding the transitional compensation for demolition which affect the whole demolition process, as such, the CBD Project will be delayed until further notice. The Group expects no recoverability problem of the investment as the relevant sum will be recovered after the bidding of the relevant land in due course. As mentioned in prior years, Durban's injection of its committed capital to the CBD Project was delayed due to foreign currency control of the PRC. In recent communications with Durban, Durban has expressed their intention to cease their participation in the CBD Project. The Group is assessing the possibility of the cessation of Durban's involvement and making discussions with the Liu Village Command about the arrangements. The Directors consider that in case that Durban finally determines not to continue to participate in the CBD Project, this will not have any significant impact on the Group's financial position because Durban has not yet made any capital investment in past years. No gain or loss will be recorded therefrom.

The Group is committed to continue its successful track record in the development of quality residential and industrial property projects in the Bohai Economic Rim and in the future, will explore the potential of developing property prospects in other provinces in the PRC.

## **FINANCIAL REVIEW**

The Group's turnover decreased by 12.5% to RMB2,416.8 million from RMB2,762.7 million as compared with the prior year. During the year under review, the Group's turnover was principally from the sales and delivery of residential and industrial property projects, namely *Tianjin Tian Shan Wonderful Waterside View (Phases I and II)*, *Tianshan Auspicious Lake*, *Yuanshi Tian Shan Waterside View*, and *Tian Shan Science and Technology Industrial Park*, etc.

The cost of sales decreased by 23.8% to RMB1,525.2 million from RMB2,000.8 million as compared with the prior year. The decrease was mainly in line with the decrease in the turnover during the year.

As a result of the foregoing, the amount of the gross profit increased by 17.0% to RMB891.7 million from RMB761.9 million, and the gross profit margin for the year under review has increased to approximately 36.9% as compared with that of 27.6% for the preceding year. The increase in gross profit margin was mainly due to the current year recorded sales of certain commercial properties of *Tianjin Tian Shan Wonderful Waterside View (Phases I and II)* and residential properties of *Tianshan Auspicious Lake* which have higher gross profit margin than other residential property projects delivered in the prior year.

The Group's selling and marketing expenses decreased by approximately 26.6% to RMB165.0 million from RMB224.9 million. The decrease was primarily due to many promotion campaigns launched in prior year for the promotion of the *Tianshan Auspicious Lake* and the grand opening of Tianjin Waterpark. In addition, during the year, comparatively more industrial and commercial properties sales were initiated by internal sales staff with lower commission rate than external sales agents.

The Group's administrative expenses slightly decreased by approximately 4.3% to RMB168.8 million from RMB176.4 million. The decrease was primarily due to decrease in staff costs, travelling and other general office expenses.

The Group's income tax expense increased by RMB149.4 million to approximately RMB304.3 million from RMB154.9 million. The increase was primarily due to (i) more corporate income tax as more taxable profit was earned and (ii) more land appreciation tax for the higher profit margin properties sales recorded during the year.

As a result of the above, the Group recorded an increase of 8.9% in net profit to approximately RMB281.9 million as compared with preceding year of RMB258.8 million.

### **Current Assets and Liabilities**

As at 31 December 2014, the Group had total current assets of approximately RMB8,652.3 million (2013: RMB7,199.1 million), comprising mainly inventories, trade and other receivables, and restricted cash and cash and cash equivalents.

As at 31 December 2014, the Group had total current liabilities of approximately RMB6,002.5 million (2013: RMB4,936.0 million), comprising mainly bank and other borrowings, trade and other payables and taxation.

As at 31 December 2014, the current ratio (calculated as the total current assets divided by the total current liabilities) was 1.4 (2013: 1.5).

### **Financial Resources, Liquidity and Gearing Ratio**

The Group financed its property projects primarily through the shareholders equity, bank and other borrowings, promissory note and sales/pre-sales proceeds from completed properties/properties under development.

As at 31 December 2014, the gearing ratio (calculated as net debt divided by total equity) is as follows:

	<b>2014</b> <i>RMB'000</i>	2013 <i>RMB'000</i>
Total bank and other borrowings	<b>3,118,650</b>	2,031,432
Promissory notes	<b>425,040</b>	236,167
Bond payables	<b>18,912</b>	–
Less: Cash and cash equivalents	<b>(599,968)</b>	(641,801)
Net debt	<b><u>2,962,634</u></b>	<u>1,625,798</u>
Total equity	<b><u>1,998,720</u></b>	<u>1,747,933</u>
Gearing ratio	<b><u>1.48</u></b>	<u>0.93</u>

The gearing ratio increased from 0.93 to 1.48 was primarily due to the net effect of the increase in bank and other loans of approximately RMB1,087.2 million, the increase of promissory note RMB190.5 million, the increase in total equity by the profit earned during the year of RMB281.9 million and the decrease in cash and cash equivalents by RMB41.8 million.

### Charge on Assets

At 31 December 2014, assets of the Group against which bank and other loans are secured:

	<b>2014</b> <i>RMB'000</i>	2013 <i>RMB'000</i>
Properties held for future development for sale	<b>49,497</b>	93,744
Properties under development for sale	<b>1,829,454</b>	1,011,666
Completed properties held for sale	<b>1,072,694</b>	599,778
Property, plant and equipment	<b>375,562</b>	373,459
Investment properties	<b>264,607</b>	238,937
Restricted cash	<b>–</b>	18,104
	<b><u>3,591,814</u></b>	<u>2,335,688</u>

In addition, as of 31 December 2014, the Group had total restricted cash of RMB51.8 million (2013: RMB67.5 million) deposited with certain banks as guarantee deposits against certain mortgage loan facilities granted by the banks to purchasers of the Group's properties.



## **Employees' Remuneration and Benefits**

As at 31 December 2014, the Group employed a total of 1,791 employees (2013: 1,488 employees). The compensation package of the employees includes basic salary and bonus which depends on the employee's actual performance against target. In general, the Group offered competitive salary package, social insurance, pension scheme to its employees based on the current market salary levels. A share option scheme has also been adopted for employees of the Group.

## **Foreign Exchange and Currency Risk**

The Group's businesses are principally conducted in RMB, therefore, the Group does not expose to significant foreign currency exchange risks as of 31 December 2014 and the Group does not employ any financial instruments for hedging purposes.

In addition, RMB is not a freely convertible currency and the PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future. Changes in the foreign exchange control system may prevent the Group from satisfying sufficient foreign currency demands of the Group.

## **Capital Expenditure**

During the year, the Group incurred capital expenditure in the amount of approximately RMB3,747.6 million (2013: RMB2,450.0 million) comprising primarily land and development costs of property projects.

## **Contingent Liabilities**

Except for the guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties of RMB2,721.9 million (2013: RMB2,284.3 million) and the guarantee provided to a bank in respect of banking facility granted to a related party of RMB69.3 million (2013: RMB84.7 million), the Group had no material contingent liability as at 31 December 2014.

## **Final Dividend**

The Directors have recommended the payment of a final dividend of HK2.0 cents (2013: HK3.5 cents) per ordinary share for the year ended 31 December 2014.

## **Substantial Acquisition and Disposal**

Save as the entering into the Co-operation Agreement in March 2014, the Group has not participated in any substantial acquisition or disposal during the year under review.

## **Substantial Investments**

As at 31 December 2014, the Group did not hold any significant investments and there were no intended plans for material investments which are expected to be carried out in the coming year.

## **DIVIDEND AND BOOK CLOSE**

The Board has recommended a final dividend of HK2.0 cents (2013: HK3.5 cents) per ordinary share for the year ended 31 December 2014 payable to shareholders whose names appear on the register of members of the Company on Friday, 12 June 2015. Subject to the shareholders approval at the forthcoming annual general meeting, the proposed final dividend will be distributed on Monday, 29 June 2015.

The register of members of the Company will be closed from Wednesday, 27 May 2015 to Friday, 29 May 2015 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to determine the identity of the shareholders who are entitled to attend and vote at the forthcoming annual general meeting of the Company to be held on Friday, 29 May 2015, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 22/F, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 26 May 2015.

In addition, the register of members of the Company will be closed from Wednesday, 10 June 2015 to Friday, 12 June 2015 (both days inclusive) for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to determine the identity of the shareholders who are entitled to the proposed final dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 22/F, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 9 June 2015.

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

## **CORPORATE GOVERNANCE**

The Company is committed to maintaining a high standard of corporate governance within a sensible framework with an emphasis on the principles of integrity, transparency and accountability. The board of directors of the Company (the "Board") believes that good corporate governance is essential to the success of the Company and to the enhancement of shareholders' value.

The Company has complied with the code provisions set out in the Corporate Governance Code (the "Corporate Governance Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2014 (the "Review Period").

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors’ securities transactions.

The Company confirms that, having made specific enquiry of all the directors, all directors have complied with the required standards as set out in the Model Code throughout the year ended 31 December 2014.

## **AUDIT COMMITTEE**

Pursuant to Rule 3.21 of the Listing Rules, an audit committee was established by the Board on 16 June 2010 with written terms of reference in compliance with the Corporate Governance Code. The principal duties of the audit committee include the review of the Group’s financial reporting procedure, internal controls and financial results. The audit committee comprises the three independent non-executive directors, namely Mr. TIAN Chong Hou, Mr. WANG Ping and Mr. CHEUNG Ying Kwan. Mr. CHEUNG Ying Kwan is the chairman of the audit committee.

The Company held two audit committee meetings during the Review Period to review financial results and internal control system of the Group and all members have attended. The Group’s annual results for the year ended 31 December 2014 have been reviewed by the Company’s audit committee.

## **SCOPE OF WORK OF KPMG**

The figures in respect of the preliminary announcement of the Group’s results for the year ended 31 December 2014 have been compared by the Company’s auditors, KPMG, Certified Public Accountants, to the amounts set out in the Group’s financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditors on this announcement.

By order of the Board  
**Tian Shan Development (Holding) Limited**  
**Wu Zhen Shan**  
*Chairman*

Hong Kong, 26 March 2015

*As at the date of this announcement, the executive directors of the Company are Mr. Wu Zhen Shan, Mr. Wu Zhen Ling, Mr. Zhang Zhen Hai and Mr. Wu Zhen He; and the independent non-executive directors of the Company are Mr. Tian Chong Hou, Mr. Wang Ping and Mr. Cheung Ying Kwan.*