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

Annual Report 2014

Contents

Corporate Information

DIRECTORS

Executive Directors

Mr. WU Zhen Shan *(Chairman)*
Mr. WU Zhen Ling
Mr. ZHANG Zhen Hai
Mr. WU Zhen He

Independent Non-Executive Directors

Mr. TIAN Chong Hou
Mr. WANG Ping
Mr. CHEUNG Ying Kwan

COMPANY SECRETARY

Mr. CHEUNG Siu Yiu, *FCPA, FCCA, FCA*

AUTHORISED REPRESENTATIVES

Mr. WU Zhen Shan
Mr. CHEUNG Siu Yiu

AUDIT COMMITTEE

Mr. CHEUNG Ying Kwan *(Chairman)*
Mr. TIAN Chong Hou
Mr. WANG Ping

REMUNERATION COMMITTEE

Mr. WU Zhen Shan
Mr. WU Zhen Ling
Mr. TIAN Chong Hou *(Chairman)*
Mr. WANG Ping
Mr. CHEUNG Ying Kwan

NOMINATION COMMITTEE

Mr. WU Zhen Shan *(Chairman)*
Mr. WU Zhen Ling
Mr. TIAN Chong Hou
Mr. WANG Ping
Mr. CHEUNG Ying Kwan

COMPANY WEBSITE

www.tian-shan.com

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

No. 109 Tianshan Avenue
Shijiazhuang Hi-Tech Industry Development Zone
Shijiazhuang, Hebei Province
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 1205-1207, 12th Floor,
Dah Sing Financial Centre
108 Gloucester Road
Wanchai
Hong Kong

REGISTERED OFFICE IN CAYMAN ISLANDS

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

AUDITORS

KPMG
Certified Public Accountants

PRINCIPAL SHARE REGISTER AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Appleby Trust (Cayman) Ltd.
Clifton House, 75 Fort Street
PO Box 1350, Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTER AND TRANSFER OFFICE

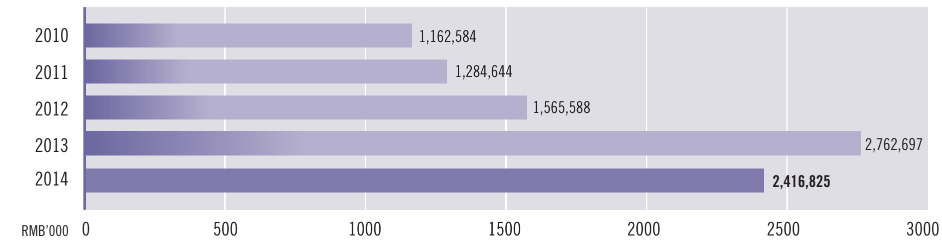
Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Financial Highlights

	Year ended 31 December				
	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	**2,416,825**	2,762,697	1,565,588	1,284,644	1,162,584
Gross profit	**891,668**	761,916	404,325	257,416	381,801
Profit for the year	**281,881**	258,784	208,033	218,036	199,491
Basic earnings per share (RMB cents)	**28.19**	25.88	20.80	21.80	23.95
Delivered gross floor area	**437,214 sq.m.**	866,199 sq.m.	390,761 sq.m.	278,492 sq.m.	442,482 sq.m.
Contracted sales	**2,547,300**	2,593,900	1,419,800	1,352,600	1,432,200
Contracted sales gross floor area	**457,611 sq.m.**	724,337 sq.m.	302,120 sq.m.	427,364 sq.m.	791,580 sq.m.

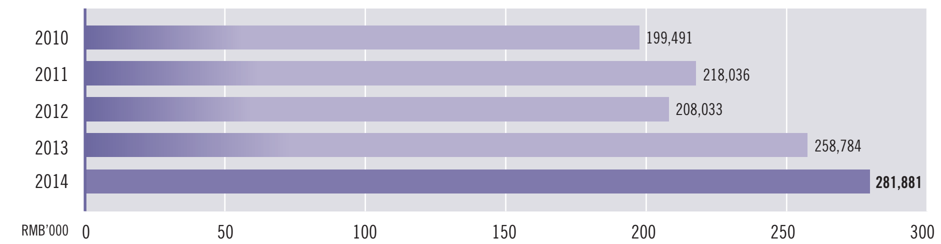
Turnover

Year ended 31 December



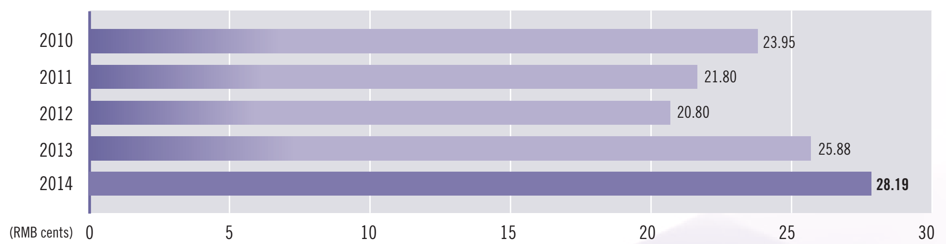
Profit for the year

Year ended 31 December



Basic earnings per share

Year ended 31 December



Property Portfolio

Property Portfolio

Tianshan Auspicious Lake

Weihai Tian Shan Waterside View (Phase I)

Tian Shan Science and Technology Industrial Park

Tianjin Tian Shan Wonderful Waterside View
(Phase II • Longxi)

Tianjin Tian Shan Wonderful Waterside View
(Phase II)

Tianjin Tian Shan Wonderful Waterside View
(Commercial Street)

Chairman Statement

2014 was a challenging year for the economy. Nevertheless, benefited from our staff's concerted efforts and enthusiasm, the Group was able to further improve its abilities in product operation and operation management, increase its innovation capacity, enhance its brand image and corporate culture and extend its social influence, achieving a steady development.

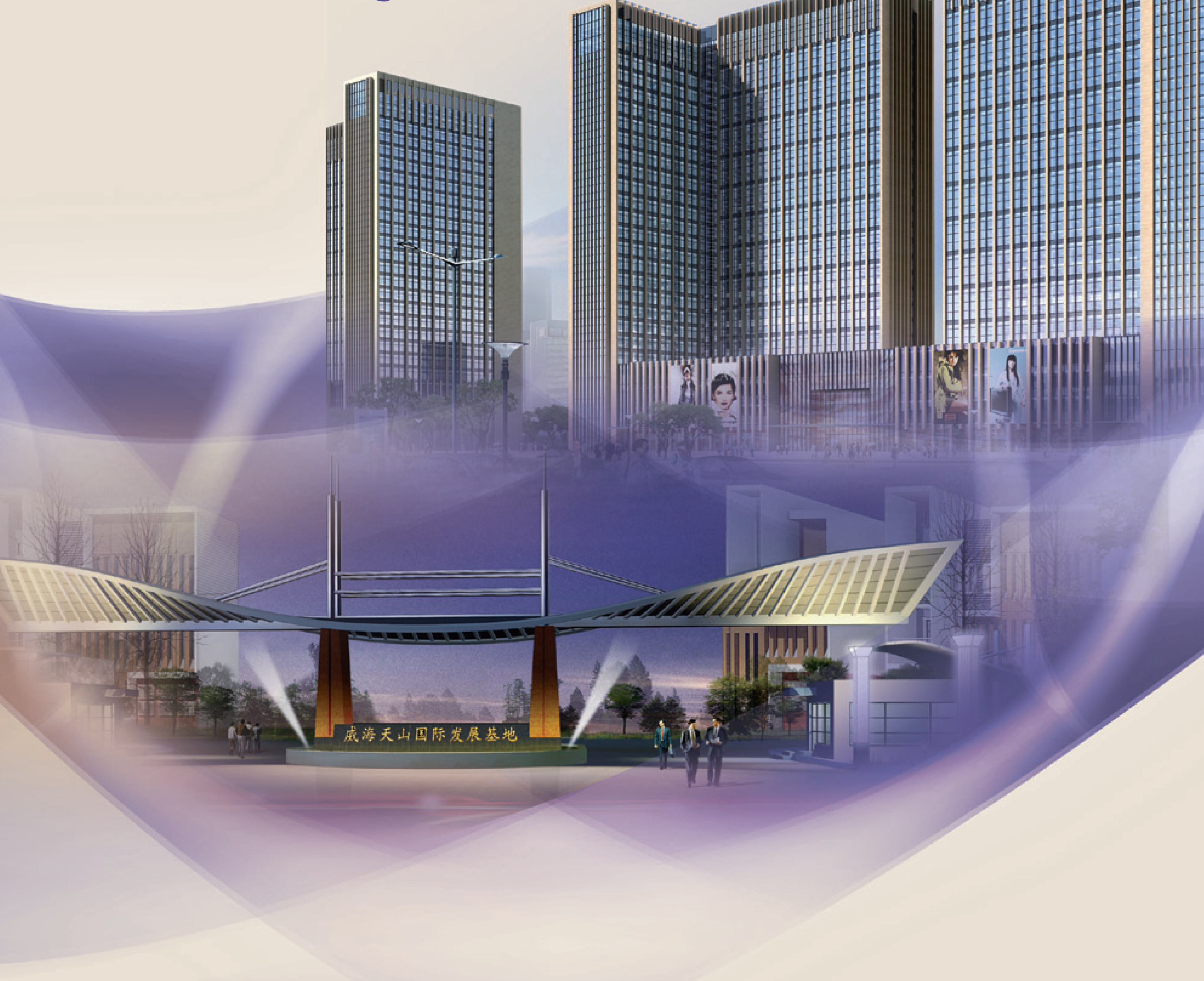
In 2015, the Group will stick to its strategic orientation of "One Primary Business with Diversified Development" so that emphasis can be laid on key projects to lead the overall development of the Group. We will firmly continue to implement our key projects under construction such as Tian Shan Jiu Feng, Tianshan Auspicious Lake, Tian Shan Guobin Yi Hao, and projects in Zhengding New District of Shijiazhuang City, Tangshan City, Tianjin City and Yuanshi County of Shijiazhuang City, and to achieve early launches and contribute to the actual income and cash flow by accelerating the development and construction of the said projects. Furthermore, we will focus on establishing our presences in Beijing-Tianjin-Hebei Region, with emphasis on central cities such as Shijiazhuang. In particular, we will strive to obtain an adequate area of land in the new central business district (CBD) of Shijiazhuang for the shantytown renovation project as soon as possible, so as to commence the comprehensive construction of the newly started project.

2015 will be a crucial year for China to comprehensively deepen economic reforms. Therefore, it is vital that we commit ourselves to work in the coming year. We shall take the initiative in adapting to the "New Norm", striving for innovative development and accelerating the corporate transformation and upgrading to contribute to the robust growth of the Group.

I would like to express my gratitude to all shareholders, employees, customers and business partners for their supports to the Group in the past year.

Tian Shan Development (Holding) Limited
WU Zhen Shan
Chairman

Management Discussion and Analysis



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 located 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.

Management Discussion and Analysis

In March 2014, 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 the 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 for which the Group had fully paid land premium and acquired land use right certificate during the year 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.

The Directors are optimistic that the Group will continue its growth by developing and sale of property projects developed on 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.

Management Discussion and Analysis

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 projects 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.

Management Discussion and Analysis

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).

Management Discussion and Analysis

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:

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

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 of RMB188.8 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:

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

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.

Management Discussion and Analysis

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.

Directors and Senior Management Biographies

EXECUTIVE DIRECTORS

Mr. WU Zhen Shan（吳振山）, aged 58, is one of the founders of the Group. Mr. WU is the Chairman of the Group and was appointed as an executive Director on 10 June 2005. Mr. WU is responsible for the development strategies, investment plans and human resources of our Company. Mr. WU is also a member of the remuneration committee and the chairman of the nomination committee of our Board. In October 2000, Mr. WU, based on his experience in the industry, completed a two-year part-time master course and obtained the Certificate in Economic Management issued by Hebei University of Agriculture. Mr. WU has approximately 34 years of experience in the construction industry and approximately 14 years of experience in the property development industry. In 1980, Mr. WU together with Mr. ZHANG Zhen Hai established and worked in the Liucun Shengli Construction Team, the principal business of which was construction of civil engineering projects for domestic and industrial uses, until 1993. In 1993, Mr. WU together with the other Founders established and worked in Zhengding Dishi Construction and Engineering Company, which engaged in undertaking construction works until 1995. In 1995, Mr. WU together with other Founders established and worked in Shijiazhuang Hi-tech Industry Development Zone Diyi Construction and Engineering Company, which engaged in the construction and installation services of civil engineering projects for domestic and industrial uses until 2000, when Mr. WU together with other Founders established and worked in Tianshan Construction. In March 1987, Mr. WU was conferred the qualification of technician in construction by Zhengding Committee of Science and Technology. Mr. WU was accredited as a senior engineer of construction in October 1998 and a senior economist in November 2002 by The Title Reform Leading Group Office of Hebei Province. The accreditation of senior engineer of construction indicates the person has gained a certain level of experience by participation in construction projects of recognised scales in accordance with the State's requirements. The accreditation of senior economist indicates the person has participated in the operation and management of enterprises of certain scales in accordance with the State's requirements. Mr. WU serves as the standing committee member of China Real Estate Association, the vice chairman of Hebei Construction Association, a vice chairman of Hebei Province Entrepreneur Association, the vice chairman of Shijiazhuang Industry and Commerce Joint Association, a vice president of the Association of Real Estate in Shijiazhuang and a vice president of Hebei House and Real Estate Association. In February 2003, Mr. WU was elected as a representative of the Tenth National People's Congress and in January 2008, Mr. WU was elected as a representative of the Eleventh Hebei People's Congress. In April 2006, Mr. WU received the award of "Hebei Outstanding Entrepreneur" from the Hebei Province Entrepreneur Association. In September 2009, Mr. WU was awarded the "10 Most Outstanding Entrepreneurs in China in 2009" by China Enterprise Press. In March 2013, Mr. WU was elected as a representative of the Twelfth National People's Congress. Mr. WU Zhen Shan is the elder brother of Mr. WU Zhen Ling and Mr. WU Zhen He, and the brother-in-law of Mr. ZHANG Zhen Hai.

Directors and Senior Management Biographies

Mr. WU Zhen Ling (吳振嶺), aged 50, is one of our Founders. Mr. WU is the Vice Chairman of our Group and was appointed as an executive Director on 10 June 2005. Mr. WU is responsible for the operation, production, planning, design and management of our property projects. Mr. WU is also a member of the remuneration committee, and the nomination committee of our Board. In October 2000, Mr. WU, based on his experience in the industry, completed a two-year part-time master course and obtained the Certificate in Economic Management issued by Hebei University of Agriculture. Mr. WU has approximately 29 years of experience in the construction industry and approximately 14 years of experience in the property development industry. In 1985, Mr. WU joined and worked in the Liucun Shengli Construction Team until 1993. In 1993, Mr. WU together with the other Founders established and worked in Zhengding Dishi Construction and Engineering Company. In 1995, Mr. WU together with other Founders established and worked in Shijiazhuang Hi-tech Industry Development Zone Diyi Construction and Engineering Company until 2000, when Mr. WU together with other Founders established and worked in Tianshan Construction. Since 1998, Mr. WU has been focusing on the property development business and working with Tian Shan Real Estate. Mr. WU was accredited as a senior engineer in October 1998 by The Title Reform Leading Group Office of Hebei Province. Mr. WU is the vice chairman of Hebei Construction Association Project Construction Quality Branch Association. Mr. WU Zhen Ling is the younger brother of Mr. WU Zhen Shan and elder brother of Mr. WU Zhen He, and the brother-in-law of Mr. ZHANG Zhen Hai.

Mr. ZHANG Zhen Hai (張振海), aged 60, is one of our Founders and was appointed as an executive Director on 10 June 2005. Mr. ZHANG is responsible for overseeing the procurement of our construction materials. Mr. ZHANG is a tertiary graduate in construction from Shijiazhuang Public Officers' Institute of Technology in December 2000 and was accredited as senior engineer in December 2003 by The Title Reform Leading Group Office of Hebei Province. Mr. ZHANG has approximately 34 years of experience in the construction industry and approximately 14 years of experience in the property development industry. In 1980, Mr. ZHANG together with Mr. WU Zhan Shan established and worked in Liucun Shengli Construction Team until 1993. In 1993, Mr. ZHANG together with the other Founders established and worked in Zhengding Dishi Construction and Engineering Company. In 1995, Mr. ZHANG together with other Founders established and worked in Shijiazhuang Hi-tech Industry Development Zone Diyi Construction and Engineering Company until 2000, when Mr. ZHANG together with other Founders established and worked in Tianshan Construction. Since 1998, Mr. ZHANG has been focusing on the property development business and working with Tian Shan Real Estate. Mr. ZHANG Zhen Hai is the brother-in-law of Mr. WU Zhen Shan, Mr. WU Zhen Ling and Mr. WU Zhen He.

Mr. WU Zhen He (吳振河), aged 44, is one of our Founders and was appointed as an executive Director on 10 June 2005. Mr. WU is responsible for the operation and production of our property projects. Mr. WU has approximately 21 years of experience in the construction industry and 14 years of experience in the property development industry. In 1993 Mr. WU together with the other Founders established and worked in Zhengding Dishi Construction and Engineering Company. In 1995, Mr. WU together with other Founders established and worked in Shijiazhuang Hi-tech Industry Development Zone Diyi Construction and Engineering Company until 2000, when Mr. WU together with other Founders established and worked in Tianshan Construction. In October 2000, Mr. WU, based on his experience in the industry, completed a two-year part-time master course and obtained the Certificate in Economic Management issued by Hebei University of Agriculture. Mr. WU was accredited as a senior engineer in 2002 by The Title Reform Leading Group Office of Hebei Province. Mr. WU Zhen He is the younger brother of Mr. WU Zhen Shan and Mr. WU Zhen Ling, and the brother-in-law of Mr. ZHANG Zhen Hai.

Directors and Senior Management Biographies

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. TIAN Chong Hou（田崇厚）, aged 69, was appointed as an independent non-executive Director on 16 June 2010. Mr. TIAN is also the chairman of the remuneration committee and a member of the audit committee and the nomination committee of our Board. Mr. TIAN has obtained a graduation certificate from the Department of Electrical and Power Engineering of Tianjin University for completing a five-year course in internal combustion engines which commenced in 1964. In 1996, Mr. TIAN worked as a professor of the enterprise management department of the Hebei University of Economics and Business. In 2000, Mr. TIAN was appointed as a tutor for postgraduate study students in agricultural economics management by the Hebei University of Agriculture. Mr. TIAN has also been appointed as a counsellor of the Hebei provincial government from March 2007 to March 2012.

Mr. WANG Ping（王平）, aged 57, was appointed as an independent non-executive Director on 16 June 2010. Mr. WANG is also a member of the audit committee, the remuneration committee and the nomination committee of our Board. Mr. WANG has approximately 31 years of experience in the real estate industry. Since 1991, Mr. WANG has been working for the China Real Estate Association, and has been its vice chief secretary since 2006, and the vice president and chief secretary of its Professional Committee of City Development since 2004. Mr. WANG completed tertiary education majoring in industrial enterprise economics management in Beijing Open University in 1986. Mr. WANG obtained a master's degree in senior management personnel business administration from Tsinghua University in July 2008.

Mr. CHEUNG Ying Kwan（張應坤）, aged 55, was appointed as an independent non-executive Director on 16 June 2010. Mr. CHEUNG is also the chairman of the audit committee of the Board, and a member of the remuneration committee and the nomination committee of the Board. Mr. CHEUNG has over 27 years of experience in financial management for a number of corporations and listed companies. Mr. CHEUNG is an independent non-executive director of Beijing Chunlizhengda Medical Instruments Co., Limited, a company listed on the Stock Exchange (stock code 01858) since March 2015. Mr. CHEUNG is also the company secretary of China Metal Resources Utilization Limited (a company listed on the Stock Exchange (stock code 01636) since March 2013. Mr. CHEUNG was admitted as a fellow of the Association of Chartered Certified Accountants in November 2000 and a member of the Hong Kong Institute of Certified Public Accountants in April 1995.

SENIOR MANAGEMENT

Mr. CHEUNG Siu Yiu（張少耀）, aged 40, is the Chief Financial Officer and Company Secretary of the Company. Mr. CHEUNG graduated from the Hong Kong Baptist University with a bachelor's degree in business administration (Hons) in December 1997. Mr. CHEUNG is a practising fellow of the Hong Kong Institute of Certified Public Accountants, a fellow of the Institute of Chartered Accountants in England & Wales, and the Association of Chartered Certified Accountants. Mr. CHEUNG has over 17 years of experience in financial management and reporting.

Directors and Senior Management Biographies

Ms. GAO Li Xiang（高立香）, aged 40, is currently a Vice President of Tian Shan Real Estate. Ms. GAO is responsible for residential property sector. Ms. GAO graduated from a four-year course in economics from Hebei University in June 1996 and was accredited as senior economist in November 2006 by the Title Reform Leading Group Office of Hebei Province. Ms. GAO joined us in December 1998 as deputy general manager responsible for operations and has been a Vice President of Tian Shan Real Estate since 2003, responsible for its operation. Ms. GAO has approximately 15 years of experience in the property development industry from Tian Shan Real Estate.

Mr. CHEN Shi Bin（陳士彬）, aged 36, is currently an Executive President of Tian Shan Real Estate. Mr. CHEN graduated from a four-year course in technology and economics from Shijiazhuang University of Economics in July 2000. Mr. CHEN joined the Group in July 2000, and was the secretary of president's office in November 2000, and has served the posts of General Manager of the Group's companies, Assistant President, Vice President and Executive Vice President of the Group. Mr. CHEN has extensive experience in the construction and property development industry.

Mr. ZHANG Yong Jun（張永軍）, aged 36, is currently a Vice President of Tian Shan Real Estate responsible for commercial property sector. In June 2002, Mr. Zhang graduated from Hebei University specializing in the computer science management and information system and joined the Group in the same year. He has held several positions with the Group, including the Manager of Operation Department, General Manager of Real Estate Department, Regional President and Group Vice President. Mr. Zhang has 12 years of experience in property development.

Mr. GONG Xian Hui（宮現輝）, aged 35, is currently a Vice President of Tian Shan Real Estate responsible for capital management. Mr. GONG graduated from a four-year course in financial accounting from Hebei Normal University in June 2001. He joined the Group in April 2002 and has held several positions with the Group, including the Financial Manager, Financial Controller and Vice President of Capital Operation. Mr. GONG has over 13 years of experience in financial management and capital operation within the Group.

Ms. SI Jing Xin（司景新）, aged 34, has been a Vice President of Tian Shan Real Estate and is responsible for the formulation of strategies for fund-raising and other merger and acquisition transactions since May 2005. Ms. SI graduated from a four-year course in international economics and trade from Jingdezhen Ceramic Institute in July 2003 and was accredited as assistant economist by the Title Reform Leading Group Office of Shijiazhuang Hitech Industry Development Zone in December 2004. Ms. SI joined Tian Shan Real Estate in 2003 working at the president's office with the responsibilities to assist the president in organising investors' relations activities and liaising with government departments and industry organisations for various business events and activities.

Mr. YANG Zhao（楊昭）, aged 33, is currently a Vice President of Tian Shan Real Estate responsible for industrial property sector. He graduated from the Department of English of Shaanxi Xi'an Eurasia University majoring in foreign-oriented senior secretary. He joined Tian Shan in 2004 and has been appointed as the Manager of Real Estate Development Department, Manager of Real Estate Operating Department and Vice President of Real Estate Operating Department. He has 8 years of experience in real estate project management and extensive property development experience.

Corporate Governance Report

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 (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 and Corporate Governance Report (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").

BOARD COMPOSITION

The Board comprises four executive Directors and three independent non-executive Directors:

Executive Directors:
Mr. WU Zhen Shan *(Chairman)*
Mr. WU Zhen Ling
Mr. ZHANG Zhen Hai
Mr. WU Zhen He

Independent non-executive Directors:
Mr. TIAN Chong Hou
Mr. WANG Ping
Mr. CHEUNG Ying Kwan

Biographical details of the directors are set out on pages 14 to 17 of this annual report.

The Company has three independent non-executive Directors ("INEDs"), at least one of them has appropriate financial management expertise in compliance with the Listing Rules. The Company has received independence confirmations from all the INEDs and concluded that all of them are independent pursuant to the Listing Rules.

Details of the emoluments of the Directors are set out in note 10 to the consolidated financial statements.

Corporate Governance Report

PRINCIPAL FUNCTIONS

The Board has the ultimate decision on the Group's overall strategy, annual budget, annual and interim results, appointment or retirement of directors, significant contracts and transactions as well as other significant policies and financial matters. Chief executive officer is not appointed and the Board has delegated the daily operations and administration to the Company's management.

Every Director is entitled to have access to Board papers and related materials and has access to the advice and services of the Company Secretary. In addition, every Director has separate and independent access to the Company's senior management to facilitate them to make informed decisions. All Directors, in the discharge of their duties, are allowed to seek independent professional advice in appropriate circumstances at a reasonable cost to be borne by the Company.

In order to achieve a high standard of corporate governance, the Board held four regularly meetings at approximately quarterly interval to discuss the overall strategy as well as the operational matters and financial performance of the Group.

Board Meetings and General Meetings

The Company held ten Board meetings and two general meetings during the Review Period and the following is the summary of the Directors attended these meetings.

	Number of meetings Attended/Eligible to attend	
	Board Meeting	**General Meeting**
Executive Directors:		
Mr. WU Zhen Shan *(Chairman)*	8/10	2/2
Mr. WU Zhen Ling	6/10	1/2
Mr. ZHANG Zhen Hai	7/10	2/2
Mr. WU Zhen He	1/10	0/2
Independent non-executive Directors:		
Mr. TIAN Chong Hou	9/10	2/2
Mr. WANG Ping	5/10	1/2
Mr. CHEUNG Ying Kwan	7/10	1/2

Corporate Governance Report

Appointment, Re-election and Removal of Directors

During the Review Period, there is no appointment, resignation or removal of Director.

At least one-third of the Directors shall retire from office at every annual general meeting and all Directors (including INEDs) are subject to retirement by rotation once every three years in accordance with the Company's articles of association and the Corporate Governance Code.

BOARD COMMITTEES

To strengthen the functions of the Board, there are several Board Committees namely, the Audit Committee, the Remuneration Committee and the Nomination Committee formed under the Board, with each of which performing different functions.

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 INEDs, 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.

Corporate Governance Report

Remuneration committee

The Board has established the remuneration committee on 16 June 2010 with written terms of reference in compliance with the Corporate Governance Code. The primary duties of the remuneration committee is to make recommendations to the Board on the Group's policy and structure for all Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy, and to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management. The remuneration committee comprises two executive Directors, namely Mr. WU Zhen Shan and Mr. WU Zhen Ling, and three INEDs, namely Mr. TIAN Chong Hou, Mr. WANG Ping and Mr. CHEUNG Ying Kwan. Mr. TIAN Chong Hou is the chairman of the remuneration committee.

The remuneration committee held one meeting during the Review Period primarily to determine the policy for remuneration of executive Directors, assess performance of executive Directors and approve the terms of executive Directors' service contracts and all members have attended.

Nomination committee

The Board established the nomination committee on 16 June 2010 with written terms of reference in compliance with the Corporate Governance Code. The primary duty of the nomination committee is to make recommendations to the Board on the appointment of Directors and senior management. The nomination committee comprises two executive Directors, namely Mr. WU Zhen Shan and Mr. WU Zhen Ling, and three independent non-executive Directors, namely Mr. TIAN Chong Hou, Mr. WANG Ping and Mr. CHEUNG Ying Kwan. Mr. WU Zhen Shan is the chairman of the nomination committee.

The nomination committee held one meeting during the Review Period primarily to determine the policy for nomination of Directors and all members have attended.

Board diversity policy

The nomination committee is also responsible to review the Board diversity policy. The Board diversity policy ensures that the nomination committee nominates and appoints candidates on merit basis to enhance the effectiveness of the Board so as to maintain high standards of corporate governance. The Company sees diversity at the Board level as an essential element in maintaining a competitive advantage. The Company aims to ensure that Board appointments will be made on the basis of a range of diversity factors, including gender, age, cultural background, educational background, industry experience and professional experience. Selection of candidates to join the Board will be, in part, dependent on the pool of available candidates with the necessary skills, knowledge and experience. The ultimate decision will be based on merit and the contribution that the chosen candidate will bring to the Board, having regard for the benefits of diversity on the Board.

Corporate Governance Report

External auditor

The Company has appointed KPMG as the independent external auditors. The remuneration paid or payable to the external auditors for annual audit and other audit related services were approximately HK$2,400,000 and HK$1,400,000 respectively. There were no non-audit related services rendered by the external auditors during the Review Period.

Accountability and audit

The Directors acknowledge their responsibility for preparing the Group's consolidated financial statements for the year ended 31 December 2014 in accordance with the International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules.

The reporting responsibilities of the independent external auditors are set out on pages 34 and 35 of this annual report.

Internal control

During the Review Period, the Directors have reviewed the effectiveness of the internal control system of the Group. The review covers all significant controls, including financial, operational and compliance controls and risk management functions of the Group. No material internal control aspects of any significant problems were noted. The Directors were satisfied that the internal control system of the Group has been functioned effectively during the Review Period.

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 Review Period.

Continuous Professional Development of Directors

The Company has from time to time provided Directors with materials relating to the business and operations of the Group and their responsibilities under the Listing Rules, legal and other regulatory requirements. During the year, the Company has arranged a professional firm to conduct a training session for Directors relating to the roles, functions and duties of a listed company director under the Code A.6.5 of the Corporate Governance Code. Each of the Directors has confirmed that attended training courses relevant to their directorship during the year under review.

Directors' and Officers' Liabilities Insurance

The Company has arranged appropriate insurance cover for liabilities in respect of legal actions against Directors and officers of the Company and its subsidiaries arising out of corporate activities of the Group under Code A.1.8 of the Corporate Governance Code.

Corporate Governance Report

Communication with shareholders

All shareholders of the Company have the right to attend general meetings of the Company to participate in and vote for all significant matters of the Company in accordance with the Company's articles of association.

Information of the Company and the Group are also delivered to its shareholders through a number of channels, which include annual report, interim report, announcements and circulars. The latest information of the Company and the Group together with the published documents are also available on the Company's website.

SHAREHOLDERS' RIGHTS

Procedures by which Shareholders may convene an extraordinary general meeting

The Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for putting forward proposals at a Shareholders' meeting

There are no provisions allowing shareholders to move new resolutions at the general meetings under the Cayman Islands Companies Law (as amended from time to time) or the articles of association of the Company. However, shareholders who wish to move a resolution may request the Company to convene an extraordinary general meeting following the procedures set out above.

Detailed procedures for shareholders to propose a person for election as a director are available on the Company's website.

Enquiries to the Board

Shareholders may put forward enquiries to the Board in writing to the Company's principal place of business in Hong Kong at Suites 1205-1207, 12th Floor, Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong.

Report of the Directors

The Directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2014.

Principal activities

The principal activity of the Company is investment holding. The Group is principally engaged in the development and sale of properties in the People's Republic of China. Details of the principal activities of its subsidiaries are set out in note 15 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Results and dividends

The Group's profit for the year ended 31 December 2014 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 36 to 111.

A special dividend of HK1.0 cent per ordinary share was paid on 25 November 2014. The Directors have recommended the payment of a final dividend of HK2.0 cents per ordinary share in respect of the year to shareholders on the register of members on 12 June 2015, subject to the approval of the shareholders at the forthcoming annual general meeting.

Summary financial information

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements is set out on pages 115 and 116. This summary does not form part of the audited financial statements.

Property, plant and equipment and investment properties

Details of movements in the property, plant and equipment, and investment properties of the Group during the year are set out in notes 13 and 14 to the financial statements, respectively. Further details of the Group's investment properties are set out on pages 112 to 114.

Share capital and share options

Details of movements in the share capital and share options of the Company during the year are set out in notes 20 and 22 to the financial statements, respectively.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of Cayman Islands, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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.

Report of the Directors

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 21(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable reserves

At 31 December 2014, the Company's reserves (including the share premium account) available for distribution, calculated in accordance with the provisions of the Companies Law (2013 Revision) of the Cayman Islands, amounted to RMB68,502,000.

Major customers and suppliers

In the year under review, sales to the Group's five largest customers accounted for 1.9% of the total sales for the year and sales to the largest customer included therein amounted to 0.5% of the total sales.

None of the Directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

During the year under review, the purchase from the Group's five largest suppliers accounted for 32.7% of the total purchases for the year and purchases from the largest supplier, being Hebei Tianshan Industrial Group Construction Engineering Company Limited (a company established in the PRC and is a connected person of the Company under the Listing Rules, "Tianshan Construction"), included therein amounted to 17.9% of the total purchases.

Except for Tianshan Construction, none of the Directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers.

Directors

The Directors of the Company during the year were:

Executive Directors:
Mr. WU Zhen Shan *(Chairman)*
Mr. WU Zhen Ling
Mr. ZHANG Zhen Hai
Mr. WU Zhen He

Independent non-executive Directors:
Mr. TIAN Chong Hou
Mr. WANG Ping
Mr. CHEUNG Ying Kwan

Report of the Directors

In accordance with article 108(a) of the Company's articles of association, Mr. WU Zhen Shan, Mr. WU Zhen Ling, Mr. ZHANG Zhen Hai and Mr. WU Zhen He will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The independent non-executive Directors have been appointed for an initial term of three years, but are subject to retirement by rotation pursuant to the Company's articles of association.

The Company has received annual confirmations of independence from Mr. TING Chong Hou, Mr. WANG Ping and Mr. CHEUNG Ying Kwan and as at the date of this report still considers them to be independent.

Directors' and senior management's biographies

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 14 to 17 of the annual report.

Directors' service contracts

No Directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company within one year without payment of compensation, other than normal statutory compensation.

Directors' remuneration

The Directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to Directors' duties, responsibilities and performance and the results of the Group. In addition, the Directors' remuneration is reviewed by the Remuneration Committee annually.

Directors' interests in contracts

Other than those disclosed in note 31 to the financial statements, no contract of significance to which the Company, any of its subsidiaries or fellow subsidiary was a party, and in which a director of the Company had a material interest, subsisted of the end of the year or at any time during the year.

Report of the Directors

Interests and short positions of the Directors and the chief executives in shares, underlying shares and debentures of the Company and its associated corporations

As at 31 December 2014, the interests and short positions of the Directors and/or chief executives of the Company in any shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, chapter 571 of the laws of Hong Kong (the "SFO")) which require notification pursuant to Divisions 7 and 8 of Part XV of the SFO, or which are required, pursuant to Section 352 of Part XV of the SFO, to be entered in the register kept by the Company, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

1. Interests in the Company

(a) Shares

Name of Director	Nature of interest	No. of Shares	Percentage of issued share capital of the Company
WU Zhen Shan	Interest of a controlled corporation	750,000,000 (note 1) Long Position	75.0%
WU Zhen Ling	Interest of a controlled corporation	750,000,000 (note 1) Long Position	75.0%
ZHANG Zhen Hai	Interest of a controlled corporation	750,000,000 (note 1) Long Position	75.0%
WU Zhen He	Interest of a controlled corporation	750,000,000 (note 1) Long Position	75.0%

Note 1: The shares of the Company (the "Shares") are beneficially held by Neway Enterprises Limited ("Neway Enterprises"). Neway Enterprises is a company incorporated in the British Virgin Islands and is owned as to 25% by Mr. WU Zhen Shan, 25% by Mr. WU Zhen Ling, 25% by Mr. ZHANG Zhen Hai and 25% by Mr. WU Zhen He and all of them being directors of Neway Enterprises. Since these four Directors exercise or control the exercise or entire voting right at general meetings of Neway Enterprises, each of them is deemed to be interested in Shares held by Neway Enterprises by virtue of Part XV of the SFO.

(b) Options

Name of Director	Nature of Interest	Number of shares subject to options granted	Approximate percentage of shareholding	Date of grant	Exercise period	Exercise price per share (HK$)
WU Zhen Shan	Interest of spouse	191,000 (note 1)	0.02%	16.06.2010	16.01.2011 to 15.06.2020	0.70
WU Zhen Ling	Interest of spouse	191,000 (note 2)	0.02%	16.06.2010	16.01.2011 to 15.06.2020	0.70
ZHANG Zhen Hai	Interest of spouse	191,000 (note 3)	0.02%	16.06.2010	16.01.2011 to 15.06.2020	0.70
WU Zhen He	Interest of spouse	191,000 (note 4)	0.02%	16.06.2010	16.01.2011 to 15.06.2020	0.70

Notes:

1. The options are granted to XU Lan Ying, the spouse of WU Zhen Shan, under the pre-IPO share option scheme adopted by the Company on 16 June 2010 (the "Pre-IPO Share Option Scheme").

2. The options are granted to FAN Yi Mei, the spouse of WU Zhen Ling, under the Pre-IPO Share Option Scheme.

3. The options are granted to WU Lan Zhi, the spouse of ZHANG Zhen Hai, under the Pre-IPO Share Option Scheme.

4. The options are granted to GU Jing Gai, the spouse of WU Zhen He, under the Pre-IPO Share Option Scheme.

Report of the Directors

2. Interest in associated corporations

Name of Director	Name of associated corporation	Number of shares	Percentage of shareholding
WU Zhen Shan	Neway Enterprises	one	25%
WU Zhen Ling	Neway Enterprises	one	25%
ZHANG Zhen Hai	Neway Enterprises	one	25%
WU Zhen He	Neway Enterprises	one	25%

Save as disclosed above, as at 31 December 2014, none of the directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial shareholders' and other persons' interests in shares and underlying shares

As at 31 December 2014, the following interests of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name of shareholder of the Company	Nature of interest	Number of shares held	Percentage of the Company's issued share capital
Neway Enterprises	Beneficial	750,000,000	75.00%

Save as disclosed above, as at 31 December 2014, no person, other than the directors of the Company, whose interests are set out in the Section "Interests and short positions of the Directors and the chief executive in shares, underlying shares and debentures of the Company and its associated corporations" above, had registered an interest or a short position in the shares or underlying shares of the Company that was required to be recorded under Section 336 of the SFO.

Report of the Directors

Pre-IPO share option scheme

On 16 June 2010, the Company adopted the Pre-IPO Share Option Scheme and on the same date, options to subscribe for an aggregate of 6,000,000 shares of the Company have been granted. The options can be exercised for a period of 10 years from the date of the grant.

The following table discloses movements in the Company's options granted under the Pre-IPO Share Option Scheme during the year:

Name or category of participant	At 1 January 2014	Grant during the year	Exercised during the year	Forfeited during the year	At 31 December 2014	Date of grant	Exercise period of the share options (note f)	Exercise price of share options (HK$ per share)
Connected persons								
WU Lan Zhi (note a)	191,000	–	–	–	191,000	16.06.2010	16.01.2011 to 15.06.2020	0.70
XU Lan Ying (note b)	191,000	–	–	–	191,000	16.06.2010	16.01.2011 to 15.06.2020	0.70
FAN Yi Mei (note c)	191,000	–	–	–	191,000	16.06.2010	16.01.2011 to 15.06.2020	0.70
GU Jing Gai (note d)	191,000	–	–	–	191,000	16.06.2010	16.01.2011 to 15.06.2020	0.70
WU Lan Ping (note e)	191,000	–	–	–	191,000	16.06.2010	16.01.2011 to 15.06.2020	0.70
	955,000	–	–	–	955,000			
Other employees								
In aggregate	4,755,000	–	100,000	200,000	4,455,000	16.06.2010	16.01.2011 to 15.06.2020	0.70
Total	5,710,000	–	100,000	200,000	5,410,000			

Report of the Directors

Notes:

(a) WU Lan Zhi is the elder sister of WU Zhen Shan, WU Zhen Ling and WU Zhen He and the spouse of ZHANG Zhen Hai. The interest was also disclosed as an interest of ZHANG Zhen Hai in the section "Interests and short positions of the Directors and the chief executive in shares, underlying shares and debentures of the Company and its associated corporations" above.

(b) XU Lan Ying is the spouse of WU Zhen Shan. The interest was also disclosed as an interest of WU Zhen Shan in the section "Interests and short positions of the Directors and the chief executive in shares, underlying shares and debentures of the Company and its associated corporations" above.

(c) FAN Yi Mei is the spouse of WU Zhen Ling. The interest was also disclosed as an interest of WU Zhen Ling in the section "Interests and short positions of the Directors and the chief executive in shares, underlying shares and debentures of the Company and its associated corporations" above.

(d) GU Jing Gai is the spouse of WU Zhen He. The interest was also disclosed as an interest of WU Zhen He in the section "Interests and short positions of the Directors and the chief executive in shares, underlying shares and debentures of the Company and its associated corporations" above.

(e) WU Lan Ping is the younger sister of WU Zhen Shan, WU Zhen Ling and WU Zhen He.

(f) Each grantee is entitled to exercise up to 10% of the share options granted to him/her each year since the grant date. Options which become exercisable in the relevant year are not exercised can be exercised in any of the subsequent years in whole or in part.

Share option scheme

A share option scheme (the "Share Option Scheme") was conditionally approved by resolutions in writing of the then sole shareholder of the Company on 16 June 2010, which became effective on 15 July 2010. During the year under review, no share options were granted or exercised and no share options were forfeited by the Company under the Share Option Scheme. There were no outstanding share options under the Share Option Scheme as at 31 December 2014.

Report of the Directors

CONTINUING CONNECTED TRANSACTIONS AND CONNECTED TRANSACTIONS

During the year, the Group had the following continuing connected transactions and connected transactions with its connected persons as defined in the Listing Rules and which are subject to disclosure requirements under Chapter 14A of the Listing Rules. These continuing connected transaction and connected transaction which also constitute related party transactions are set out in note 31 to the financial statements.

Continuing connected transactions with Hebei Tianshan Industrial Group Construction Engineering Company Limited ("Tianshan Construction")

On 20 December 2013, the Group entered into a framework services agreement with Tianshan Construction (a limited liability company established in the PRC) (the "Construction Services Agreement"), pursuant to which Tianshan Construction agreed to provide construction work and services for the Group's real estate development projects through a tender process in compliance with the applicable laws and regulations. The Construction Services Agreement is effective for two years commencing from 1 January 2014.

Tianshan Construction is ultimately wholly-owned by Mr. WU Zhen Shan, Mr. WU Zhen Ling, Mr. ZHANG Zhen Hai and Mr. WU Zhen He, Directors of the Company, and therefore a connected person of the Company under the Listing Rules. Therefore, the construction work and services provided by Tianshan Construction to the Group constitutes continuing connected transactions of the Company.

For the year ended 31 December 2014, the annual cap for the continuing connected transaction under the Construction Services Agreement is RMB278.6 million and the actual transacted amount was RMB273.7 million.

The Directors (including the independent non-executive Directors) are of the view that the installation and related services and construction work and services provided by Tianshan Construction are in the ordinary and usual course of business and are conducted on normal commercial terms and are commercially fair and reasonable and in the interests of the shareholders and the Company as a whole.

Report of the Directors

In accordance with the requirement of Rule 14A.38 of the Listing Rules, the Company has engaged the external auditors of the Company to conduct certain procedures in respect of the continuing connected transactions of the Group in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have provided a letter to the board of directors confirming that:

a. nothing has come to their attention that causes them to believe that the continuing connected transactions have not been approved by the Company's board of directors.

b. for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group.

c. nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.

d. with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the maximum aggregate annual value disclosed in the announcement of the Company dated 20 December 2013 made by the Company in respect of the disclosed continuing connected transaction.

Connected transactions with Tianshan Construction

On 20 December 2013, Tianshan Construction entered into a loan agreement with a bank in the PRC (the "Bank") whereby the Bank agreed, among others, to grant to Tianshan Construction a loan of RMB15,000,000 for a term of one year from the loan drawdown date. As security for the loan, Tian Shan Real Estate Development Limited ("Tian Shan Real Estate"), a wholly owned subsidiary of the Company, had agreed to provide securities over a land parcel (the "Land") and certain premises located at the Land in favour of the Bank. In consideration of the provision of the securities, Tianshan Construction has to pay Tian Shan Real Estate a sum of RMB570,500. The bank loan was fully repaid by Tianshan Construction to the Bank in December 2014.

On 23 December 2014, Tianshan Construction entered into another loan facility agreement with the Bank whereby the Bank agreed, among others, to grant to Tianshan Construction a revolving loan facilities in the aggregate amount of RMB15,000,000 for a term of one year from the loan drawdown date. As security for the loan facility, Tian Shan Real Estate had agreed to provide securities over the Land and certain premises located at the Land in favour of the Bank. In consideration of the provision of the securities, Tianshan Construction has to pay Tian Shan Real Estate a sum of RMB570,500.

Report of the Directors

The Directors (including the INEDs) consider that the charge and the transactions contemplated thereunder are not in the ordinary and usual course of business of the Company but are on the normal commercial terms and are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

Further details of the connected transactions are set out in the Company's announcements dated 20 December 2013 and 23 December 2014.

Contingent liabilities

Details of the contingent liabilities of the Company and the Group are set out in note 30 to the financial statements.

Sufficiency of public float

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

Auditors

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the reappointment of KPMG as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
Tian Shan Development (Holding) Limited

Wu Zhen Shan
Chairman

26 March 2015

Independent Auditor's Report

Independent auditor's report to the shareholders of
Tian Shan Development (Holding) Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Tian Shan Development (Holding) Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 36 to 111, which comprise the consolidated and company balance sheets as at 31 December 2014, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

Independent Auditor's Report

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

26 March 2015

Consolidated Income Statement

for the year ended 31 December 2014 (Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
Turnover	4	**2,416,825**	2,762,697
Cost of sales		**(1,525,157)**	(2,000,781)
Gross profit		**891,668**	761,916
Other revenue	5	**14,233**	10,827
Selling and marketing expenses		**(164,969)**	(224,931)
Administrative expenses		**(168,750)**	(176,362)
Profit from operations		**572,182**	371,450
Finance income		**6,209**	5,478
Finance expenses		**(41,474)**	(15,415)
Net finance expenses	6(a)	**(35,265)**	(9,937)
Profit before change in fair value of investment properties and income tax		**536,917**	361,513
Increase in fair value of investment properties	14	**49,302**	52,123
Profit before taxation	6	**586,219**	413,636
Income tax	7	**(304,338)**	(154,852)
Profit for the year		**281,881**	258,784
Earnings per share (RMB cents)	9		
Basic		**28.19**	25.88
Diluted		**28.09**	25.88

The accompanying notes form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profits for the year are set out in note 21(i).

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2014 (Expressed in Renminbi)

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

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

The accompanying notes form part of these financial statements.

Consolidated Balance Sheet

at 31 December 2014 (Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment	13	**479,648**	469,704
Investment properties	14	**703,483**	607,554
Deferred tax assets	7(d)	**28,870**	34,178
		1,212,001	1,111,436
Current assets			
Inventories	16	**6,051,430**	3,841,842
Trade and other receivables	17	**1,920,939**	2,599,707
Prepaid tax	7(c)	**28,195**	48,276
Restricted cash	18	**51,791**	67,464
Cash and cash equivalents	19	**599,968**	641,801
		8,652,323	7,199,090
Current liabilities			
Bank loans – secured	23	**53,000**	193,432
Other loans – secured	24	**1,751,390**	522,200
Trade and other payables	25	**3,896,414**	4,014,638
Taxation payable	7(c)	**301,649**	205,683
		6,002,453	4,935,953
Net current assets		**2,649,870**	2,263,137
Total assets less current liabilities		**3,861,871**	3,374,573

Consolidated Balance Sheet

at 31 December 2014 (Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
Non-current liabilities			
Bank loans – secured	23	**368,710**	376,000
Other loans – secured	24	**945,550**	939,800
Promissory notes	26	**425,040**	236,167
Bond payables	27	**18,912**	–
Deferred tax liabilities	7(d)	**104,939**	74,673
		1,863,151	1,626,640
NET ASSETS		**1,998,720**	1,747,933
CAPITAL AND RESERVES			
Share capital	20	**86,738**	86,731
Reserves	21	**1,911,982**	1,661,202
TOTAL EQUITY		**1,998,720**	1,747,933

Approved and authorised for issue by the board of directors on 26 March 2015

Wu Zhen Shan
Executive director

Wu Zhen Ling
Executive director

The accompanying notes form part of these financial statements.

Balance Sheet

at 31 December 2014 (Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
Non-current asset			
Interest in subsidiaries	15	**592,006**	365,973
Current assets			
Receivables	17	**1,010**	1,446
Cash and cash equivalents	19	**13,702**	134,844
		14,712	136,290
Current liability			
Payables	25	**7,526**	8,943
Net current assets		**7,186**	127,347
Total assets less current liability		**599,192**	493,320
Non-current liabilities			
Promissory notes	26	**425,040**	236,167
Bond payables	27	**18,912**	–
		443,952	236,167
NET ASSETS		**155,240**	257,153
CAPITAL AND RESERVES			
Share capital	20	**86,738**	86,731
Reserves	21(b)	**68,502**	170,422
TOTAL EQUITY		**155,240**	257,153

Approved and authorised for issue by the board of directors on 26 March 2015

Wu Zhen Shan
Executive director

Wu Zhen Ling
Executive director

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2014 (Expressed in Renminbi)

	Note	Attributable to equity holders of the Group								
		Share capital RMB'000 (note 20)	Share premium RMB'000 (note 21(c))	Exchange reserve RMB'000 (note 21(d))	Other capital reserve RMB'000 (note 21(e))	Warrant reserve RMB'000 (note 26)	PRC statutory reserve RMB'000 (note 21(f))	Share-based compensation reserve RMB'000 (note 21(g))	Retained profits RMB'000	Total RMB'000
At 1 January 2014		**86,731**	**202,925**	**45,150**	**110,070**	**5,040**	**205,131**	**3,207**	**1,089,679**	**1,747,933**
Changes in equity for 2014:										
Profit for the year		–	–	–	–	–	–	–	**281,881**	**281,881**
Other comprehensive income		–	–	**735**	–	–	–	–	–	**735**
Total comprehensive income for the year		–	–	**735**	–	–	–	–	**281,881**	**282,616**
Warrants issued		–	–	–	–	**3,473**	–	–	–	**3,473**
Shares issued under share option scheme		**7**	**124**	–	–	–	–	**(76)**	–	**55**
Transfer to statutory reserve		–	–	–	–	–	**33,618**	–	**(33,618)**	–
Equity settled share-based payment	6(b)	–	–	–	–	–	–	**291**	**76**	**367**
Dividends paid in respect of the previous year	21(i)(ii)	–	**(27,798)**	–	–	–	–	–	–	**(27,798)**
Special dividend declared in respect of the current year	21(i)(ii)	–	**(7,926)**	–	–	–	–	–	–	**(7,926)**
At 31 December 2014		**86,738**	**167,325**	**45,885**	**110,070**	**8,513**	**238,749**	**3,422**	**1,338,018**	**1,998,720**

	Note	Attributable to equity holders of the Group								
		Share capital RMB'000 (note 20)	Share premium RMB'000 (note 21(c))	Exchange reserve RMB'000 (note 21(d))	Other capital reserve RMB'000 (note 21(e))	Warrant reserve RMB'000 (note 26)	PRC statutory reserve RMB'000 (note 21(f))	Share-based compensation reserve RMB'000 (note 21(g))	Retained profits RMB'000	Total RMB'000
At 1 January 2013		86,731	222,726	48,036	110,070	–	174,884	2,716	861,142	1,506,305
Changes in equity for 2013:										
Profit for the year		–	–	–	–	–	–	–	258,784	258,784
Other comprehensive income		–	–	(2,886)	–	–	–	–	–	(2,886)
Total comprehensive income for the year		–	–	(2,886)	–	–	–	–	258,784	255,898
Warrants issued		–	–	–	–	5,040	–	–	–	5,040
Transfer to statutory reserve		–	–	–	–	–	30,247	–	(30,247)	–
Equity settled share-based payment	6(b)	–	–	–	–	–	–	491	–	491
Dividends paid in respect of the previous year	21(i)(ii)	–	(11,952)	–	–	–	–	–	–	(11,952)
Special dividend declared in respect of the current year	21(i)(ii)	–	(7,849)	–	–	–	–	–	–	(7,849)
At 31 December 2013		86,731	202,925	45,150	110,070	5,040	205,131	3,207	1,089,679	1,747,933

The accompanying notes form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2014 (Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
Operating activities			
Profit before taxation		**586,219**	413,636
Adjustments for:			
Depreciation of fixed assets	13	**26,331**	18,011
Amortisation of leasehold land	13	**1,529**	762
Equity settled share-based payment expenses		**367**	491
Gain on disposal of property, plant and equipment		**(932)**	(643)
Increase in fair value of investment properties	14	**(49,302)**	(52,123)
Exchange gain		**(1,020)**	(35)
Interest income		**(5,189)**	(5,443)
Net interest expense		**41,474**	15,415
Changes in working capital:			
Increase in inventories		**(1,829,239)**	(210,535)
Decrease/(increase) in trade and other receivables		**599,948**	(1,668,094)
Decrease/(increase) in restricted cash		**15,673**	(19,972)
(Decrease)/increase in trade and other payables		**(118,224)**	1,070,494
Cash used in operations		**(732,365)**	(438,036)
Tax paid			
– PRC tax paid		**(152,717)**	(123,909)
Net cash used in operating activities		**(885,082)**	(561,945)
Investing activities			
Payments for the purchase of property, plant and equipment	13	**(38,241)**	(157,696)
Proceeds from disposal of property, plant and equipment		**1,369**	1,144
Interest received		**5,189**	5,443
Net cash used in investing activities		**(31,683)**	(151,109)

Consolidated Cash Flow Statement

for the year ended 31 December 2014 (Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
Financing activities			
Proceeds from shares issued under share option scheme		**55**	–
Proceeds from new bank loans		**156,070**	306,932
Proceeds from new other loans		**2,067,140**	1,112,000
Proceeds from promissory notes	26(b)	**185,076**	234,989
Proceeds from bond issued		**18,912**	–
Repayment of bank loans		**(303,792)**	(452,050)
Repayment of other loans		**(832,200)**	(650,850)
Repayment of entrusted loan		**–**	(20,000)
Capital contribution from limited partners		**78,820**	436,044
Interest paid		**(461,180)**	(208,441)
Dividend paid		**(35,724)**	(19,801)
Net cash generated from financing activities		**873,177**	738,823
Net (decrease)/increase in cash and cash equivalents		**(43,588)**	25,769
Cash and cash equivalents at 1 January		**641,801**	618,883
Effect of foreign exchange rate changes		**1,755**	(2,851)
Cash and cash equivalents at 31 December		**599,968**	641,801

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 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 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.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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. A summary of the significant accounting policies adopted by the Group is set out below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2014 comprise the Company and its subsidiaries (together with the Company hereinafter referred to as the "Group"). The consolidated financial statements are presented in Renminbi ("RMB") rounded to the nearest thousand Yuan.

The measurement basis used in the preparation of the financial statements is the historical cost basis except for investment properties (see note 2(d)), which are stated at their fair value.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the financial statements *(Continued)*

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.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 32.

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 2(g)).

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(f)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the balance sheet date and their fair value cannot be reliably determined at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(r)(iii).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 2(f)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 2(f).

(e) Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(g)):

– buildings held for own use which are situated on leasehold land classified as held under operating leases (see note 2(f)); and

– other items of plant and equipment.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, and an appropriate proportion of production overheads and borrowing costs (see note 2(t)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss on the date of retirement or disposal.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Property, plant and equipment *(Continued)*

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line basis over their estimated useful lives as follows:

–	Buildings situated on leasehold land	Over the shorter of the unexpired term of lease and their estimated useful life
–	Leasehold improvements	3 – 5 years
–	Plant and machinery	8 years
–	Furniture, fixtures and equipment	5 – 8 years
–	Motor vehicles	8 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

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

(f) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Leased assets *(Continued)*

(i) Classification of assets leased to the Group (Continued)

– property held under operating leases that would otherwise meet the definition of an investment property is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 2(d)); and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 2(d)) or is held for development for sale (see note 2(h)(i)).

(g) Impairment of assets

(i) Impairment of trade and other receivables

Current and non-current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Impairment of assets *(Continued)*

(i) Impairment of trade and other receivables *(Continued)*

If any such evidence exists, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment losses shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bill receivables included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequently recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Impairment of assets *(Continued)*

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– investments in subsidiaries;

– property, plant and equipment;

– pre-paid interests in leasehold land classified as being held under an operating lease; and

– construction in progress.

If any such indication exists, the asset's recoverable amount is estimated.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. cash-generating unit).

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Impairment of assets *(Continued)*

(ii) Impairment of other assets (Continued)

– *Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange, the Group is required to prepare an interim financial report in compliance with IAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(g)(i) and (ii)).

(h) Inventories

Inventories in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

(i) Properties held for future development and under development for sale

The cost of properties held for future development and under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses and borrowing costs capitalised (see note 2(t)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the properties.

(ii) Completed properties held for sale

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the properties.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the properties to their present location and condition.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Construction contracts

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of the design. The accounting policy for contract revenue is set out in note 2(r)(ii). When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the balance sheet date. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the balance sheet date are recorded at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the balance sheet as the "Gross amount due from customers for contract work" (as an asset) or the "Gross amount due to customers for contract work" (as a liability), as applicable. Progress billings not yet paid by the customer are included in the balance sheet under "Trade and other receivables". Amounts received before the related work is performed are included in the balance sheet, as a liability under "Trade and other payables".

(j) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(g)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(k) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) Promissory note with detachable warrants

Promissory note of the Group is issued with detachable warrants. Where the warrants issued by the Company will be settled by a fixed amount of cash for a fixed number of the Company's own equity instruments, promissory note with detachable warrants is accounted for as compound financial instruments which contain a liability component (promissory note) and an equity component (warrants).

The promissory note is initially measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have detachable warrants. The warrants are recognised as the excess of proceeds over the amount initially recognised as the promissory note.

The promissory note is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the promissory note is calculated using the effective interest method. The warrants are recognised in warrant reserve in equity until they are exercised. If the warrants are exercised, the warrant reserve, together with the proceeds received at the time of exercise, is transferred to share capital and share premium as consideration for the shares issued. If the warrants are not exercised upon expiry, the warrant reserve is released directly to retained profits.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to appropriate local defined contribution retirement schemes pursuant to the relevant labor rules and regulations in the PRC and Hong Kong Mandatory Provident Fund Schemes Ordinance are expensed in the period in which they are incurred, except to the extent that they are included in properties under development for sale not yet recognised as an expense.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Income tax *(Continued)*

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 2(d), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the balance sheet date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Income tax *(Continued)*

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(q) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of properties

Revenue arising from the sale of properties is recognised when the significant risks and rewards of ownership have been transferred to the buyers. The Group considers that the significant risks and rewards of ownership are transferred when the properties are completed and delivered to the buyers. Revenue from sales of properties excludes business tax or other sales related taxes and is after deduction of any trade discounts. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet as receipts in advance.

Revenue from instalment sales is recognised by discounting the instalments receivable at the imputed rate of interest to present value. The interest element is recognised as it is earned using effective interest method.

(ii) Contract revenue

When the outcome of a construction contract can be estimated reliably, revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

(iii) Rental income from operating leases

Rental income received and receivable under operating leases is recognised in profit or loss in equal instalments over the periods of the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments received and receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into Renminbi at the closing foreign exchange rates at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(t) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Related parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

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

(2) has significant influence over the Group; or

(3) is a member of the key management personnel of the Group or the Group's parent.

(ii) An entity is related to the Group if any of the following conditions applies:

(1) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(3) Both entities are joint ventures of the same third party.

(4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

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

(6) The entity is controlled or jointly controlled by a person identified in (i).

(7) A person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial statements provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 CHANGES IN ACCOUNTING POLICIES

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

Amendments to IFRS 10, IFRS 12 and IAS 27, Investment entities

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended IFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on these financial statements as the Company does not qualify to be an investment entity.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

Amendments to IAS 32, Offsetting financial assets and financial liabilities

The amendments to IAS 32 clarify the offsetting criteria in IAS 32. The amendments do not have an impact on these financial statements as they are consistent with the policies already adopted by the Group.

Amendments to IAS 36, Recoverable amount disclosures for non-financial assets

The amendments to IAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or CGU whose recoverable amount is based on fair value less costs of disposal. The amendments do not have a significant impact on these financial statements as they are consistent with the policies already adopted by the Group.

4 TURNOVER

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:

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

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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

5 OTHER REVENUE

	2014 RMB'000	2013 RMB'000
Gain on disposal of property, plant and equipment	**932**	643
Others	**13,301**	10,184
	14,233	10,827

6 PROFIT BEFORE TAXATION

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

	2014 RMB'000	2013 RMB'000
(a) Net finance expenses		
Interest income	**(5,189)**	(5,443)
Exchange gain	**(1,020)**	(35)
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 (Note)	**(426,976)**	(199,244)
Finance expenses	**41,474**	15,415
Net finance expenses	**35,265**	9,937

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

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

6 PROFIT BEFORE TAXATION *(Continued)*

	2014	2013
	RMB'000	RMB'000
(b) Staff costs		
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 (note 22)	**367**	491
	94,268	107,929

In addition to the above, staff costs of RMB63,189,000 (2013: RMB33,166,000), including contributions to retirement benefits scheme of RMB7,425,000 (2013: RMB2,806,000), are capitalised as properties held for future development and under development.

Employees of the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Group also maintains Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. In accordance with the requirements of the Mandatory Provident Fund Scheme Ordinance and related regulations, the Group's and employee's contributions to the MPF Scheme are based on 5% of the relevant income of the relevant employee up to a cap of monthly relevant income of HK$25,000 before 1 June 2014. And commencing from 1 June 2014, the cap of monthly relevant income has been increased to HK$30,000.

The Group has no other material obligation for the payment of retirement benefits associated with these schemes beyond the annual contributions described above.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

6 PROFIT BEFORE TAXATION *(Continued)*

	2014 RMB'000	2013 RMB'000
(c) Other items		
Depreciation and amortisation	**27,860**	18,773
Auditors' remuneration	**3,994**	3,279
Operating lease charges on hire of property	**17,804**	11,786
Rentals receivable less direct outgoings of RMB5,047,000 (2013: RMB3,056,000)	**(22,187)**	(14,695)

7 INCOME TAX

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

	2014 RMB'000	2013 RMB'000
Current tax		
PRC Corporate Income Tax (note 7(c))	**119,025**	69,442
PRC Land Appreciation Tax (note 7(c))	**149,739**	86,580
	268,764	156,022
Deferred tax		
Origination and reversal of temporary differences (note 7(d))	**35,574**	(1,170)
	304,338	154,852

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

7 INCOME TAX *(Continued)*

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

(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税暫行條例）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税暫行條例實施細則）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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

7 INCOME TAX *(Continued)*

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

(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:

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

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

7 INCOME TAX *(Continued)*

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

	The Group	
	2014	2013
	RMB'000	RMB'000
PRC Corporate Income Tax		
At 1 January	**27,532**	19,511
Charged to profit or loss (note 7(a))	**119,025**	69,442
Tax paid	**(62,160)**	(61,421)
At 31 December	**84,397**	27,532
PRC Land Appreciation Tax		
At 1 January	**129,875**	105,783
Charged to profit or loss (note 7(a))	**149,739**	86,580
Tax paid	**(90,557)**	(62,488)
At 31 December	**189,057**	129,875
Total	**273,454**	157,407
Representing:		
Prepaid tax	**28,195**	48,276
Current taxation	**(301,649)**	(205,683)
	(273,454)	(157,407)

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

7 INCOME TAX *(Continued)*

(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:

	The Group						
	Revaluation of properties RMB'000	**Pre-sale of properties** RMB'000	**Withholding tax** RMB'000	**Deductibility of LAT** RMB'000	**Tax loss** RMB'000	**Others** RMB'000	**Total** RMB'000
At 1 January 2013	(43,018)	16,736	(19,400)	(274)	3,568	723	(41,665)
(Charged)/credited to the profit or loss (note 7(a))	(11,442)	6,260	–	9,350	(3,091)	93	1,170
At 31 December 2013	(54,460)	22,996	(19,400)	9,076	477	816	(40,495)
At 1 January 2014	(54,460)	22,996	(19,400)	9,076	477	816	(40,495)
(Charged)/credited to the profit or loss (note 7(a))	(28,252)	(22,996)	–	16,958	(477)	(807)	(35,574)
At 31 December 2014	(82,712)	–	(19,400)	26,034	–	9	(76,069)

Representing:

	2014 RMB'000	2013 RMB'000
Deferred tax assets	**28,870**	34,178
Deferred tax liabilities	**(104,939)**	(74,673)
	(76,069)	(40,495)

(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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

8 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a loss of RMB70,780,000 (2013: RMB18,876,000) which has been dealt with in the financial statements of the Company.

Details of dividends paid and payable to equity shareholders of the Company are set out in note 21(i).

9 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)

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

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

9 EARNINGS PER SHARE *(Continued)*

(b) Diluted earnings per share *(Continued)*

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

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

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

10 DIRECTORS' REMUNERATION

The individual amounts of remuneration payable to directors during the year are as follows:

	Directors' fees RMB'000	Basic salaries, housing allowances and other allowances and benefits RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Share-based payments (Note) RMB'000	Total RMB'000
2014						
Executive directors						
Mr Wu Zhen Shan	–	811	300	22	17	1,150
Mr Wu Zhen Ling	–	811	300	22	17	1,150
Mr Wu Zhen He	–	833	300	–	17	1,150
Mr Zhang Zhen Hai	–	811	300	22	17	1,150
Independent non-executive directors						
Mr Tian Chong Hou	–	59	–	–	–	59
Mr Wang Ping	–	59	–	–	–	59
Mr Cheung Ying Kwan	–	89	–	–	–	89
	–	3,473	1,200	66	68	4,807
					(Note)	
2013						
Executive directors						
Mr Wu Zhen Shan	–	679	300	21	18	1,018
Mr Wu Zhen Ling	–	679	300	21	18	1,018
Mr Wu Zhen He	–	700	300	–	18	1,018
Mr Zhang Zhen Hai	–	680	300	20	18	1,018
Independent non-executive directors						
Mr Tian Chong Hou	–	43	–	–	–	43
Mr Wang Ping	–	43	–	–	–	43
Mr Cheung Ying Kwan	–	67	–	–	–	67
	–	2,891	1,200	62	72	4,225

Note: These represent the estimated value of share options granted to the directors under the Company's pre-IPO share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in Note 2(o)(ii).

No emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office for the current or prior years. No director has waived or agreed to waive any emoluments for the current or prior years.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

11 INDIVIDUALS WITH THE HIGHEST EMOLUMENTS

Of the seven (2013: five) individuals with the highest emoluments, four (2013: four) are directors whose emoluments are disclosed in note 10. The emolument in respect of the remaining three (2013: one) individual is as follows: (Note)

	2014 **RMB'000**	2013 RMB'000
Salaries, allowances and benefits in kind	**3,626**	1,004
Share-based payments	**–**	19
Retirement scheme contributions	**55**	24
	3,681	1,047

The emolument of these three (2013: one) individual with the highest emolument is within the following bands:

	2014 **Number of individuals**	2013 Number of individuals
RMB1,000,001 to RMB1,500,000	**3**	1

Note: Seven individuals with the highest emoluments are disclosed since the emolument for the fourth to seventh individuals are identical.

Other than the directors' remuneration and emoluments of seven (2013: five) highest individuals disclosed in note 10 and above, the emoluments of the senior management whose profiles are included in Senior Management Biographies section of this report fell within the following bands:

	Number of individuals	
	2014	2013
RMB Nil to RMB1,000,000	**1**	6
RMB1,000,000 to RMB1,500,000	**3**	–
	4	6

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

12 SEGMENT REPORTING

Management has determined operating segments with reference to the reports reviewed by the chief operating decision maker of the Group that are used to assess the performance and allocate resources.

The chief operating decision maker of the Group assesses the performance and allocates the resources of the Group as a whole, as all of the Group's activities are considered to be primarily dependent on the performance on property development. Therefore, management considers there to be only one operating segment under the requirements of IFRS 8, *Operating segments*. In this regard, no segment information is presented for the current and prior years.

No geographic information is shown as the turnover and profit from operation of the Group is derived from activities in the PRC.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

13 PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings held for own use at cost RMB'000	Construction in progress RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Subtotal RMB'000	Interest in leasehold land held for own use under operating leases RMB'000	Total RMB'000
Cost:									
At 1 January 2014	368,487	372	6,632	26,047	23,982	41,888	467,408	56,646	524,054
Transfer from construction in progress	–	(735)	–	–	735	–	–	–	–
Additions	1,076	643	1,065	247	5,729	29,481	38,241	–	38,241
Disposals	–	–	–	–	(17)	(3,645)	(3,662)	–	(3,662)
At 31 December 2014	369,563	280	7,697	26,294	30,429	67,724	501,987	56,646	558,633
Accumulated depreciation and amortisation:									
At 1 January 2014	10,101	–	6,535	908	8,552	27,492	53,588	762	54,350
Charge for the year	12,274	–	153	1,777	4,219	7,908	26,331	1,529	27,860
Written back on disposals	–	–	–	–	(10)	(3,215)	(3,225)	–	(3,225)
At 31 December 2014	22,375	–	6,688	2,685	12,761	32,185	76,694	2,291	78,985
Net book value:									
At 31 December 2014	347,188	280	1,009	23,609	17,668	35,539	425,293	54,355	479,648

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

13 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Group *(Continued)*

	Buildings held for own use at cost RMB'000	Construction in progress RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Subtotal RMB'000	Interest in leasehold land held for own use under operating leases RMB'000	Total RMB'000
Cost:									
At 1 January 2013	51,645	258,195	6,632	244	14,475	41,135	372,326	–	372,326
Additions	291	144,797	–	732	9,943	1,933	157,696	–	157,696
Transfer to investment properties	(4,341)	–	–	–	–	–	(4,341)	–	(4,341)
Transfer from construction in progress	320,903	(402,620)	–	25,071	–	–	(56,646)	56,646	–
Disposals	(11)	–	–	–	(436)	(1,180)	(1,627)	–	(1,627)
At 31 December 2013	368,487	372	6,632	26,047	23,982	41,888	467,408	56,646	524,054
Accumulated depreciation and amortisation:									
At 1 January 2013	2,693	–	5,094	208	6,404	22,716	37,115	–	37,115
Charge for the year	7,830	–	1,441	700	2,293	5,747	18,011	762	18,773
Transfer to investment properties	(412)	–	–	–	–	–	(412)	–	(412)
Written back on disposals	(10)	–	–	–	(145)	(971)	(1,126)	–	(1,126)
At 31 December 2013	10,101	–	6,535	908	8,552	27,492	53,588	762	54,350
Net book value:									
At 31 December 2013	358,386	372	97	25,139	15,430	14,396	413,820	55,884	469,704

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

13 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The analysis of carrying value of leasehold land held for own use under operating leases is as follows:

	The Group	
	2014	2013
	RMB'000	RMB'000
In PRC, held on leases of		
– Between 10 and 50 years	**54,355**	55,884

The Group's property, plant and equipment with carrying value of RMB375,562,000 (2013: RMB373,459,000) were pledged as securities for the Group's other loans (note 24) (2013: pledged as securities of the Group's bank loans (note 23)).

14 INVESTMENT PROPERTIES

	The Group	
	2014	2013
	RMB'000	RMB'000
At 1 January	**607,554**	433,253
Transfer in from completed properties held for sale	**46,627**	118,249
Transfer in from property, plant and equipment	**–**	3,929
Increase in fair value	**49,302**	52,123
At 31 December	**703,483**	607,554
Representing:		
Valuation	**703,483**	607,554

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

14 INVESTMENT PROPERTIES *(Continued)*

(a) 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.

(b) Fair value measurement of properties

(i) Fair value hierarchy

The following table presents the fair value of the Group's properties measured at the balance sheet date on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

– Level 3 valuations: Fair value measured using significant unobservable inputs.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

14 INVESTMENT PROPERTIES *(Continued)*

(b) Fair value measurement of properties *(Continued)*

(i) Fair value hierarchy (Continued)

	Fair value at 31 December 2014 RMB'000	**Fair value measurements as at 31 December 2014 categorised into**		
		Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**
Group				
Recurring fair value measurement				
Investment properties:				
– Mainland China	**703,483**	**–**	**–**	**703,483**

	Fair value at 31 December 2013 RMB'000	Fair value measurements as at 31 December 2013 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Group				
Recurring fair value measurement				
Investment properties:				
– Mainland China	607,554	–	–	607,554

During the year ended 31 December 2014, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the balance sheet date in which they occur.

(ii) Valuation techniques and inputs used in Level 3 fair value measurements

The fair value of investment properties located in Mainland China is determined by using income capitalisation approach and with reference to sales evidence as available in the market. The income capitalisation approach is the sum of the term value and the reversionary value by discounting the contracted annual rent at the capitalisation rate over the existing lease period; and the sum of average unit market rent at the capitalisation rate after the existing lease period.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

14 INVESTMENT PROPERTIES *(Continued)*

(b) Fair value measurement of properties *(Continued)*

(ii) Valuation techniques and inputs used in Level 3 fair value measurements (Continued)

The unobservable inputs are summarised as follows:

Categories	Valuation techniques	Unobservable input	Note	Range
Mainland China	Income Capitalisation Approach	Capitalisation rate	(1)	3.0% – 6.0%
		Average unit market rent per month	(2)	RMB4.5 – RMB60.0/sq.m

Note: Descriptions of the sensitivity in unobservable inputs and inter-relationship:

(1) The fair value measurements is negatively correlated to the capitalisation rate that the lower the factor will result in a higher fair value.

(2) The fair value measurement is positively correlated to the average unit market rent per month that the higher the factor will result in a higher fair value.

(c) The analysis of fair value of investment properties is set out as follows:

	The Group	
	2014	2013
	RMB'000	RMB'000
In PRC		
– Long leases	**216,031**	216,043
– Medium-term leases	**487,452**	391,511
	703,483	607,554

Certain portion of the Group's investment properties was pledged against other loans, details are set out in note 24.

In addition to investment properties against which the Group's other loans were secured as set out in note 24, at 31 December 2014, investment properties with fair value of RMB117,985,000 (2013: RMB101,441,000) were also pledged as securities for a banking facility of RMB53,000,000 (2013: RMB53,000,000) granted to Hebei Tianshan Industrial Group Construction Engineering Company Limited ("Tianshan Construction"), a company wholly owned by the controlling shareholders of the Group.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

14 INVESTMENT PROPERTIES *(Continued)*

(d) Investment properties leased out under operating leases

The Group leases out its investment properties under operating leases. The leases typically run for an initial period of one to forty-five years, with an option to renew the lease after that date at which time all terms are renegotiated.

The Group's total future minimum lease income under non-cancellable operating leases is receivable as follows:

	2014 RMB'000	2013 RMB'000
Within 1 year	**5,490**	6,232
After 1 year but within 5 years	**6,404**	6,298
After 5 years	**59,233**	59,908
	71,127	72,438

15 INTEREST IN SUBSIDIARIES

	The Company	
	2014 RMB'000	2013 RMB'000
Unlisted shares, at cost	**160**	160
Amount due from a subsidiary	**591,846**	365,813
	592,006	365,973

Amount due from a subsidiary is unsecured, interest-free and has no fixed term of repayment and is expected to be settled after more than one year.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

15 INTEREST IN SUBSIDIARIES *(Continued)*

The following list contains only the particulars of subsidiaries which principally affect the results, assets and liabilities of the Group.

Name of company	Place of incorporation and operation	Issued and fully paid share capital/paid-in capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Principal activities	Legal form
Tian Shan International Investment Company Limited	The British Virgin Islands	US$20,000	100%	–	Investment holding	Limited liability company
Tian Shan Real Estate Development Company Limited ("Tian Shan Real Estate")	Hebei, the PRC	RMB510,000,000	–	100%	Property development	Wholly owned foreign enterprise
Dragon China Engineering Limited	Hong Kong	HK$1	–	100%	Inactive	Limited liability company
Sanhe Hengji Real Estate Development Company Limited	Hebei, the PRC	RMB20,000,000	–	100%	Property development	Limited liability company
Tianjin Tian Shan Real Estate Development Company Limited	Tianjin, the PRC	RMB153,000,000	–	100%	Property development	Limited liability company
Weihai Tian Shan Real Estate Development Company Limited	Shangdong, the PRC	RMB105,000,000	–	100%	Property development	Limited liability company
Tian Shan (Hong Kong) Limited	Hong Kong	US$10,000	–	100%	Inactive	Limited liability company
Hebei Tianhu Travel Development Company Limited	Hebei, the PRC	RMB3,000,000	–	100%	Inactive	Limited liability company
Shan Ling Hai He Property Company Limited	Hebei, the PRC	RMB50,000,000	–	100%	Inactive	Limited liability company
Hebei Tianshan Rongshun Private Equity Funds Management Company Limited	Hebei, the PRC	RMB10,000,000	–	100%	Inactive	Limited liability company
Tianjin Tian Shan Mi Li Fang Commerce and Trading Company Limited	Tianjin, the PRC	RMB10,000,000	–	100%	Property development	Limited liability company

Notes to the Financial Statements

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15 INTEREST IN SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation and operation	Issued and fully paid share capital/paid-in capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Principal activities	Legal form
Zanhuang Hengji Manufacturing Company Limited	Hebei, the PRC	RMB1,000,000	–	100%	Property development	Limited liability company
Xingtai Tianshan Chiheng Real Estate Development Company Limited	Hebei, the PRC	RMB5,000,000	–	100%	Inactive	Limited liability company
Hebei Tianshan Jingyulan Real Estate Development Company Limited	Hebei, the PRC	RMB5,000,000	–	100%	Inactive	Limited liability company
Hebei Linghe Real Estate Development Company Limited	Hebei, the PRC	RMB5,000,000	–	100%	Inactive	Limited liability company
Hebei Zhiheng Real Estate Development Company Limited	Hebei, the PRC	RMB465,000,000	–	100%	Property development	Limited liability company
Hebei Haiding Real Estate Development Company Limited	Hebei, the PRC	RMB5,000,000	–	100%	Property development	Limited liability company
Xingtai Xinheng Real Estate Development Company Limited	Hebei, the PRC	RMB5,000,000	–	100%	Property development	Limited liability company
Hebei Tianshan Zhicheng Real Estate Development Company Limited	Hebei, the PRC	RMB5,000,000	–	100%	Inactive	Limited liability company
Hebei Guanhai Real Estate Development Company Limited	Hebei, the PRC	RMB5,000,000	–	100%	Inactive	Limited liability company
Hebei Yuanzhi Real Estate Development Company Limited	Hebei, the PRC	RMB5,000,000	–	100%	Inactive	Limited liability company
Tianjin Tianshan Zhixin Real Estate Development Company Limited	Tianjin, the PRC	RMB106,860,000	–	100%	Inactive	Limited liability company
Hebei Shang hong Real Estate Development Company Limited	Hebei, the PRC	RMB5,000,000	–	100%	Inactive	Limited liability company
Hebei Hanhua Real Estate Development Company Limited	Hebei the PRC	RMB20,000,000	–	100%	Inactive	Limited liability company

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

15 INTEREST IN SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation and operation	Issued and fully paid share capital/paid-in capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Principal activities	Legal form
Ningxia Tianshan Seaworld Travel and Culture Company Limited	Hebei, the PRC	RMB11,300,000	–	100%	Inactive	Limited liability company
Yinchuan Tianshan Real Estate Development Company	Ningxia, the PRC	RMB12,000,000	–	100%	Inactive	Limited liability company
Hebei Newway Finance Leasing Company limited	Hebei, the PRC	USD10,000,000	–	100%	Inactive	Limited liability company
Circle Win Investments Limited	The British Virgin Islands	USD1	–	100%	Investment holding	Limited liability company

Note: The English names of the PRC subsidiaries referred to above were translation by management only for the purpose of these financial statements, as no English names are registered or available.

16 INVENTORIES

(a) Inventories in the consolidated balance sheet comprise:

	The Group 2014 RMB'000	The Group 2013 RMB'000
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
	6,051,430	3,841,842

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

16 INVENTORIES *(Continued)*

(b) The analysis of carrying value of leasehold land included in inventories for property development is as follows:

	The Group	
	2014	2013
	RMB'000	RMB'000
In PRC, held on leases of		
– Over 50 years	**827,563**	1,042,213
– Between 10 and 50 years	**1,765,157**	19,852
	2,592,720	1,062,065

(c) The amount of inventories for property development expected to be recovered after more than one year is analysed as follows:

	The Group	
	2014	2013
	RMB'000	RMB'000
Properties held for future development for sale	**135,134**	319,100
Properties under development for sale	**319,563**	209,454
	454,697	528,554

(d) Certain portion of the Group's properties for sale was pledged against bank and other loans, details are set out in notes 23 and 24.

(e) The cost of inventories sold for the year amounted to RMB1,499,805,000 (2013: RMB1,989,658,000).

(f) The Group temporarily leased out certain properties under operating leases. The leases run for a period of two years. The leases do not include contingent rents. The Group's total future minimum lease payments under non-cancellable operating leases are not significant.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

17 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables (note (a))	**54,271**	19,222	**–**	–
Deposits, prepayments and other receivables (note (c))	**1,866,668**	2,580,485	**1,010**	1,446
	1,920,939	2,599,707	**1,010**	1,446

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:

	The Group	
	2014	2013
	RMB'000	RMB'000
Current or less than 1 month overdue	**40,861**	13,824
3 months to 1 year overdue	**13,410**	5,398
	54,271	19,222

Trade receivables are due within 0 – 30 days from date of billing. Further details on the Group's credit policy are set out in note 28(b).

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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

17 TRADE AND OTHER RECEIVABLES *(Continued)*

(b) Impairment of other receivable

Impairment losses in respect of other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against other receivables directly (see note 2(g)(i)).

There is no movement in the allowance for doubtful debts during the current and prior years.

The Group's other receivables which were individually determined to be impaired were RMB1,515,000 (2013: RMB1,515,000). The Group does not hold any collateral over these balances.

(c) Included in deposits, prepayments and other receivables were prepayments for leasehold land costs of RMB342,290,000 (2013: RMB1,653,985,000).

At 31 December 2014, an amount of RMB664,844,000 (2013: RMB446,414,000) was paid as deposits for redevelopment of an village in Shijiazhuang and included in other receivables of the Group.

18 RESTRICTED CASH

Restricted cash are deposits with certain banks as guarantee deposits against the mortgage loan facilities granted by the banks to purchasers of the Group's properties.

Notes to the Financial Statements

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19 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of balances with banks and cash on hand. The Group's exposure to currency risk is disclosed in note 28(d).

The Group's bank balances denominated in RMB amounting to RMB580,997,000 (2013: RMB505,984,000) are deposited with banks in the PRC. The conversion of these RMB denominated balances into foreign currencies and the remittance of funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the government of the PRC.

20 SHARE CAPITAL

(a) The details of the authorised and issued share capital are set out as follows:

	The Group and the Company			
	2014		2013	
	No. of shares '000	**Amount HK$'000**	No. of shares '000	Amount HK$'000
Authorised:				
Ordinary shares of HK$0.1 each	**10,000,000**	**1,000,000**	10,000,000	1,000,000
Ordinary shares, issued and fully paid:				
At 1 January	**1,000,000**	**100,000**	1,000,000	100,000
Shares issued under share option scheme	**100**	**10**	–	–
At 31 December	**1,000,100**	**100,010**	1,000,000	100,000
RMB'000 equivalent at 31 December		**86,738**		86,731

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

20 SHARE CAPITAL *(Continued)*

(b) Shares issued under share options scheme

On 23 June 2014, the subscription rights attaching to 100,000 share options were exercised at a weighted average exercise price of HK$0.70 per share, resulting in the issue of 100,000 shares of HK$0.10 each for a total cash consideration, before expenses of HK$70,000 (approximately RMB55,000).

(c) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to fund its property development projects, provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of net debt to equity ratio. Net debt is calculated as total debt less cash and cash equivalents. This ratio is calculated as net debt divided by total equity.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

20 SHARE CAPITAL *(Continued)*

(c) Capital management *(Continued)*

The net debt to equity ratios at 31 December 2014 and 2013 are as follows:

	The Group	
	2014	2013
	RMB'000	RMB'000
Non-current liabilities		
Bank loans	**368,710**	376,000
Other loans	**945,550**	939,800
Promissory note	**425,040**	236,167
Bond payable	**18,912**	–
	1,758,212	1,551,967
Current liabilities		
Bank loans	**53,000**	193,432
Other loans	**1,751,390**	522,200
	1,804,390	715,632
Total debt	**3,562,602**	2,267,599
Less: Cash and cash equivalents	**(599,968)**	(641,801)
Net debt	**2,962,634**	1,625,798
Total equity	**1,998,720**	1,747,933
Net debt to equity ratio	**1.48**	0.93

Neither the Company nor any of its subsidiaries are subject to any externally imposed capital requirements.

Notes to the Financial Statements

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21 RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity.

(b) Reserves of the Company

	Note	Share premium RMB'000 (note 21(c))	Exchange reserve RMB'000 (note 21(d))	Share-based compensation reserve RMB'000 (note 21(g))	Warrant reserve RMB'000 (note 26)	Accumulated loss RMB'000	Total RMB'000
At 1 January 2014		202,925	(11,759)	3,207	5,040	(28,991)	170,422
Changes in equity for 2014:							
Loss for the year		–	–	–	–	(70,780)	(70,780)
Exchange difference on translation of financial statements		–	696	–	–	–	696
Total comprehensive income for the year		–	696	–	–	(70,780)	(70,084)
Warrants issued	26	–	–	–	3,473	–	3,473
Shares issued under share option scheme		124	–	(76)	–	–	48
Equity settled share-based payment		–	–	291	–	76	367
Dividends approved in respect of the previous year	21(i)(ii)	(27,798)	–	–	–	–	(27,798)
Special dividend declared in respect of the current year	21(i)(ii)	(7,926)	–	–	–	–	(7,926)
		(35,600)	696	215	3,473	(70,704)	(101,920)
At 31 December 2014		167,325	(11,063)	3,422	8,513	(99,695)	68,502

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

21 RESERVES AND DIVIDENDS *(Continued)*

(b) Reserves of the Company *(Continued)*

	Note	Share premium RMB'000 (note 21(c))	Exchange reserve RMB'000 (note 21(d))	Share-based compensation reserve RMB'000 (note 21(g))	Warrant reserve RMB'000 (note 26)	Accumulated loss RMB'000	Total RMB'000
At 1 January 2013		222,726	(8,884)	2,716	–	(10,115)	206,443
Changes in equity for 2013:							
Loss for the year		–	–	–	–	(18,876)	(18,876)
Exchange difference on translation of financial statements		–	(2,875)	–	–	–	(2,875)
Total comprehensive income for the year		–	(2,875)	–	–	(18,876)	(21,751)
Warrants issued	26	–	–	–	5,040	–	5,040
Equity settled share-based payment		–	–	491	–	–	491
Dividends approved in respect of the previous year	21(i)(ii)	(11,952)	–	–	–	–	(11,952)
Special dividend declared in respect of the current year	21(i)(ii)	(7,849)	–	–	–	–	(7,849)
		(19,801)	(2,875)	491	5,040	(18,876)	(36,021)
At 31 December 2013		202,925	(11,759)	3,207	5,040	(28,991)	170,422

(c) Share premium

The share premium account is governed by the Cayman Companies Law and may be applied by the Company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to equity shareholders; (b) paying up unissued shares of the Company to be issued to equity shareholders as fully paid bonuses shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Law); (d) writing-off the preliminary expenses of the Company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the Company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the Company.

Notwithstanding the foregoing, the Cayman Companies Law provides that no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

21 RESERVES AND DIVIDENDS *(Continued)*

(d) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(e) Other capital reserve

Other capital reserve represents the difference between the Group's interest in the net book value of an entity under common control of the shareholders that control the Group and the cost of transfer/consideration of disposal of that entity; and the difference between the nominal value of shares of the subsidiary acquired over the nominal value of the shares exchanged by the Group thereof.

(f) PRC statutory reserve

The statutory reserve is non-distributable and the transfer to this reserve is determined by the board of directors in accordance with the relevant laws and regulations of the PRC. This reserve can be used to offset accumulated losses and increase capital upon approval from the relevant authorities.

(g) Share-based compensation reserve

Share-based compensation reserve represents the fair value of services in respect of share options granted under the Pre-IPO share option scheme as set out in note 22.

(h) Distributability of reserves

At 31 December 2014, the aggregate amounts of the Company's reserves available for distribution to equity shareholders of the Company at 31 December 2014 was RMB68,502,000 (2013: RMB170,422,000).

The Company relies on distributions or advances from its subsidiaries to pay any dividends. The ability of these subsidiaries to make distributions to the Company and the Company's ability to receive distributions are subject to applicable legal and other restrictions, including but not limited to restrictions on payment of dividends by PRC companies to non-PRC shareholders out of the PRC. These restrictions may impact the payment of distributions from the subsidiaries to the Company.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

21 RESERVES AND DIVIDENDS *(Continued)*

(i) Dividends

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

	2014 **RMB'000**	2013 RMB'000
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)	**16,000**	28,000

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

	2014 **RMB'000**	2013 RMB'000
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)	**27,798**	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	**7,926**	7,849
	35,724	19,801

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

22 EQUITY SETTLED SHARE-BASED TRANSACTION

(a) Pre-IPO share options

On 16 June 2010, the Company conditionally granted certain pre-IPO share options to connected persons, consultants, executives and officers of the Group and related companies. The exercise of these share options would entitle these grantees to subscribe for an aggregate of 6,000,000 shares of the Company. The exercise price per share is 50% of the price of initial public offering ("IPO") of shares of the Company. Each option granted under the Pre-IPO option scheme has a vesting period of one to ten years, commencing from six months from the date of IPO and the options are exercisable until 15 June 2020.

Share options were granted under a service condition. This condition had not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

(b) The number and the weighted average exercise price of share options are as follows:

	2014		2013	
	Exercise price HK$	**Number of options**	Exercise price HK$	Number of options
Outstanding at 1 January	**0.7**	**5,710,000**	0.7	5,710,000
Exercised during the year	**0.7**	**(100,000)**	–	–
Forfeited during the year	**0.7**	**(200,000)**	–	–
Outstanding at 31 December	**0.7**	**5,410,000**	0.7	5,710,000
Exercisable at 31 December	**0.7**	**2,655,000**	0.7	2,284,000

The weighted average share price at the date of exercise for share options exercised during the year was HK$3.29 (2013: not applicable).

The options outstanding at 31 December 2014 had an average exercise price of HK$0.7 (2013: HK$0.7) and a weighted average remaining contractual life of 1.3 years (2013: 1.8 years).

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

23 BANK LOANS – SECURED

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

	The Group	
	2014	2013
	RMB'000	RMB'000
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
	368,710	376,000
	421,710	569,432

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

	The Group	
	2014	2013
	RMB'000	RMB'000
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
	506,681	751,194

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

23 BANK LOANS – SECURED *(Continued)*

(c) The effective interest rates per annum at 31 December ranged from:

	The Group	
	2014	2013
	%	%
Bank loans	**6.60 – 8.32**	3.35 – 8.40

24 OTHER LOANS – SECURED

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

	The Group	
	2014	2013
	RMB'000	RMB'000
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
	945,550	939,800
	2,696,940	1,462,000

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

24 OTHER LOANS – SECURED *(Continued)*

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

	The Group	
	2014	2013
	RMB'000	RMB'000
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
Property, plant and equipment	**375,562**	–
Investment properties	**182,511**	238,937
	3,085,133	1,584,494

In addition to assets of the Group against which other loans were secured as set out above, certain properties with total carrying value of RMB289,280,000 (2013: RMB114,426,000) were provided by Tianshan Construction as securities for a banking facility of RMB360,000,000 (2013: RMB360,000,000) granted to the Group. No guarantee expense is charged by Tianshan Construction for such provision of securities.

(c) The effective interest rates per annum at 31 December ranged from:

	The Group	
	2014	2013
	%	%
Other loans	**9.00 – 13.50**	9.50 – 13.00

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

25 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables (note (a))	**104,064**	136,178	**–**	–
Other payables and accruals (notes (c), (d) and (e))	**1,922,093**	2,108,148	**2,979**	2,198
Receipts in advance (note (b))	**1,326,802**	1,273,099	**–**	–
Amounts due to the ultimate holding company (note (f))	**4,532**	6,734	**4,547**	6,745
Amounts due to related parties (note (f))	**1,463**	54,435	**–**	–
Limited partners' interest (note (g))	**537,460**	436,044	**–**	–
	3,896,414	4,014,638	**7,526**	8,943

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

	The Group	
	2014	2013
	RMB'000	RMB'000
Due within 1 month or on demand	**104,064**	136,178

(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 Hebai 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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

25 TRADE AND OTHER PAYABLES *(Continued)*

(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.

26 PROMISSORY NOTES/WARRANTS

(a) Liability component of the promissory notes:

	The Group and the Company	
	2014	2013
	RMB'000	RMB'000
HK$300 million promissory note (note (i))	**238,518**	236,167
US$30 million promissory note (note (ii))	**186,522**	–
	425,040	236,167

(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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

26 PROMISSORY NOTES/WARRANTS *(Continued)*

(a) Liability component of the promissory notes: *(Continued)*

(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 is 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.

(b) The movement of components of the promissory notes during the year ended 31 December 2014 is set out below:

	The Group and the Company		
	Promissory Notes (Note (i)) RMB'000	Warrant reserve (Note (ii)) RMB'000	Total RMB'000
At 1 January 2013	–	–	–
Proceeds from issuance of the promissory notes	**229,949**	**5,040**	**234,989**
Interest cost amortised	**6,218**	**–**	**6,218**
At 31 December 2013 and 1 January 2014	**236,167**	**5,040**	**241,207**
Proceeds from issuance of the promissory notes	**181,603**	**3,473**	**185,076**
Interest cost amortised	**6,634**	**–**	**6,634**
Exchange difference	**636**	**–**	**636**
At 31 December 2014	**425,040**	**8,513**	**433,553**

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

26 PROMISSORY NOTES/WARRANTS *(Continued)*

(b) The movement of components of the promissory notes during the year ended 31 December 2014 is set out below: *(Continued)*

(i) Liability component for the promissory notes represents the present value of the contractually determined stream of future cash flows discounted at the rate of interest determined by the market instruments of comparable credit status taken into account the business risk and financial risk of the Group. The effective interest rate of the liability component is 15.7% (2013: 15.9%) per annum.

The fair value of the liability component at its initial recognition was measured using valuation techniques by which all significant inputs are directly or indirectly based on observable market data, which is categorised as Level 2 valuation.

At 31 December 2014, the promissory notes were repayable as follows:

	The Group and the Company	
	2014	2013
	RMB'000	RMB'000
After one year but within two years	**425,040**	–
After two years but within five years	**–**	236,167
	425,040	236,167

(ii) Warrant reserve represents the excess of proceeds of the promissory note over the liability component initially recognised.

27 BOND PAYABLES

During the year ended 31 December 2014, the Group issued bonds with an aggregate principal amount of HK$24,000,000. The bonds bear interest at 6% – 7% per annum with a maturity date from 3 years to 8 years from the issue dates.

At 31 December 2014, the bonds were repayable as follows:

	The Group and the Company	
	2014	2013
	RMB'000	RMB'000
After two years but within five years	**1,576**	–
After five years	**17,336**	–
	18,912	–

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

28 FINANCIAL INSTRUMENTS

Exposure to interest rate, credit, liquidity and currency risks arises in the normal course of the Group's business. The risks are limited by the Group's financial management policies and practices described below.

(a) Interest rate risk

The interest rates and terms of repayment of bank loans and other loans and borrowings of the Group are disclosed in notes 23, 24, 26 and 27. The Group does not carry out any hedging activities to manage its interest rate exposure. A reasonably possible increase/decrease of 100 basis points interest rates would decrease/increase Group's profit by RMB3.3 million (2013: RMB6.6 million).

(b) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored monthly by the directors with assistance of staff in Sales and Credit Department.

In respect of trade receivables of normal sales, no credit terms are granted to the purchasers. The Group normally arranges bank financing for buyers of properties and provides guarantee to secure repayment obligations of such purchasers. If there are default payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interest and penalties 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. During the period under guarantee, as the Group has not applied for individual property ownership certificates for these purchasers, the Group can take over the ownership of the related properties and sell the properties to recover any amounts paid by the Group to the banks in the event that the purchasers default payments to the banks. In this regard, the directors consider that the credit risk of the Group is manageable.

In respect of trade receivables arising from instalment sales and other receivables, the Group assesses the financial abilities of the purchasers/debtors before granting the instalment sales/facilities to them. The Group monitors the settlement progress on an ongoing basis. The Group would not apply individual property ownership certificates for the property buyers until the outstanding balances are fully settled. Other than that, normally, the Group does not obtain collateral from debtors. The impairment losses on bad and doubtful accounts are within management's expectation.

(c) Liquidity risk

The Group's management reviews the liquidity position of the Group on an ongoing basis, including review of the expected cash inflows and outflows, sale/pre-sale results of respective property projects, maturity of loans and borrowings and the progress of the planned property development projects in order to monitor the Group's liquidity requirements in the short and longer terms.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

28 FINANCIAL INSTRUMENTS *(Continued)*

(c) Liquidity risk *(Continued)*

The Group's ability to settle its liabilities depends on the cash inflow mainly from sale of its properties in the PRC. The directors are of the opinion that the Group will be able to finance its working and financial requirements based on a cash flow forecast prepared by the Group's management for the foreseeable future. The following table details the remaining contractual maturities at the balance sheet date of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computing using contractual rates or, if floating, based on current rates at the balance sheet date) and the earliest date the Group can be required to pay:

	2014					
	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000
Bank loans	421,710	477,919	81,285	178,092	218,542	–
Other loans	2,696,940	3,007,804	2,028,298	979,506	–	–
Trade payables	104,064	104,064	104,064	–	–	–
Other payables and accruals	1,922,093	1,922,093	1,820,441	101,652	–	–
Promissory note	425,040	534,799	63,303	471,496	–	–
Bond payables	18,912	27,572	1,269	1,269	5,153	19,881
Amounts due to the ultimate holding company	4,532	4,532	4,532	–	–	–
Amounts due to related parties	1,463	1,463	1,463	–	–	–
Tax payable	301,649	301,649	301,649	–	–	–
	5,896,403	6,381,895	4,406,304	1,732,015	223,695	19,881

	2013					
	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000
Bank loans	569,432	642,834	208,677	26,353	407,804	–
Other loans	1,462,000	1,705,006	671,995	918,577	114,434	–
Trade payables	136,178	136,178	136,178	–	–	–
Other payables and accruals	2,108,148	2,108,148	1,944,735	163,413	–	–
Promissory note	236,167	342,871	44,337	35,469	263,065	–
Amounts due to the ultimate holding company	6,734	6,734	6,734	–	–	–
Amounts due to related parties	54,435	54,435	54,435	–	–	–
Tax payable	205,683	205,683	205,683	–	–	–
	4,778,777	5,201,889	3,272,774	1,143,812	785,303	–

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

28 FINANCIAL INSTRUMENTS *(Continued)*

(d) Foreign exchange risk

The Group is exposed to currency risk primarily through bank deposits, bank loans, note payable and bond payable that are denominated in a currency other than the functional currency of the operations to which they related. The currencies giving rise to this risk are primarily Hong Kong Dollars.

The following table details the Group's exposure at 31 December 2014 to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the year end date.

	The Group	
	2014	2013
	RMB'000	RMB'000
Cash and cash equivalents	**18,970**	135,524
Bank loans	**–**	(16,432)
Promissory notes	**(425,040)**	(236,167)
Bond	**(18,912)**	–
Gross exposure arising from recognised assets and liabilities and overall net exposure	**(424,982)**	(117,075)

A reasonably possible increase/decrease of 5% (2013: 5%) in the foreign exchange rate of RMB against Hong Kong Dollars would increase/decrease the Group's profit after tax and total equity by RMB21,249,000 (2013: RMB5,854,000).

The above analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and that all other variables, in particular interest rates, remain constant. The analysis is preformed on the same basis for 2013.

(e) Fair value

All financial assets and liabilities are carried at amounts not materially different from their fair values at 31 December 2014 and 2013.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

29 COMMITMENTS

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

	The Group	
	2014	2013
	RMB'000	RMB'000
Authorised but not contracted for	**9,223,181**	6,238,624
Contracted but not provided for	**2,513,654**	2,228,308
	11,736,835	8,466,932

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

(b) Significant leasing arrangements in respect of land and buildings and land held under operating leases are described in notes 13, 14 and 16.

(c) At 31 December 2014, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	The Group	
	2014	2013
	RMB'000	RMB'000
Within 1 year	**16,550**	2,109
After 1 year but within 5 years	**16,492**	387
	33,042	2,496

30 CONTINGENT LIABILITIES

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

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, 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 as set out in note 14(c), 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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

31 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:

(a) Transactions with the Group's affiliated companies and their directors

	The Group	
	2014	2013
	RMB'000	RMB'000
Construction cost (note (i))	**273,677**	302,055
Rental expense (note (ii))	**386**	386
Guarantee fee income (note (iii))	**(2,567)**	(2,678)

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 as set out in note 14(c).

(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.

(b) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of construction cost in notes 31(a)(i) and 31(a)(iii) constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in the Reports of the Directors.

32 ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty are as follows:

(a) Impairment provision for buildings and construction in progress

As explained in note 2(g), the Group makes impairment provision for the buildings and construction in progress taking into account the Group's estimates of the recoverable amount from such properties. The recoverable amounts have been determined based on value-in-use calculations, taking into account the latest market information and past experience. These calculation and valuations require the use of judgement and estimates.

Given the volatility of the PRC property market, the actual recoverable amount may be higher or lower than estimated at the balance sheet date. Any increase or decrease in the provision would affect profit or loss in future years.

(b) Provision for completed properties held for sale, properties held for future development and properties under development for sale

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

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

In addition, given the volatility of the PRC property market and the unique nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than estimated at the balance sheet date. Any increase or decrease in the provision would affect profit or loss in future years.

(c) Impairment for trade and other receivables

The Group estimates impairment losses for trade and other receivables resulting from the inability of the customers to make the required payments. The Group bases the estimates on the aging of the trade and loan receivable balance, customer credit-worthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs would be higher than estimated.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

32 ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(d) PRC Corporate Income Tax and PRC Land Appreciation Tax

As explained in note 7, the Group is subject to PRC Corporate Income Tax under actual taxation method and PRC Land Appreciation Tax under either authorised tax valuation method or actual taxation method in different jurisdictions. Significant judgement is required in determining the level of provision, as the calculations of which depend on the ultimate tax determination and are subject to uncertainty. The adoption of different methods may also affect the level of provision. When the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provision in the period in which such determination is made.

(e) Recognition and allocation of construction cost on properties under development

Development costs of properties are recorded as properties under development during the construction stage and will be transferred to profit or loss upon the recognition of sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate.

When developing properties, the Group typically divides the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phases based on the estimated market value of each phase as a percentage of the total estimated market value of the entire project, or if the above is not practicable, the common costs are allocated to individual phases based on construction area.

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

(f) Valuation of investment properties

All investment properties of the Group are revalued as at the balance sheet date by independent professionally qualified valuers, on an open market value basis. The completed investment properties are valued by reference to the net income and allowance for reversionary income potential.

The assumptions adopted in the property valuations are based on the market conditions existing at the balance sheet date, with reference to current market sale prices for similar properties in the same location and condition and the appropriate capitalisation rate.

33 POST BALANCE SHEET EVENT

On 21 January 2015, the Company entered into an subscription agreement with an independent third party, Orient Finance (Holdings) Hong Kong Limited ("the Subscriber"), pursuant to which the Company agreed to issue, and the Subscriber agreed to subscribe for non-listed warrants in the amount of HK$18,977,732 at the warrant issue price of HK$2,435,000 in total, or approximately HK$0.43 per warrant.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

33 POST BALANCE SHEET EVENT *(Continued)*

The warrants carry the rights to subscribe for warrant shares up to the amount of HK$18,977,732 at exercise price of HK$3.34 per warrant share. The warrants are to be exercised from the issue date up to and including 26 October 2017.

Based on the warrant exercise price of HK$3.34 per warrant share, upon exercise in full of the subscription rights attaching to the warrants, a total of 5,618,955 warrant shares will be issued, representing approximately 0.57% of the issued share capital of the Company as at the balance sheet date.

34 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2014

Up to the date of issue of these financial statements, the IASB has issued a few amendments and a new standard which are not yet effective for the year ended 31 December 2014 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 19, *Defined benefit plans: Employee contributions*	1 July 2014
Annual improvements to IFRSs 2010-2012 Cycle	1 July 2014
Annual improvements to IFRSs 2011-2013 Cycle	1 July 2014
Amendments to IFRS 11, *Accounting for acquisitions of interests in joint operations*	1 January 2016
Amendments to IAS 16 and IAS 38, *Clarification of acceptable methods of depreciation and amortisation*	1 January 2016
IFRS 15, *Revenue from contracts with customers*	1 January 2017
IFRS 9, *Financial instruments*	1 January 2018

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

In addition, the requirements of Part 9, “Accounts and Audit”, of the new Hong Kong Companies Ordinance (Cap. 622) come into operation from the Company’s first financial year commencing after 3 March 2014 (i.e. the Company’s financial year which began on 1 January 2015) in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of the expected impact of the changes in the Hong Kong Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9. So far it has concluded that the impact in unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.

Particular of Properties

A. PROPERTIES UNDER DEVELOPMENT

	Name of property	Location	Type	Approximate total site area (sq.m.)	Approximate areas under development (sq.m.)	Stage of completion	Interest attributable to the Group	Estimated project completion date
1	Tian Shan Long Hu Wan (Phase I)	The south coast of Panlong Lake, Yuanshi County, Shijiazhuang, Hebei Province,China	Residential/ commercial	41,936	24,592	Superstructure	100%	December 2016
2	Tian Shan Long Hu Wan (Phase II)	The south coast of Panlong Lake, Yuanshi County, Shijiazhuang, Hebei Province,China	Residential/ commercial	49,313	11,201	Superstructure	100%	December 2016
3	Yuanshi Tian Shan Waterside View	Changshan Road, Yuanshi County, Shijiazhuang, Hebei Province, China	Residential	133,334	101,404	Superstructure	100%	December 2015
4	Tianjin Tian Shan Wonderful Waterside View (Phase II)	Tianshan Road, Xiaozhan Town, Jinnan District, Tianjin, China	Residential/ commercial	115,620	142,687	Superstructure	100%	May 2016
5	Tianjin Tian Shan Wonderful Waterside View (Phase II Longxi)	Tianshan Road, Xiaozhan Town, Jinnan District, Tianjin, China	Residential/ commercial	204,614	48,516	Superstructure	100%	December 2017
6	Weihai Tian Shan Waterside View (Phase I)	Wendeng City, Shangdong Province, China	Residential/ commercial	79,860	43,833	Superstructure	100%	November 2015
7	Tian Shan Long Hu Wan (Phase III)	The south coast of Panlong Lake, Yuanshi County, Shijiazhuang, Hebei Province, China	Residential/ commercial	65,333	3,137	Foundation	100%	December 2016
8	Tian Shan Science and Technology Industrial Park	No. 319 Xiangjiang Road, Shijiazhuang Hi-tech Industry Development Zone, Hebei Province, China	Commercial	3,621	73,679	Superstructure	100%	December 2015
9	Chengde Tian Shan Wonderful Waterside View	Huoyaoku Gou Kou, Cuiqiao Road, Shuangqiao District, Chengde City, Hebei Province, China	Residential/ commercial	10,557	–	Foundation	100%	December 2016
11	Tianshan Auspicious Lake	Intersection of Xiangjiang Road and Kunlun Street, Shijiazhuang, Hebei Province, China	Residential/ commercial	120,225	109,918	Superstructure	100%	December 2016
12	Sanhe Tian Shan International Enterprise Base	Yanjiao Economic Technical Development Zone, Sanhe City, Hebei Province, China	Industrial	61,884	70,019	Superstructure	100%	December 2015
13	Tian Shan Entrepreneur Valley	Eastern side of Taxi Avenue, Shijiazhuang Economic Technical Development Zone, Shijiazhuang, Hebei Province, China	Industrial	1,814	20,194	Superstructure	100%	October 2015
14	Tian Shan Jiu Feng	Tanan Lu Kou, Jiantong Street,Shijiazhuang, Hebei Province, China	Residential	58,332	133,775	Superstructure	100%	December 2018
15	Tian Shan Waterside View (Phase V)	To the south of Minjiang Road and to the east of Jingzhudong Road, Hi-technology Industry Development Zone, Shijiazhuang, Hebei Province, China	Residential	1,580	5,713	Superstructure	100%	December 2015
16	Tianjin Tian Shan Industrial Park	The west side of Tianjin-Shantou Expressway, Xiqing District,Tianjin, China	Industrial	243,038	–	Foundation	100%	December 2017
17	Tian Shan Galaxy Plaza	To the south of Changjiang Avenue and to the east of Qinling Street, Hi-technology Industry Development Zone, Shijiazhuang, Hebei Province, China	Commercial	39,726	81,334	Superstructure	100%	June 2017
Total				**1,230,787**	**870,002**			

Particular of Properties

B. PROPERTIES HELD FOR INVESTMENT

	Name of property	Location	Type	Approximate gross floor area (sq.m.)	Interest attributable to the Group	Lease term
1	Tian Shan Waterside View (Phase IV)	No. 218 Zhufeng Avenue, Shijiazhuang, Hebei Province, China	Commercial	9,276	100%	Long term
2	Tian Shan Science and Technology Industrial Park	No. 319 Xiangjiang Road, Shijiazhuang Hi-tech Industry Development Zone, Hebei Province, China	Apartment	53,145	100%	Medium term
3	Tian Shan Science and Technology Industrial Park	No. 320 Xiangjiang Road, Shijiazhuang Hi-tech Industry Development Zone, Hebei Province, China	Commercial	27,598	100%	Medium term
4	Contemporary Noble Territory	No. 9 Juxin Road, Shijiazhuang, Hebei province, China	Commercial	5,585	100%	Medium term
5	Sanhe Tian Shan International Enterprise Base	Yanjiao Economic Technical Development Zone, Sanhe City, Hebei Province, China	Apartment	18,210	100%	Medium term
6	Sanhe Tian Shan International Enterprise Base	Yanjiao Economic Technical Development Zone, Sanhe City, Hebei Province, China	Commercial	5,939	100%	Medium term
7	Chengde Tian Shan Wonderful Waterside View Office Building	Huoyaoku Gou Kou, Cuiqiao Road, Shuangqiao District, Chengde City, Hebei Province, China	Commercial	6,405	100%	Long term
8	Tianjin Tian Shan Wonderful Waterside View (Phase II)	Tianshan Road, Xiaozhan Town, Tianjin, China	Commercial	22,100	100%	Long term
9	Tianjin Tian Shan Wonderful Waterside View (Phase I)	Tianshan Road, Xiaozhan Town, Tianjin, China	Commercial	5,370	100%	Medium term
10	Sanhe Tian Shan International Enterprise Base	Yanjiao Economic Technical Development Zone, Sanhe City, Hebei Province, China	Commercial	3,102	100%	Medium term
11	Luancheng Tian Shan Logistics Park	In the West of Chengshang Village, Yehe Town, Luancheng County, Shijiazhuang, Hebei Province, the PRC	Commercial	31,171	100%	Long term
Subtotal				**187,901**		

Particular of Properties

C. PROPERTIES HELD FOR SALE

	Name of property	Location	Type	Approximate gross floor area (sq.m.)	Approximate number of car parking spaces	Interest attributable to the Group	Lease term
1	Contemporary Noble Territory	No. 9 Juxin Road, Shijiazhuang, Hebei province, China	Residential	5,585	–	100%	Long term
2	Tianjin Tian Shan Wonderful Waterside View (Phase I)	Tianshan Road, Xiaozhan Town, Jinnan District, Tianjin, China	Residential/ commercial	61,300	1,080	100%	Long term
3	Tianjin Tian Shan Wonderful Waterside View (Phase II)	Tianshan Road, Xiaozhan Town, Jinnan District, Tianjin, China	Residential/ commercial	39,415	–	100%	Long term
4	Tianjin Tian Shan Wonderful Waterside View (Phase II Longxi)	Tianshan Road, Xiaozhan Town, Jinnan District, Tianjin, China	Commercial	12,896	–	100%	Medium term
5	Tianjin Tian Shan Wonderful Waterside View (Phase II Longxi)	Tianshan Road, Xiaozhan Town, Jinnan District, Tianjin, China	Residential	12,167	–	100%	Long term
6	Chengde Tian Shan Wonderful Waters View	Huoyaoku Gou Kou, Cuiqiao Road, Shuangqiao District, Chengde City, Hebei Province, China	Residential/ commercial	10,117	–	100%	Long term
7	Tian Shan Waterside View (Phase IV)	No. 218 Zhufeng Avenue, Shijiazhuang, Hebei Province, China	Residential	9,276	–	100%	Long term
8	Tian Shan Long Hu Wan (Phase I)	The south coast of Panlong Lake, Yuanshi County, Shijiazhuang, Hebei Province, China	Residential	5,658	–	100%	Long term
9	Tian Shan Long Hu Wan (Phase II)	The south coast of Panlong Lake, Yuanshi County, Shijiazhuang, Hebei Province, China	Residential	5,679	–	100%	Long term
10	Yuanshi Tian Shan Waterside View	Changshan Road, Yuanshi County, Shijiazhuang, Hebei Province, China	Residential	37,085	207	100%	Long term
11	Weihai Tian Shan Contemporary Noble Territory	Wendeng Economics Development Zone, Shandong Province, China	Residential/ commercial	35,343	493	100%	Long term
12	Weihai Tian Shan Waterside View (Phase I)	Wendeng City, Shangdong Province, China	Residential/ commercial	35,904	611	100%	Long term
13	Weihai Tian Shan International Enterprise Base	Wendeng Economics Development Zone, Shandong Province, China	Industrial	–	–	100%	Medium term
14	Tianshan Auspicious Lake	Intersection of Xiangjiang Road and Kunlun Street, Shijiazhuang, Hebei Province, China	Residential/ commercial	23,521	875	100%	Long term
15	Tian Shan Science and Technology Industrial Park	No. 319 Xiangjiang Road, Shijiazhuang Hi-tech Industry Development Zone, Hebei Province, China	Commercial	2,637	117	100%	Medium term
16	Zanhuang Industrial Park	Wumashan Industrial Zone, Zanhuang County, Shijiazhuang, Hebei Province, China	Industrial	1,547	–	100%	Medium term
Subtotal				**298,130**	**3,383**		

Financial Summary

CONSOLIDATED INCOME STATEMENT

	Year ended 31 December				
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2013 RMB'000	**2014 RMB'000**
Turnover	1,162,584	1,284,644	1,565,588	2,762,697	**2,416,825**
Cost of sales	(780,783)	(1,027,228)	(1,161,263)	(2,000,781)	**(1,525,157)**
Gross profit	381,801	257,416	404,325	761,916	**891,668**
Other revenue	7,207	3,392	71,097	10,827	**14,233**
Other net income	–	205,657	–	–	**–**
Selling and marketing expenses	(65,647)	(71,312)	(88,899)	(224,931)	**(164,969)**
Administrative expenses	(77,098)	(124,795)	(130,580)	(176,362)	**(168,750)**
Profit from operations	246,263	270,358	255,943	371,450	**572,182**
Finance income	2,206	1,381	2,035	5,478	**6,209**
Finance expenses	(296)	(608)	(2,869)	(15,415)	**(41,474)**
Net finance (expenses)/income	1,910	773	(834)	(9,937)	**(35,265)**
Profit before change in fair value of investment properties and income tax	248,173	271,131	255,109	361,513	**536,917**
Increase in fair value of investment properties	94,201	60,159	75,269	52,123	**49,302**
Profit before taxation	342,374	331,290	330,378	413,636	**586,219**
Income tax	(142,883)	(113,254)	(122,345)	(154,852)	**(304,338)**
Profit for the year	199,491	218,036	208,033	258,784	**281,881**
Earning per share (RMB cents)					
– Basic	23.95	21.80	20.80	25.88	**28.19**
– Diluted	23.95	21.78	20.80	25.88	**28.09**

Financial Summary

CONSOLIDATED ASSETS AND LIABILITIES

	31 December				
	2010	2011	2012	2013	**2014**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Total non-current assets	218,533	458,431	793,058	1,111,436	**1,212,001**
Total current assets	3,397,387	4,570,720	5,164,953	7,199,090	**8,652,323**
Total assets	3,615,920	5,029,151	5,958,011	8,310,526	**9,864,324**
Total non-current liabilities	451,213	546,639	788,054	1,626,640	**1,863,151**
Total current liabilities	2,036,149	3,148,047	3,663,652	4,935,953	**6,002,453**
Total liabilities	2,487,362	3,694,686	4,451,706	6,562,593	**7,865,604**
Net assets	1,128,558	1,334,465	1,506,305	1,747,933	**1,998,720**