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

2016 ANNUAL REPORT

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

Estera Trust (Cayman) Limited
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				
	2016	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	**3,816,530**	2,333,037	2,416,825	2,762,697	1,565,588
Gross profit	**862,224**	749,413	891,668	761,916	404,325
Profit for the year	**119,432**	134,470	281,881	258,784	208,033
Basic earnings per share (RMB cents)	**11.87**	13.40	28.19	25.88	20.80
Delivered gross floor area	**589,056 sq.m.**	363,437 sq.m.	437,214 sq.m.	866,199 sq.m.	390,761 sq.m.
Contracted sales	**8,270,400**	2,909,700	2,547,300	2,593,900	1,419,800
Contracted sales gross floor area	**1,112,720 sq.m.**	437,477 sq.m.	457,611 sq.m.	724,337 sq.m.	302,120 sq.m.

PROPERTY *PORTFOLIO*

Tian Shan Jiu Feng

Yinchuan Tian Shan Waterpark

Tian Shan Wonderful Waterside View

Zhengding Tian Shan Auspicious Lake

Tian Shan Auspicious Lake

Tian Shan Ambassador House

Chairman Statement

In the past year, the Group made use of the opportunities brought by the general economic and social development conditions to actively perform its social responsibilities and to fully implement the strategies and deployment of the Board and managed to complete various tasks and plans and secure steady and health growth by significantly enhancing the overall efficiencies of the Group.

Reviewing the year 2016, the Group obtained satisfactory business and earned high reputation by expanding the scope of business through innovative business models. For the business models, the Company closely followed the national strategies and made continuous breakthrough. Our scope of business had also been expanded from the Beijing-Tianjin-Hebei regions to Yinchuan City, Ningxia. The Group recorded substantial growth in overall turnover, gross floor area delivered, contracted sales and contracted sales gross floor area as compared over the same period last year.

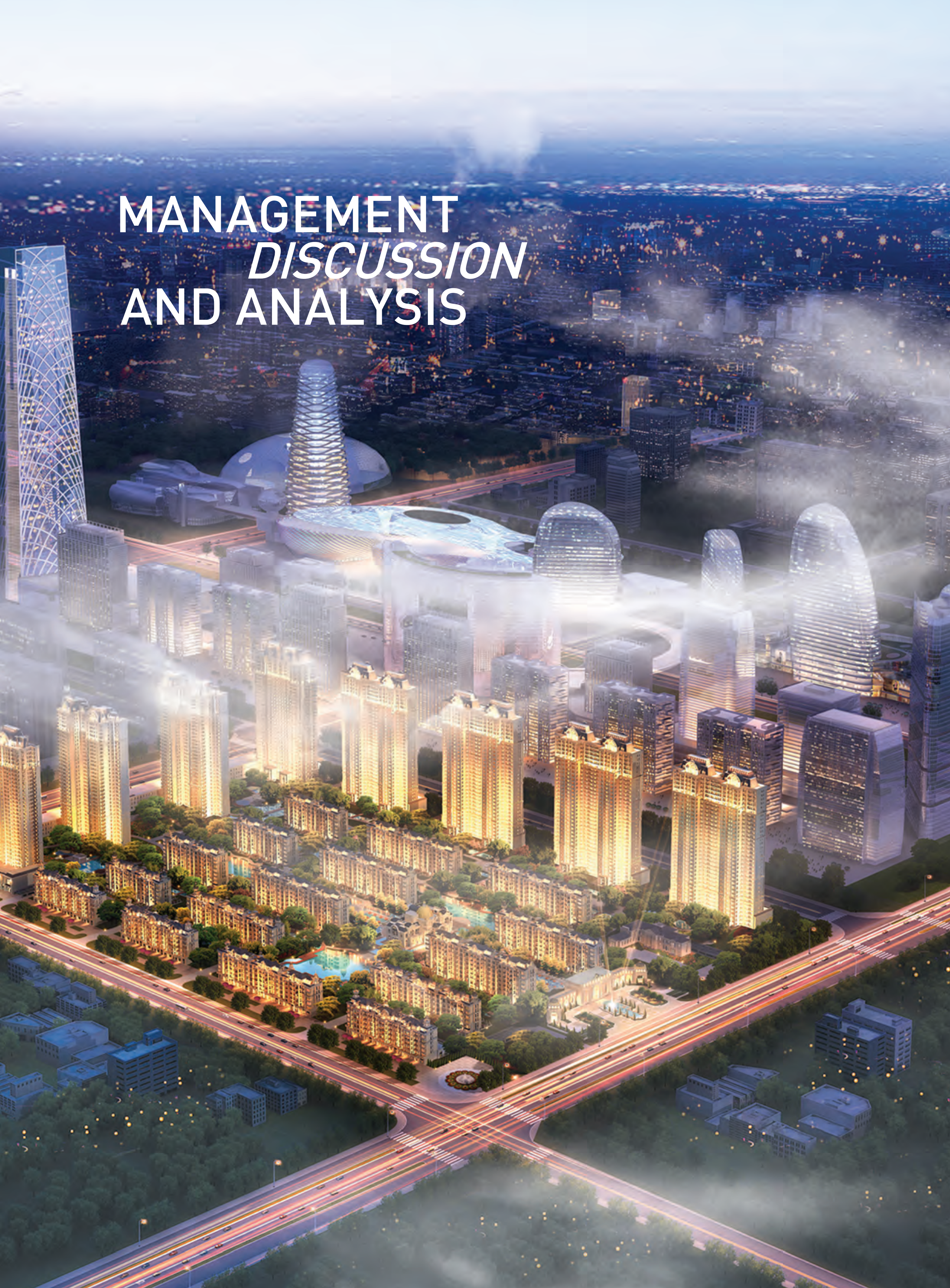
The Group's brand "Tian Shan" is well-recognised by its customers. A number of the Group's major projects have received numerous awards and accolades, including Guangsha Award by the *Tianshan Auspicious Lake* project, National Good Home Demonstration Project by the *Tian Shan Jiu Feng* project, etc.

Looking ahead into 2017, the Group will continue to act in the interests of shareholders and staff and seek to improve the efficiency of the Group by emphasizing on product quality, promoting standardization of construction works and expanding sales team. The Water World Culture, Tourism and Commercial Complex will be the key growth direction of the Group to achieve further expansion in scale.

Lastly, I would like to express my gratitude on behalf of the Board of Tian Shan Development (Holding) Limited to all the shareholders for their strong supports to the Company in the past year, and hope that the shareholders will support us as always in our development in the future.

Tian Shan Development (Holding) Limited
WU Zhen Shan
Chairman of the Board

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 2016, the Group had numerous property projects under development primarily located in Shijiazhuang, Tianjin, Ningxia and Shangdong.

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. During the year under review, the Group also recorded a historically high turnover of RMB3,816.5 million and delivered gross floor area of 589,056 sq.m.. The total contracted sales amount was also reached a historically high of RMB8,270.4 million or contracted sales gross floor area was of 1,112,720 sq.m. for the year under review.

During the year, the Group has replenished substantially its land bank by acquiring certain new land parcels in Hebei Province which are intended to be developed for sale in two to three years' time. These new land parcels are having in aggregate of total gross floor area of approximately 361,475 sq.m., 351,925 sq.m. and 149,030 sq.m as residential, commercial and industrial use, respectively.

In addition, the Group has acquired certain residential land parcels and one cultural and entertainment use land parcel in Yinchuan of Ningxia Province. The residential land parcels have total site area of approximately 430,680 sq.m. which are intended to be developed into, primarily, residential properties of total gross floor area of approximately 821,569 sq.m. for sale in coming years by phases. For the cultural and entertainment use land parcel, the Group is intended to build and run a waterpark of a site area of approximately 450,569 sq.m. as ancillary facility to the residential property projects. The Directors consider that bringing in this entertainment element into the residential property projects will attract more purchasers to the region and benefit to the overall selling prices.

These new properties projects are in the planning and foundation stage and shall contribute the Group's contracted sales in coming 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.

In view of significant growth in selling prices of the properties market in Hebei Province, the Group had, during the year, reclassified certain investment properties as inventories for sales and property, plant and equipment for self-use as offices amounted RMB158.3 million and RMB24.2 million, respectively. In addition, certain commercial properties in *Tian Shan Jiu Feng* amounted to RMB12.1 million was reclassified from inventories as investment properties for rental income.

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 increased significantly by 63.6% to RMB3,816.5 million from RMB2,333.0 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 *Tian Shan Jiu Feng, Tianjin Tian Shan Wonderful Waterside View (Phases I and II), Tianshan Auspicious Lake, Zhending Tianshan Auspicious Lake* and *Tian Shan Galaxy Plaza*, etc.

The cost of sales increased by 86.6% to RMB2,954.3 million from RMB1,583.6 million as compared with the prior year. The amount of the gross profit increased by 15.1% to RMB862.2 million from RMB749.4 million, and the gross profit margin for the year under review has decreased to approximately 22.6% as compared with that of 32.1% for the preceding year. The decrease in gross profit margin was mainly due to the current year recorded significant sales of residential properties of *Tian Shan Jiu Feng* and *Tianjin Tian Shan Wonderful Waterside View (Phases I and II)* which were sold at comparatively lower prices to attract customers.

The Group's selling and marketing expenses increased by approximately 48.0% to RMB258.4 million from RMB174.7 million. The increase was primarily due to more sales commission was recognised in line with the increase in sales and more promotion campaigns launched in the year for the promotion of the *Tianshan Gate of the World*, *Tian Shan Galaxy Plaza* and *Tian Shan Jiu Feng*.

The Group's administrative expenses increased by approximately 52.3% to RMB283.6 million from RMB186.2 million. The increase was primarily due to a loss of RMB79.1 million was recorded in respect of residential properties projects in Shangdong as the development were suspended due to poor property selling prices and slow pre-sale progress.

The Group's income tax expense decreased by RMB17.5 million to approximately RMB195.0 million from RMB212.5 million. The decrease was primarily due to the decrease in land appreciation tax in line with decreased in gross profit margin for the year.

As a result of the above, the Group recorded a decrease of 11.2% in net profit to approximately RMB119.4 million as compared with preceding year of RMB134.5 million.

Current Assets and Liabilities

As at 31 December 2016, the Group had total current assets of approximately RMB16,528.7 million (2015: RMB11,105.9 million), comprising mainly inventories, trade and other receivables, and restricted cash and cash and cash equivalents.

As at 31 December 2016, the Group had total current liabilities of approximately RMB12,263.1 million (2015: RMB8,722.5 million), comprising mainly bank and other borrowings, trade and other payables and taxation payable.

As at 31 December 2016, the current ratio (calculated as the total current assets divided by the total current liabilities) was 1.3 (2015: 1.3).

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 2016, the gearing ratio (calculated as net debt divided by total equity) is as follows:

	2016 **RMB'000**	2015 RMB'000
Total bank and other borrowings	**4,739,773**	2,427,112
Promissory notes	**178,367**	385,978
Bond payables	**316,244**	138,861
Less: Cash and cash equivalents	**(2,185,846)**	(642,265)
Short-term investments	**(110,000)**	(319,000)
Net debt	**2,938,538**	1,990,686
Total equity	**2,172,909**	2,112,868
Less: Proposed dividends	**(17,903)**	(15,207)
Adjusted capital	**2,155,006**	2,097,661
Adjusted net debt-to-capital ratio	**1.36**	0.95

The gearing ratio increased from 0.95 to 1.36 was primarily due to the net effect of the increase in bank and other loans of approximately RMB2,312.7 million, the decrease of promissory notes of RMB207.6 million, the increase in bond payables of RMB177.4 million and the increase in total equity by the profit earned during the year of RMB119.4 million and the decrease in short-term investments by RMB209.0 million and the increase in cash and cash equivalents by RMB1,543.6 million.

Charge on Assets

At 31 December 2016, assets of the Group against which bank and other borrowings are secured:

	2016 **RMB'000**	2015 RMB'000
Properties held for future development for sale	**679,568**	118,640
Properties under development for sale	**1,227,077**	2,086,954
Completed properties held for sale	**315,337**	1,538,875
Property, plant and equipment	**502,544**	461,755
Investment properties	**385,034**	523,438
Restricted cash	**423,230**	80,000
	3,532,790	4,809,662

In addition, as of 31 December 2016, the Group had total restricted cash of RMB574.0 million (2015: RMB934.4 million) deposited with certain banks as guarantee deposits against certain mortgage loan facilities granted by the banks to purchasers of the Group's properties and certain bills payable of the Group.

Employees' Remuneration and Benefits

As at 31 December 2016, the Group employed a total of 2,458 employees (2015: 1,930 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 2016 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 RMB6,015.0 million (2015: RMB2,523.6 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 RMB2,882.3 million (2015: RMB1,230.5 million), the Group had no material contingent liability as at 31 December 2016.

Final Dividend

The Directors have recommended the payment of a final dividend of HK2.00 cents (2015: HK1.80 cents) per ordinary share for the year ended 31 December 2016.

Substantial Acquisition and Disposal

The Group has not participated in any substantial acquisition or disposal during the year under review.

Substantial Investments

As at 31 December 2016, for short-term treasury management, the Group had invested RMB110.0 million in debt securities (wealth management products) issued by certain financial institutions in the PRC with guaranteed principal amounts plus fixed or variable returns. Other than these, 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 60, 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 36 years of experience in the construction industry and approximately 16 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 52, 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 31 years of experience in the construction industry and approximately 16 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 62, 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 36 years of experience in the construction industry and approximately 16 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 46, 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 23 years of experience in the construction industry and 16 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 71, 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 59, 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 33 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 57, 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 29 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: 1858) since March 2015 and Gold-Finance Holding Limited, a company listed on the Stock Exchange (stock code: 1462) since February 2016. Mr. CHEUNG is also the company secretary of China Metal Resources Utilization Limited (a company listed on the Stock Exchange (stock code 1636) 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 42, 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 also a fellow of the Association of Chartered Certified Accountants. Mr. CHEUNG has over 19 years of experience in financial management and reporting.

Directors and Senior Management Biographies

Ms. GAO Li Xiang (高立香), aged 42, 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 17 years of experience in the property development industry from Tian Shan Real Estate.

Mr. CHEN Shi Bin (陳士彬), aged 38, 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 38, 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 14 years of experience in property development.

Mr. GONG Xian Hui (宮現輝), aged 37, 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 15 years of experience in financial management and capital operation within the Group.

Ms. SI Jing Xin (司景新), aged 36, 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 35, 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 10 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 2016 (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 12 to 15 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 9 to the consolidated financial statements.

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 several Board meetings and one general meeting 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)*	6/6	0/1
Mr. WU Zhen Ling	6/6	1/1
Mr. ZHANG Zhen Hai	5/6	1/1
Mr. WU Zhen He	0/6	0/1
Independent non-executive Directors:		
Mr. TIAN Chong Hou	4/4	1/1
Mr. WANG Ping	4/4	1/1
Mr. CHEUNG Ying Kwan	4/4	1/1

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, risk management and internal control systems 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.

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.

External auditor

The Company has appointed KPMG as the independent external auditors. The remuneration paid or payable to the external auditors for annual audit services were approximately RMB1,950,000. 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 2016 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 32 to 37 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.

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 2016.

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 14 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 2016 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 38 to 117.

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 7 June 2017, 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 123 and 124. 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 12 and 13 to the financial statements, respectively. Further details of the Group's investment properties are set out on page 120.

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 21 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.

Reserves

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

Distributable reserves

At 31 December 2016, 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 RMB57,756,000.

Major customers and suppliers

In the year under review, sales to the Group's five largest customers accounted for 2.9% of the total sales for the year and sales to the largest customer included therein amounted to 0.6% 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 54.5% of the total purchases for the year and purchases from the largest supplier included therein amounted to 31.9% of the total purchases.

Except for 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") which accounted for 15.1% of the total purchases, 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 shall retire as Directors by rotation. Mr. WU Zhen Shan, Mr. WU Zhen Ling and Mr. ZHANG Zhen Hai, being eligible, offer themselves for re-election at the forthcoming annual general meeting. Mr. WU Zhen He has indicated that he will not seek 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 12 to 15 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.

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 2016, 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	74.57%
WU Zhen Ling	Interest of a controlled corporation	750,000,000 (note 1) Long Position	74.57%
ZHANG Zhen Hai	Interest of a controlled corporation	750,000,000 (note 1) Long Position	74.57%
WU Zhen He	Interest of a controlled corporation	750,000,000 (note 1) Long Position	74.57%

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.

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 2016, 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 2016, 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	74.57%

Save as disclosed above, as at 31 December 2016, 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.

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 2016	Grant during the year	Exercised during the year	Forfeited during the year	At 31 December 2016	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	4,455,000	–	–	(160,000)	4,295,000	16.06.2010	16.01.2011 to 15.06.2020	0.70
Total	5,410,000	–	–	(160,000)	5,250,000			

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 2016.

SPECIFIC PERFORMANCE OBLIGATIONS ON THE CONTROLLING SHAREHOLDERS UNDER RULE 13.18 OF THE LISTING RULES

On 22 February 2016, the Company together with Neway Enterprises and Mr. WU Zhen Shan ("Mr. WU") entered into a facility agreement (the "Facility Agreement") with an independent third party (the "Lender") whereby the Lender agreed to provide to the Company a Hong Kong dollar 2-year term (with mutual consent by the Company and the Lender may extend for a further two years) loan facility of up to an aggregate principal amount of HK$350 million (the "Loan Facility"). On 26 October 2016, the Company together with Neway Enterprises and Mr. WU entered into an amended and restated facility agreement (the "Revised Facility Agreement") with the Lender whereby, among others, the Loan Facility was amended to an aggregate principal amount of HK$550 million (the "Amended Loan Facility").

The Revised Facility Agreement requires, among others, Neway Enterprises and Mr. WU, undertakes and covenants with the Company and the Lender that so long as any principal amount of the Amended Loan Facility and/or other amount due thereunder remain outstanding, it shall not, and shall procure that none of its associates shall offer, sell, allot, contract to sell any shares of the Company (the "Specific Performance Obligation").

It will be an event of default if Specific Performance Obligation is breached and in such case, the Lender may require that the Amended Loan Facility be matured immediately at a price equivalent to the sum of (i) the outstanding principal amount of the Amended Loan Facility; (ii) all unpaid interest on the outstanding principal amount; and (iii) any unpaid default interest accrued.

Further details of the Facility Agreement, the Revised Facility Agreement and the Specific Performance Obligation are set out in the Company's announcements dated 22 February 2016 and 26 October 2016.

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 4 November 2015, 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 2016.

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 2016, the annual cap for the continuing connected transaction under the Construction Services Agreement is RMB743.7 million and the actual transacted amount was RMB570.7 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.

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 continuing connected 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 continuing connected 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 4 November 2015 made by the Company in respect of the disclosed continuing connected transaction.

Connected transaction with Tianshan Construction

On 21 December 2015, 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 November 2016.

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 transaction is set out in the Company's announcement dated 21 December 2015.

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

29 March 2017

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)

OPINION

We have audited the consolidated financial statements of Tian Shan Development (Holding) Limited ("the Company") and its subsidiaries ("the Group") set out on pages 38 to 117, which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Assessing the net realisable value of the properties held for future development, properties under development and completed properties held for sale

Refer to note 15 to the consolidated financial statements and the accounting policies on page 55.

The Key Audit Matter

The carrying value of properties held for future development, properties under development and completed properties held for sale totalled RMB 10,007,133,000 as at 31 December 2016, which accounted for 56% of the Group's total assets as at that date.

These properties comprise principally property development projects located in the major cities of the Bohai Economic Ring in Mainland China and are stated at the lower of cost and net realisable value.

The assessment of the net realisable value of the properties involves the exercise of significant management judgement, particularly in estimating forecast development costs and forecast selling prices. Forecast development costs and forecast selling prices are inherently uncertain due to changes in market conditions.

Recent property market cooling measures imposed by the local governments in different cities in Mainland China, which include increased percentages for mortgage down payments and home purchase restrictions, could lead to volatility in property prices in these cities.

How the matter was addressed in our audit

Our audit procedures to assess the net realisable value of properties held for future development, properties under development and completed properties held for sale included:

- evaluating the design, implementation and operating effectiveness of key internal controls over the preparation and monitoring of management budgets and forecasts of construction and other costs for each property development project;
- conducting site visits to property development sites, on a sample basis, discussing with site management the progress of each project and challenging management's development budgets reflected in the latest forecasts for each project with reference to signed construction contracts and/or unit construction costs of recently completed projects developed by the Group;
- challenging the forecast property selling prices as estimated by management with reference to independent third party house price indices for properties of a similar type and size and in similar a location;

The Key Audit Matter	How the matter was addressed in our audit
We identified assessing the net realisable value of properties held for future development, properties under development and completed properties held for sale as a key audit matter because the inherent uncertainties involved in assessing the net realisable value of the properties require a significant degree of management judgement which could be subject to error or management bias.	• assessing the accuracy of management's historical forecasts of net realisable value by comparing the actual selling prices achieved in the current year with forecasts prepared in previous periods; and • evaluating the sensitivity analyses prepared by management for the key assumptions adopted in the net realisable value estimations, including forecast selling prices and forecast construction costs, and considering the possibility of error or management bias.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Choi Chung Chuen.

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

29 March 2017

Consolidated Statement of Profit or Loss

for the year ended 31 December 2016 (Expressed in Renminbi)

	Note	2016 RMB'000	2015 RMB'000
Revenue	4	**3,816,530**	2,333,037
Cost of sales		**(2,954,306)**	(1,583,624)
Gross profit		**862,224**	749,413
Other income	5	**18,481**	6,267
Selling and marketing expenses		**(258,416)**	(174,656)
Administrative expenses		**(283,580)**	(186,171)
Profit from operations		**338,709**	394,853
Finance income		**40,732**	19,452
Finance expenses		**(74,453)**	(73,367)
Net finance expenses	6(a)	**(33,721)**	(53,915)
Profit before change in fair value of investment properties and income tax		**304,988**	340,938
Increase in fair value of investment properties	13	**9,421**	6,047
Profit before taxation	6	**314,409**	346,985
Income tax	7	**(194,977)**	(212,515)
Profit for the year		**119,432**	134,470
Earnings per share (RMB cents)	8		
Basic		**11.87**	13.40
Diluted		**11.82**	13.34

The accompanying notes on pages 45 to 117 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(h).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2016 (Expressed in Renminbi)

	2016 RMB'000	2015 RMB'000
Profit for the year	**119,432**	134,470
Other comprehensive income for the year (after tax and reclassification adjustments)		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign subsidiaries	**(44,345)**	(21,621)
Total comprehensive income for the year	**75,087**	112,849

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

The accompanying notes on pages 45 to 117 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 December 2016 (Expressed in Renminbi)

	Note	2016 RMB'000	2015 RMB'000
Non-current assets			
Property, plant and equipment and leasehold land	12	**641,166**	529,366
Investment properties	13	**565,697**	726,653
Deferred tax assets	7(d)	**43,991**	55,828
		1,250,854	1,311,847
Current assets			
Inventories	15	**10,007,133**	6,914,364
Short-term investments	16	**110,000**	319,000
Trade and other receivables	17	**3,034,394**	2,117,765
Prepaid tax	7(c)	**194,079**	98,078
Restricted cash	18	**997,206**	1,014,383
Cash and cash equivalents	19	**2,185,846**	642,265
		16,528,658	11,105,855
Current liabilities			
Bank loans – secured	23	**826,434**	332,237
Other loans – secured	24	**1,198,242**	761,480
Trade and other payables	25	**9,868,062**	6,858,187
Promissory notes	26	**–**	385,978
Bond payables	27	**1,784**	–
Taxation payable	7(c)	**368,550**	384,574
		12,263,072	8,722,456
Net current assets		**4,265,586**	2,383,399
Total assets less current liabilities		**5,516,440**	3,695,246

Consolidated Statement of Financial Position

at 31 December 2016 (Expressed in Renminbi)

	Note	2016 RMB'000	2015 RMB'000
Non-current liabilities			
Bank loans – secured	23	**1,584,589**	569,788
Other loans – secured	24	**1,130,508**	763,607
Promissory notes	26	**178,367**	–
Bond payables	27	**314,460**	138,861
Deferred tax liabilities	7(d)	**135,607**	110,122
		3,343,531	1,582,378
NET ASSETS		**2,172,909**	2,112,868
CAPITAL AND RESERVES			
Share capital	20	**87,186**	87,186
Reserves	21	**2,085,723**	2,025,682
TOTAL EQUITY		**2,172,909**	2,112,868

Approved and authorised for issue by the board of directors on 29 March 2017.

Wu Zhen Shan
Executive director

Wu Zhen Ling
Executive director

The accompanying notes on pages 45 to 117 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2016 (Expressed in Renminbi)

	Note	Attributable to equity holders of the Company								
		Share capital RMB'000 (note 20)	Share premium RMB'000 (note 21(b))	Exchange reserve RMB'000 (note 21(c))	Other capital reserve RMB'000 (note 21(d))	Warrant reserve RMB'000 (note 26)	PRC statutory reserve RMB'000 (note 21(e))	Share-based compensation reserve RMB'000 (note 21(f))	Retained profits RMB'000	Total RMB'000
At 1 January 2016		**87,186**	**167,901**	**24,264**	**110,070**	**8,513**	**262,150**	**3,697**	**1,449,087**	**2,112,868**
Changes in equity for 2016:										
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**119,432**	**119,432**
Other comprehensive income		**–**	**–**	**(44,345)**	**–**	**–**	**–**	**–**	**–**	**(44,345)**
Total comprehensive income for the year		**–**	**–**	**(44,345)**	**–**	**–**	**–**	**–**	**119,432**	**75,087**
Transfer to statutory reserve		**–**	**–**	**–**	**–**	**–**	**36,207**	**–**	**(36,207)**	**–**
Equity settled share-based payment	6(b)	**–**	**–**	**–**	**–**	**–**	**–**	**192**	**–**	**192**
Dividends approved in respect of the previous year	21(h)(ii)	**–**	**(15,238)**	**–**	**–**	**–**	**–**	**–**	**–**	**(15,238)**
Warrants expired		**–**	**–**	**–**	**–**	**(8,513)**	**–**	**–**	**8,513**	**–**
At 31 December 2016		**87,186**	**152,663**	**(20,081)**	**110,070**	**–**	**298,357**	**3,889**	**1,540,825**	**2,172,909**

	Note	Attributable to equity holders of the Company								
		Share capital RMB'000 (note 20)	Share premium RMB'000 (note 21(b))	Exchange reserve RMB'000 (note 21(c))	Other capital reserve RMB'000 (note 21(d))	Warrant reserve RMB'000 (note 26)	PRC statutory reserve RMB'000 (note 21(e))	Share-based compensation reserve RMB'000 (note 21(f))	Retained profits RMB'000	Total RMB'000
At 1 January 2015		86,738	167,325	45,885	110,070	8,513	238,749	3,422	1,338,018	1,998,720
Changes in equity for 2015:										
Profit for the year		–	–	–	–	–	–	–	134,470	134,470
Other comprehensive income		–	–	(21,621)	–	–	–	–	–	(21,621)
Total comprehensive income for the year		–	–	(21,621)	–	–	–	–	134,470	112,849
Warrants issued	20(b)	–	–	–	–	1,919	–	–	–	1,919
Shares issued during the year	20(b)	448	16,425	–	–	(1,919)	–	–	–	14,954
Transfer to statutory reserve		–	–	–	–	–	23,401	–	(23,401)	–
Equity settled share-based payment	6(b)	–	–	–	–	–	–	275	–	275
Dividends approved in respect of the previous year	21(h)(ii)	–	(15,849)	–	–	–	–	–	–	(15,849)
At 31 December 2015		87,186	167,901	24,264	110,070	8,513	262,150	3,697	1,449,087	2,112,868

The accompanying notes on pages 45 to 117 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2016 (Expressed in Renminbi)

	Note	2016 RMB'000	2015 RMB'000
Operating activities			
Profit before taxation		**314,409**	346,985
Adjustments for:			
Depreciation and amortisation	6(c)	**32,320**	32,267
Equity settled share-based payment expenses		**192**	275
Gain on disposal of property, plant and equipment	5	**(286)**	(27)
Increase in fair value of investment properties	13	**(9,421)**	(6,047)
Foreign exchange (gain)/loss	6(a)	**(15,314)**	35
Interest income	6(a)	**(25,418)**	(19,452)
Finance expenses	6(a)	**74,453**	73,332
Write-down of completed properties held for sale	15(d)	**19,025**	–
Write-off of properties under development for sale	6(c)	**79,135**	–
Impairment loss on property, plant and equipment	6(c)	**17,126**	–
Changes in working capital:			
Increase in inventories		**(2,483,663)**	(358,037)
Increase in trade and other receivables		**(916,629)**	(194,907)
Decrease/(increase) in restricted cash		**13,154**	(962,592)
Increase in trade and other payables		**2,944,375**	2,782,132
Cash generated from operations		**43,458**	1,693,964
Tax paid			
– PRC tax paid		**(269,680)**	(221,248)
Net cash (used in)/generated from operating activities		**(226,222)**	1,472,716
Investing activities			
Payments for the purchase of property, plant and equipment		**(138,618)**	(85,816)
Proceeds from disposal of property, plant and equipment		**1,869**	163
Payment for purchase of short-term investments		**(176,000)**	(319,000)
Proceeds from redemption of short-term investments		**385,000**	–
Interest received		**25,418**	19,452
Net cash generated from/(used in) investing activities		**97,669**	(385,201)

Consolidated Cash Flow Statement

for the year ended 31 December 2016 (Expressed in Renminbi)

	Note	2016 RMB'000	2015 RMB'000
Financing activities			
Proceeds from shares issued		–	14,954
Proceeds from new bank loans		**2,380,767**	698,170
Proceeds from new other loans		**2,207,081**	1,101,107
Proceeds from the issue of promissory notes	26(b)	**171,160**	–
Proceeds from the issue of bond		**159,897**	119,949
Repayment of bank loans		**(871,769)**	(217,855)
Repayment of other loans		**(1,409,773)**	(2,272,960)
Repayment of promissory notes	26(b)	**(388,249)**	(62,374)
Capital contribution from limited partners		**83,098**	159,609
Interest paid		**(647,757)**	(569,249)
Dividend paid		**(15,238)**	(15,849)
Net cash generated from/(used in) financing activities		**1,669,217**	(1,044,498)
Net increase in cash and cash equivalents		**1,540,664**	43,017
Cash and cash equivalents at 1 January		**642,265**	599,968
Effect of foreign exchange rate changes		**2,917**	(720)
Cash and cash equivalents at 31 December		**2,185,846**	642,265

The accompanying notes on pages 45 to 117 form part of these financial statements.

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 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 of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed 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 2016 comprise the Company and its subsidiaries (together 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 and investment in debt and equity securities (see notes 2(e) and 2(d)), which are stated at their fair value.

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, transactions and cash flows 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 statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(h)).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Investment in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries are as follows:

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs.

Investments in debt and equity securities which do not fall into the categories of investments in securities held for trading or held-to-maturity are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. Dividend income from equity securities and interest income from debt securities calculated using the effective interest method are recognised in profit or loss in accordance with the policy set out in notes 2(r)(iii) and 2(r)(iv), respectively.

When the investments in debt and equity securities are derecognised or impaired (see note 2(h)(i)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(e) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(g)) 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Investment property *(Continued)*

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of reporting period 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)(ii).

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(g)), 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(g).

(f) 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(h)):

– buildings held for own use which are situated on leasehold land classified as held under operating leases (see note 2(g)); 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 net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) 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 method over their estimated useful lives as follows:

– Buildings held for own use at cost and leasehold improvements	Over the shorter of the unexpired term of lease and their estimated useful life
– Plant and machinery	5-15 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.

(g) 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Leased assets *(Continued)*

(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:

– 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(e)); 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) *Assets acquired under finance leases:*

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 2(f). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(h). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Leased assets *(Continued)*

(iii) 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(e)) or is held for development for sale (see note 2(i)(i)).

(h) Impairment of assets

(i) Impairment of investments in debt and equity securities and trade and other receivables

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period 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;

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

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Impairment of assets *(Continued)*

(i) Impairment of investments in debt and equity securities and trade and other receivables (Continued)

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

– For trade and other current receivables and other financial assets carried at amortised cost, 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 these financial assets 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 loss 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Impairment of assets *(Continued)*

(i) Impairment of investments in debt and equity securities and trade and other receivables (Continued)

– For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

  Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable 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. Subsequent 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Impairment of assets *(Continued)*

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each end of reporting period 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 recovereable 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. a 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 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).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) 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 of Hong Kong Limited, 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(h)(i) and (ii)).

(i) 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, an appropriate proportion of overheads 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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(h)(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.

(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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

(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).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Employee benefits *(Continued)*

(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.

(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 end of reporting period, 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Income tax *(Continued)*

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.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 2(e), 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 end of reporting period 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 end of reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each end of reporting period 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Income tax *(Continued)*

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

– 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 deferred tax liabilities or assets are expected to be settled or recovered, intend to realise 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.

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 follows:

(i) Sale of properties

Revenue arising from the sale of properties held for sale 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 statement of financial position 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) 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.

(iii) Dividends

– Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

– Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(iv) Interest income

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

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 end of reporting period. 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. Statement of financial position items are translated into Renminbi at the closing foreign exchange rates at the end of reporting period. 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.

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).

(8) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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.

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 amendments to IFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

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

4 REVENUE

The principal activity of the Group is property development.

Revenue mainly represents income from sales of properties and rentals from investment properties. The amount of each significant category of revenue during the year is as follows:

	2016	2015
	RMB'000	RMB'000
Income from sales of properties	**3,743,071**	2,271,755
Gross rental income	**31,330**	27,726
Others	**42,129**	33,556
	3,816,530	2,333,037

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.

5 OTHER INCOME

	2016	2015
	RMB'000	RMB'000
Gain on disposal of property, plant and equipment	**286**	27
Government grants	**–**	1,788
Penalty income	**13,553**	–
Others	**4,642**	4,452
	18,481	6,267

6 PROFIT BEFORE TAXATION

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

	2016 RMB'000	2015 RMB'000
(a) Net finance expenses		
Interest income	**(25,418)**	(19,452)
Exchange gain	**(15,314)**	–
Finance income	**(40,732)**	(19,452)
Interest expense and other borrowing costs on loans and borrowings	**635,553**	591,657
Less: Interest capitalised (Note)	**(561,100)**	(518,325)
Exchange loss	**–**	35
Finance expenses	**74,453**	73,367
Net finance expenses	**33,721**	53,915

Note: Borrowing costs have been capitalised at an average rate of 13.15% per annum (2015: 14.16% per annum).

	2016 RMB'000	2015 RMB'000
(b) Staff costs		
Wages, salaries and other staff costs	**181,269**	119,306
Contributions to defined contribution retirement scheme	**6,407**	4,549
Equity settled share-based payment expenses (note 22)	**192**	275
	187,868	124,130

In addition to the above, staff costs of RMB68,009,000 (2015: RMB81,775,000), including contributions to defined contribution retirement scheme of RMB4,096,000 (2015: RMB5,731,000), are capitalised as properties held for future development and under development.

6 PROFIT BEFORE TAXATION *(Continued)*

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 operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of Hong Kong Dollar ("HK$") 30,000 (HK$25,000 prior to 1 June 2014). Contributions to the plan vest immediately.

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

		2016	2015
		RMB'000	RMB'000
(c)	**Other items**		
	Depreciation and amortisation	**32,320**	32,267
	Auditors' remuneration	**3,512**	5,050
	Operating lease charges on hire of property	**4,479**	8,120
	Cost of inventories (note 15(d))	**2,929,804**	1,561,440
	Rentals receivable less direct outgoings of RMB4,470,000 (2015: RMB4,880,000)	**(26,860)**	(22,846)
	Write-off of properties under development for sale	**79,135**	–
	Impairment loss on property, plant and equipment (note 12)	**17,126**	–

7 INCOME TAX

(a) Income tax in the consolidated statement of profit or loss represents:

	2016 RMB'000	2015 RMB'000
Current tax		
PRC Corporate Income Tax		
– Provision for the year	**100,216**	107,699
– Over-provision in respect of prior years	**(7,431)**	(795)
PRC Land Appreciation Tax	**64,870**	127,386
	157,655	234,290
Deferred tax		
Origination and reversal of temporary differences (note 7(d))	**37,322**	(21,775)
	194,977	212,515

(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 25% (2015: 25%) on estimated assessable profits for the year.

(iv) PRC Land Appreciation Tax ("LAT")

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例) effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例實施細則) effective from 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for property sales of ordinary residential properties (普通標準住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items.

7 INCOME TAX *(Continued)*

(a) Income tax in the consolidated statement of profit or loss represents: *(Continued)*

(iv) PRC Land Appreciation Tax ("LAT") (Continued)

Certain subsidiaries of the Group were subject to LAT which is calculated based on 2% to 5% (2015: 2% to 5%) of their revenue in accordance with the authorised taxation method approved by respective local tax bureau.

(v) Withholding tax

Withholding taxes are levied on the non PRC-resident entities in respect of dividend distribution arising from the profit of PRC subsidiaries earned after 1 January 2008 at a rate of 10%. No deferred tax liabilities were recognised (2015: Nil) for the undistributed earnings of the Group's PRC subsidiaries earned for the year ended 31 December 2016 since it is not probable that they will be distributed to their immediate holding company outside the PRC in the foreseeable future.

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

	2016 **RMB'000**	2015 RMB'000
Profit before taxation	**314,409**	346,985
Notional tax on profit before taxation calculated at the rates applicable to the jurisdictions concerned	**106,928**	104,696
Tax effect of unused tax losses not recognised	**16,781**	10,210
Non-deductible expenses	**30,047**	2,865
PRC Land Appreciation Tax	**64,870**	127,386
PRC Land Appreciation Tax deductible for PRC Corporate Income Tax	**(16,218)**	(31,847)
Over-provision of prior years	**(7,431)**	(795)
Actual tax expense	**194,977**	212,515

7 INCOME TAX *(Continued)*

(c) Current taxation in the consolidated statement of financial position represents:

	2016 RMB'000	2015 RMB'000
PRC Corporate Income Tax		
At 1 January	**74,355**	84,397
Charged to profit or loss (note 7(a))	**92,785**	106,904
Tax paid	**(160,834)**	(116,946)
At 31 December	**6,306**	74,355
PRC Land Appreciation Tax		
At 1 January	**212,141**	189,057
Charged to profit or loss (note 7(a))	**64,870**	127,386
Tax paid	**(108,846)**	(104,302)
At 31 December	**168,165**	212,141
Total	**174,471**	286,496
Representing:		
Prepaid tax	**194,079**	98,078
Taxation payable	**(368,550)**	(384,574)
	(174,471)	(286,496)

7 INCOME TAX *(Continued)*

(d) Deferred tax assets/(liabilities)

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

	Revaluation of investment properties RMB'000	Withholding tax RMB'000	Deductibility of LAT RMB'000	Tax loss RMB'000	Accounts receivable from sales of properties RMB'000	Others RMB'000	Total RMB'000
At 1 January 2015	(82,712)	(19,400)	26,034	–	–	9	(76,069)
(Charged)/credited to the profit or loss (note 7(a))	(1,650)	–	12,834	11,409	–	(818)	21,775
At 31 December 2015	(84,362)	(19,400)	38,868	11,409	–	(809)	(54,294)
(Charged)/credited to the profit or loss (note 7(a))	(2,218)	–	(10,248)	(11,409)	(14,256)	809	(37,322)
At 31 December 2016	(86,580)	(19,400)	28,620	–	(14,256)	–	(91,616)

	2016 RMB'000	2015 RMB'000
Representing:		
Deferred tax assets	**43,991**	55,828
Deferred tax liabilities	**(135,607)**	(110,122)
	(91,616)	(54,294)

(e) Deferred tax assets and liabilities not recognised

In accordance with the accounting policy set out in note 2(p), the Group has not recognized deferred tax assets in respect of tax losses in certain subsidiaries of RMB67,126,000, which will expire in 2021, as it is not probable that future taxable profits against which losses can be utilized will be available in the relevant subsidiaries.

At 31 December 2016, no deferred tax liability was recognised on the taxable temporary differences in respect of the tax that would be payable on the distribution of the undistributed profits of certain subsidiaries of the Company amounting to RMB3,251,646,000 (2015: RMB2,770,937,000), as the Group controls the dividend policy of these subsidiaries and it has been determined that it is probable that such profits will not be distributed in the foreseeable future.

8 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 RMB119,432,000 (2015: RMB134,470,000) and the weighted average of 1,005,782,000 ordinary shares (2015: 1,003,556,000 ordinary shares) in issue during the year.

Weighted average number of ordinary shares is calculated as follows:

	2016 **'000**	2015 '000
Issued ordinary shares at 1 January	**1,005,782**	1,000,100
Effect of shares issued during the year	**–**	3,456
Weighted average number of ordinary shares at 31 December	**1,005,782**	1,003,556

(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 RMB119,432,000 (2015: RMB134,470,000) and the weighted average number of ordinary shares of 1,010,366,000 shares (2015: 1,007,906,000 shares).

Weighted average number of ordinary shares (diluted) is calculated as follows:

	2016 **'000**	2015 '000
Weighted average number of ordinary shares at 31 December	**1,005,782**	1,003,556
Effect of dilutive potential shares – share options	**3,929**	2,564
Effect of dilutive potential shares – warrants	**655**	1,786
Weighted average number of ordinary shares (diluted) at 31 December	**1,010,366**	1,007,906

9 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation is 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
2016						
Executive directors						
Mr. Wu Zhen Shan	–	1,137	600	13	9	1,759
Mr. Wu Zhen Ling	–	1,137	600	13	9	1,759
Mr. Wu Zhen He	–	800	600	–	9	1,409
Mr. Zhang Zhen Hai	–	1,137	600	13	9	1,759
Independent non-executive directors						
Mr. Tian Chong Hou	51	–	–	–	–	51
Mr. Wang Ping	51	–	–	–	–	51
Mr. Cheung Ying Kwan	77	–	–	–	–	77
	179	4,211	2,400	39	36	6,865
2015						
Executive directors						
Mr. Wu Zhen Shan	–	875	500	25	17	1,417
Mr. Wu Zhen Ling	–	875	500	25	17	1,417
Mr. Wu Zhen He	–	900	500	–	17	1,417
Mr. Zhang Zhen Hai	–	875	500	25	17	1,417
Independent non-executive directors						
Mr. Tian Chong Hou	48	–	–	–	–	48
Mr. Wang Ping	48	–	–	–	–	48
Mr. Cheung Ying Kwan	72	–	–	–	–	72
	168	3,525	2,000	75	68	5,836

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.

10 INDIVIDUALS WITH THE HIGHEST EMOLUMENTS

Of the five (2015: seven) individuals with the highest emoluments, three (2015: four) are directors whose emoluments are disclosed in note 9. The emolument in respect of the remaining two (2015: three) individuals is as follows: (Note)

	2016 RMB'000	2015 RMB'000
Salaries, allowances and benefits in kind	**4,050**	4,553
Retirement scheme contributions	**17**	72
	4,067	4,625

The emolument of these two (2015: three) individuals with the highest emolument is within the following bands:

	2016 Number of individuals	2015 Number of individuals
RMB1,000,001 to RMB1,500,000	**–**	2
RMB1,500,001 to RMB2,000,000	**1**	1
RMB2,000,001 to RMB2,500,000	**1**	–

Note: Seven individuals with the highest emoluments are disclosed since the enrolments for the third to fifth individuals are identical.

11 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.

12 PROPERTY, PLANT AND EQUIPMENT AND LEASEHOLD LAND

	Buildings held for own use at cost and leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Subtotal RMB'000	Interests in leasehold land held for own use under operating leases RMB'000	Total RMB'000
Cost:								
At 1 January 2016	451,801	26,788	36,774	68,010	470	583,843	56,646	640,489
Transfer from investment properties	–	–	–	–	24,211	24,211	–	24,211
Additions	10,505	1,856	3,973	1,653	71,146	89,133	49,485	138,618
Disposals	(1,353)	(30)	(1,837)	(870)	–	(4,090)	–	(4,090)
At 31 December 2016	460,953	28,614	38,910	68,793	95,827	693,097	106,131	799,228
Accumulated depreciation, amortisation and impairment losses:								
At 1 January 2016	43,757	4,507	18,099	41,193	–	107,556	3,567	111,123
Charge for the year	14,237	1,990	6,108	8,448	–	30,783	1,537	32,320
Impairment losses (note)	13,626	946	172	2	–	14,746	2,380	17,126
Written back on disposals	(326)	(7)	(1,372)	(802)	–	(2,507)	–	(2,507)
At 31 December 2016	71,294	7,436	23,007	48,841	–	150,578	7,484	158,062
Net book value:								
At 31 December 2016	389,659	21,178	15,903	19,952	95,827	542,519	98,647	641,166

12 PROPERTY, PLANT AND EQUIPMENT AND LEASEHOLD LAND *(Continued)*

	Buildings held for own use at cost and leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Subtotal RMB'000	Interests in leasehold land held for own use under operating leases RMB'000	Total RMB'000
Cost:								
At 1 January 2015	377,260	26,294	30,429	67,724	280	501,987	56,646	558,633
Transfer from construction in progress	–	99	–	–	(99)	–	–	–
Transfer to investment properties	(3,695)	–	–	–	–	(3,695)	–	(3,695)
Additions	78,236	420	6,585	286	289	85,816	–	85,816
Disposals	–	(25)	(240)	–	–	(265)	–	(265)
At 31 December 2015	451,801	26,788	36,774	68,010	470	583,843	56,646	640,489
Accumulated depreciation and amortisation:								
At 1 January 2015	29,063	2,685	12,761	32,185	–	76,694	2,291	78,985
Charge for the year	14,694	1,824	5,465	9,008	–	30,991	1,276	32,267
Written back on disposals	–	(2)	(127)	–	–	(129)	–	(129)
At 31 December 2015	43,757	4,507	18,099	41,193	–	107,556	3,567	111,123
Net book value:								
At 31 December 2015	408,044	22,281	18,675	26,817	470	476,287	53,079	529,366

Note: As the operating results of one waterpark operated by the Group was less than the expected, the management of the Group considered property, plant and equipment related to this waterpark may have been impaired. At 31 December 2016, the Group assessed the recoverable amount of the assets to be RMB354,000,000 based on the value in use calculation, which was less the carrying amount of the assets. Accordingly, the carrying amount of the assets was written down to their recoverable amount and an impairment loss of RMB17,126,000 was recognised in the consolidated statement of profit or loss.

12 PROPERTY, PLANT AND EQUIPMENT AND LEASEHOLD LAND *(Continued)*

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

	2016 **RMB'000**	2015 RMB'000
In PRC		
– medium-term leases	**98,647**	53,079

The Group's property, plant and equipment with carrying value of RMB502,544,000 (2015: RMB461,755,000) were pledged as securities for the Group's bank loans and other loans (notes 23 and 24).

13 INVESTMENT PROPERTIES

	2016 **RMB'000**	2015 RMB'000
At 1 January	**726,653**	703,483
Transfer in from completed properties held for sale	**12,130**	13,428
Transfer in from property, plant and equipment	**–**	3,695
Transfer to completed properties held for sale	**(158,296)**	–
Transfer to property, plant and equipment	**(24,211)**	–
Increase in fair value	**9,421**	6,047
At 31 December	**565,697**	726,653
Representing:		
Valuation	**565,697**	726,653

13 INVESTMENT PROPERTIES *(Continued)*

(a) Basis of valuation of investment properties

All investment properties of the Group were revalued as at 31 December 2016 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 end of reporting period 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.

	Fair value at 31 December 2016 RMB'000	**Fair value measurements as at 31 December 2016 categorised into Level 3 RMB'000**	Fair value at 31 December 2015 RMB'000	Fair value measurements as at 31 December 2015 categorised into Level 3 RMB'000
Recurring fair value measurement				
Investment properties:				
– Mainland China	**565,697**	**565,697**	726,653	726,653

(Expressed in Renminbi unless otherwise indicated)

13 INVESTMENT PROPERTIES *(Continued)*

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

(i) Fair value hierarchy (Continued)

During the year ended 31 December 2016, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2015: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of reporting period in which they occur.

(ii) Information about 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.

The unobservable inputs are summarised as follows:

Category	Valuation techniques	Unobservable input	Note	Range
Mainland China	Income Capitalisation Approach	Capitalisation rate	(1)	3.0% – 4.5% (2015: 3.0% – 4.5%)
		Average unit market rent per month	(2)	RMB1.2 – RMB69.0/sq.m (2015: RMB1.2 – RMB44.4/sq.m)

Notes: 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.

13 INVESTMENT PROPERTIES *(Continued)*

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

	2016	2015
	RMB'000	RMB'000
In PRC		
– Long-term leases	**175,433**	212,668
– Medium-term leases	**390,264**	513,985
	565,697	726,653

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

In addition to investment properties against which the Group's bank loans and other loans were secured as set out in notes 23 and 24, at 31 December 2015, investment properties with fair value of RMB20,022,000 were also pledged as securities for a banking facility of RMB15,000,000 granted to Hebei Tianshan Industrial Group Construction Engineering Company Limited ("Tianshan Construction"), a company wholly owned by the controlling shareholders of the Group. The loan was fully repaid in December 2016 by Tianshan Construction and no investment property of the Group was pledged as securities for Tianshan Construction as at 31 December 2016.

(d) Title ownership

As at the date of this report, the Group was in the process of applying for registration of the ownership certifications for certain of its investment properties with an aggregate fair value of RMB24,854,000 (2015: RMB21,995,000) as at 31 December 2016. The directors are of the opinion the Group is entitled to lawfully occupy or use these properties.

13 INVESTMENT PROPERTIES *(Continued)*

(e) 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:

	2016 **RMB'000**	2015 RMB'000
Within 1 year	**5,554**	5,180
After 1 year but within 5 years	**6,404**	6,404
After 5 years	**56,031**	57,632
	67,989	69,216

14 INVESTMENT IN SUBSIDIARIES

	2016 **RMB'000**	2015 RMB'000
Unlisted shares, at cost	**160**	160
Amounts due from subsidiaries	**1,076,710**	808,436
	1,076,870	808,596

Amounts due from a subsidiaries are unsecured, interest-free and have no fixed term of repayment and are expected to be settled after more than one year.

(Expressed in Renminbi unless otherwise indicated)

14 INVESTMENT 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	United States Dollars ("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%	Investment holding	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%	Investment holding	Limited liability company
Shan Ling Hai He Real Estate Development Company Limited	Hebei, the PRC	RMB50,000,000	–	100%	Property development	Limited liability company
Hebei Tianshan Rongshun Private Equity Funds Management Company Limited	Hebei, the PRC	RMB10,000,000	–	100%	Investment	Limited liability company
Tianjin Tian Shan Mi Li Fang Commerce and Trading Company Limited	Tianjin, the PRC	RMB100,000,000	–	100%	Property development	Limited liability company
Zanhuang Hengji Manufacturing Company Limited	Hebei, the PRC	RMB1,000,000	–	100%	Property development	Limited liability company

(Expressed in Renminbi unless otherwise indicated)

14 INVESTMENT 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
Hebei Tianshan Jingyulan Real Estate Development Company Limited	Hebei, the PRC	RMB50,000,000	–	100%	Property development	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%	Property development	Limited liability company
Tianshan Wanchuang Company Limited	Hebei, the PRC	RMB5,000,000	–	100%	Investment holding	Limited liability company
Hebei Yuanzhi Real Estate Development Company Limited	Hebei, the PRC	RMB5,000,000	–	100%	Property development	Limited liability company
Tianjin Tianshan Zhixin Real Estate Development Company Limited	Tianjin, the PRC	RMB106,860,000	–	100%	Property development	Limited liability company
Hebei Hanhua Real Estate Development Company Limited	Hebei the PRC	RMB20,000,000	–	100%	Inactive	Limited liability company
Ningxia Tianshan Seaworld Travel and Culture Company Limited	Hebei, the PRC	RMB11,300,000	–	100%	Property development	Limited liability company
Yinchuan Real Estate Development Company	Ningxia, the PRC	RMB24,000,000	–	100%	Property development	Limited liability company
Hebei Neway Finance Leasing Company Limited	Hebei, the PRC	USD10,000,000	–	100%	Financial leasing	Limited liability company
Circle Win Investments Limited	The British Virgin Islands	USD1	–	100%	Investment holding	Limited liability company

14 INVESTMENT 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
Hebei Shang Run Real Estate Development Company Limited	Hebei, the PRC	RMB10,000,000	–	100%	Property development	Limited liability company
Tianshan Ruiming Real Estate Development Company Limited	Hebei, the PRC	RMB50,000,000	–	100%	Property development	Limited liability company
Tianshan World Gate Yanzhaoxin Real Estate Development Company Limited	Hebei, the PRC	RMB5,000,000	–	100%	Inactive	Limited liability company
Tianshan World Gate Chuangyecheng Real Estate Development Company Limited	Hebei, the PRC	RMB5,000,000	–	100%	Inactive	Limited liability company
Shijiazhuang Xihu Feng Agricultural Science and Technology Company Limited	Hebei, the PRC	RMB1,000,000	–	70%	Inactive	Limited liability company
Hebei Xufan Real Estate Development Company Limited	Hebei, the PRC	RMB4,550,000	–	91%	Inactive	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.

15 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2016 **RMB'000**	2015 RMB'000
Properties held for future development for sale	**777,229**	296,527
Properties under development for sale	**6,530,318**	4,048,528
Completed properties held for sale	**2,693,088**	2,563,380
Others	**6,498**	5,929
	10,007,133	6,914,364

15 INVENTORIES *(Continued)*

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

	2016 RMB'000	2015 RMB'000
In PRC, held on leases of		
– Over 50 years	**3,230,067**	1,861,177
– Between 10 and 50 years	**1,306,604**	81,979
	4,536,671	1,943,156

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

	2016 RMB'000	2015 RMB'000
Properties held for future development for sale	**777,229**	296,527
Properties under development for sale	**948,802**	549,991
	1,726,031	846,518

(d) The analysis of the amount of completed properties held for sale recognised as cost of sales and included in profit or loss is as follows:

	2016 RMB'000	2015 RMB'000
Carrying amount of properties sold	**2,910,779**	1,561,440
Write-down of completed properties held for sale	**19,025**	–
	2,929,804	1,561,440

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

(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.

16 SHORT-TERM INVESTMENTS

	2016 RMB'000	2015 RMB'000
Investments in debt securities:		
– Redeemable on demand or with original maturity within three months	**110,000**	319,000

The debt securities represent wealth management products issued by financial institutions in the PRC with guaranteed principal amounts plus variable returns.

17 TRADE AND OTHER RECEIVABLES

	2016 RMB'000	2015 RMB'000
Trade receivables (note (a))	**382,670**	306,654
Other receivables (note (c))	**2,116,491**	1,285,474
Loans and receivables	**2,499,161**	1,592,128
Deposits and prepayments (note (d))	**535,233**	525,637
	3,034,394	2,117,765

All of the trade and other receivables, except for the rental deposits and prepayments for leasehold land amounting to RMB1,766,580,000 (2015: RMB272,064,000), are expected to be recovered within one year.

17 TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Ageing analysis

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

	2016 **RMB'000**	2015 RMB'000
Less than 1 month	**219,635**	278,124
More than 1 month but less than 3 months	**69,321**	1,125
More than 3 months	**93,714**	27,405
	382,670	306,654

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 and commercial properties, the Group allows certain purchasers, after assessment of their credit information, to pay by instalments within a maximum period of two years. Further details on the Group's credit policy are set out in note 28(b).

(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(h)(i)).

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	2016 **RMB'000**	2015 RMB'000
At 1 January	**1,515**	1,515
Uncollectible amounts written off	**(1,515)**	–
At 31 December	**–**	1,515

The Group's other receivables which were individually determined to be impaired were RMBNil (2015: RMB1,515,000). The Group does not hold any collateral over these balances.

17 TRADE AND OTHER RECEIVABLES (Continued)

(c) At 31 December 2016, an amount of RMB81,390,000 (2015: RMB797,641,000) was paid as deposits for redevelopment of an village in Shijiazhuang and included in other receivables of the Group.

At 31 December 2016, a deposit of RMB200,000,000 (2015: RMB200,000,000) was paid by the Group to Tangshan Infrastructure Property Development Limited Liability Company ("Tangshan Real Estate"). The deposit has become a loan without fixed maturity date due from Tangshan Real Estate since March 2014 pursuant to a co-operation agreement between the Group and two independent third parties to develop a commercial and residential property project in Tangshan Phoenix New Town.

(d) Included in deposits and prepayments, the prepayments for leasehold land costs were RMB114,436,000 (2015: RMB267,368,000) as at 31 December 2016.

18 RESTRICTED CASH

	2016 **RMB'000**	2015 RMB'000
Guarantee for mortgage loans (note (a))	**133,976**	49,850
Guarantee for bills payable (note (b))	**440,000**	884,533
Guarantee for loans and borrowings (note 23(b))	**423,230**	80,000
	997,206	1,014,383

(a) Deposits with certain banks were used as guarantee against the mortgage loans granted by the banks to the purchasers of the Group's properties.

(b) As at 31 December 2016, the Group had restricted bank deposits of RMB440,000,000 (2015: RMB884,533,000) with terms of one to six months, as securities for bill payable.

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 RMB2,142,302,000 (2015: RMB585,014,000) 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 issued share capital are set out as follows:

Ordinary shares, issued and fully paid:	2016 No. of shares	2016 HK$'000	2015 No. of shares	2015 HK$'000
At 1 January	**1,005,781,955**	**100,578**	1,000,100,000	100,010
Shares issued during the year (note 20(b))	**–**	**–**	5,681,955	568
At 31 December	**1,005,781,955**	**100,578**	1,005,781,955	100,578
RMB equivalent (RMB'000)		**87,186**		87,186

20 SHARE CAPITAL *(Continued)*

(b) Shares issued during the year

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 at the warrant issue price of HK$2,435,000 in total, or approximately HK$0.43 per warrant. The warrants carry the rights to subscribe for a total of 5,681,955 warrant shares up to the amount of HK$18,977,732 at exercise price of HK$3.34 per warrant share, and are to be exercised from the issue date up to and including 26 October 2017.

On 24 April 2015, the subscription rights were exercised, resulting in the issue of 5,681,955 shares of HK$0.10 each for a total cash consideration of HK$18,977,732 (approximately RMB14,954,000).

(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, to 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 and short-term investments. This ratio is calculated as net debt divided by total equity.

20 SHARE CAPITAL *(Continued)*

(c) Capital management *(Continued)*

The net debt to equity ratios at 31 December 2016 and 2015 were as follows:

	2016 RMB'000	2015 RMB'000
Non-current liabilities		
Bank loans	**1,584,589**	569,788
Other loans	**1,130,508**	763,607
Promissory notes	**178,367**	–
Bond payables	**314,460**	138,861
	3,207,924	1,472,256
Current liabilities		
Bank loans	**826,434**	332,237
Other loans	**1,198,242**	761,480
Promissory notes	**–**	385,978
Bond payables	**1,784**	–
	2,026,460	1,479,695
Total debt	**5,234,384**	2,951,951
Less: Cash and cash equivalents	**(2,185,846)**	(642,265)
Short-term investments	**(110,000)**	(319,000)
Adjusted net debt	**2,938,538**	1,990,686
Total equity	**2,172,909**	2,112,868
Less: Proposed dividends	**(17,903)**	(15,207)
Adjusted capital	**2,155,006**	2,097,661
Adjusted net debt to capital ratio	**1.36**	0.95

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

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.

Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Note	Share premium RMB'000 (note 21(b))	Exchange reserve RMB'000 (note 21(c))	Share-based compensation reserve RMB'000 (note 21(f))	Warrant reserve RMB'000 (note 26)	Accumulated loss RMB'000	Total RMB'000
At 1 January 2016		167,901	(16,563)	3,697	8,513	(89,574)	73,974
Changes in equity for 2016:							
Profit for the year		–	–	–	–	8,772	8,772
Exchange difference on translation of financial statements		–	(9,944)	–	–	–	(9,944)
Total comprehensive income for the year		–	(9,944)	–	–	8,772	(1,172)
Equity settled share-based payment		–	–	192	–	–	192
Dividends approved in respect of the previous year	21(h)(ii)	(15,238)	–	–	–	–	(15,238)
Warrants expired		–	–	–	(8,513)	8,513	–
		(15,238)	–	192	(8,513)	8,513	(15,046)
At 31 December 2016		152,663	(26,507)	3,889	–	(72,289)	57,756

21 RESERVES AND DIVIDENDS *(Continued)*

(a) Movements in components of equity *(Continued)*

	Note	Share premium RMB'000 (note 21(b))	Exchange reserve RMB'000 (note 21(c))	Share-based compensation reserve RMB'000 (note 21(f))	Warrant reserve RMB'000 (note 26)	Accumulated loss RMB'000	Total RMB'000
At 1 January 2015		167,325	(11,063)	3,422	8,513	(99,695)	68,502
Changes in equity for 2015:							
Profit for the year		–	–	–	–	10,121	10,121
Exchange difference on translation of financial statements		–	(5,500)	–	–	–	(5,500)
Total comprehensive income for the year		–	(5,500)	–	–	10,121	4,621
Warrants issued		–	–	–	1,919	–	1,919
Shares issued during the year		16,425	–	–	(1,919)	–	14,506
Equity settled share-based payment		–	–	275	–	–	275
Dividends approved in respect of the previous year	21(h)(ii)	(15,849)	–	–	–	–	(15,849)
		576	–	275	–	–	851
At 31 December 2015		167,901	(16,563)	3,697	8,513	(89,574)	73,974

(b) 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.

21 RESERVES AND DIVIDENDS *(Continued)*

(c) Exchange reserve

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

(d) 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.

(e) 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.

(f) 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.

(g) Distributability of reserves

At 31 December 2016, the aggregate amounts of the Company's reserves available for distribution to equity shareholders of the Company at 31 December 2016 was RMB57,756,000 (2015: RMB73,974,000).

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.

21 RESERVES AND DIVIDENDS *(Continued)*

(h) Dividends

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

	2016 RMB'000	2015 RMB'000
Final dividend proposed after the end of the reporting period of HK2.00 cents (equivalent to RMB1.78 cents) per ordinary share (2015: HK1.80 cents (equivalents to RMB1.51 cents) per ordinary share)	**17,903**	15,207

The final dividend proposed after the end of reporting period has not been recognised as a liability at the end of reporting period. 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

	2016 RMB'000	2015 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK1.80 cents (equivalents to RMB1.52 cents) per ordinary share (2015: HK2.00 cents (equivalents to RMB1.58 cents) per ordinary share)	**15,238**	15,849

(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:

	2016		2015	
	Exercise price HK$	**Number of options**	Exercise price HK$	Number of options
Outstanding at 1 January	**0.7**	**5,410,000**	0.7	5,410,000
Forfeited during the year	**0.7**	**(160,000)**	–	–
Outstanding at 31 December	**0.7**	**5,250,000**	0.7	5,410,000
Exercisable at 31 December	**0.7**	**3,645,000**	0.7	3,206,000

The options outstanding at 31 December 2016 had an average exercise price of HK$0.7 (2015: HK$0.7) and a weighted average remaining contractual life of 3.5 years (2015: 4.5 years).

23 BANK LOANS – SECURED

(a) At 31 December 2016, bank loans were repayable as follows:

	2016 RMB'000	2015 RMB'000
Within one year or on demand	826,434	332,237
After one year but within two years	657,319	533,532
After two years but within five years	902,457	17,346
After five years	24,813	18,910
	1,584,589	569,788
	2,411,023	902,025

(b) At 31 December 2016, assets of the Group against which bank loans were secured:

	2016 RMB'000	2015 RMB'000
Properties under development for sale	1,102,788	382,608
Completed properties held for sale	41,206	551,995
Property, plant and equipment	116,508	80,049
Investment properties	295,072	209,445
Restricted cash	423,230	80,000
	1,978,804	1,304,097

23 BANK LOANS – SECURED *(Continued)*

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

	2016	2015
	%	%
Bank loans	**2.60 – 12.40**	2.92 – 8.32

24 OTHER LOANS – SECURED

(a) At 31 December 2016, other loans were repayable as follows:

	2016	2015
	RMB'000	RMB'000
Within one year or on demand	**1,198,242**	761,480
After one year but within two years	**170,000**	763,607
After two years but within five years	**960,508**	–
	1,130,508	763,607
	2,328,750	1,525,087

24 OTHER LOANS – SECURED *(Continued)*

(b) At 31 December 2016, assets of the Group against which other loans were secured:

	2016	2015
	RMB'000	RMB'000
Properties held for future development for sale	**679,568**	118,640
Properties under development for sale	**124,289**	1,704,346
Completed properties held for sale	**274,131**	986,880
Property, plant and equipment	**386,036**	381,706
Investment properties	**89,962**	313,993
	1,553,986	3,505,565

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

	2016	2015
	%	%
Other loans	**5.22 – 12.50**	6.21 – 14.00

25 TRADE AND OTHER PAYABLES

	2016 RMB'000	2015 RMB'000
Trade payables (note (a))	**260,390**	158,544
Bills payable (note (a))	**681,732**	1,192,000
Limited partners' interest (note (b))	**780,167**	697,069
Amounts due to the ultimate holding company (note (c))	**27,060**	27,363
Amounts due to related parties (note (c))	**24,867**	261,454
Other payables and accrued charges (notes (d) and (e))	**1,400,924**	950,680
Financial liabilities measured at amortised cost	**3,175,140**	3,287,110
Receipts in advance (note (f))	**6,692,922**	3,571,077
	9,868,062	6,858,187

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

	2016 RMB'000	2015 RMB'000
Within 1 month	**335,390**	358,544
1 month to 3 months	**449,048**	6,000
Over 3 months but within 6 months	**157,684**	986,000
	942,122	1,350,544

25 TRADE AND OTHER PAYABLES *(Continued)*

(b) 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 11.8% to 15.0% per annum. The interest expenses are payable annually in arrears. The contributions have been recognised initially at fair value and thereon are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(c) Amounts due to the ultimate holding company, Neway Enterprises Limited, and related parties are unsecured, interest-free and repayable on demand.

(d) Included in other payables and accrued charges of the Group, retention payables of RMB177,086,000 (2015: RMB124,735,000) were expected to be settled after more than one year.

(e) Included in other payables and accrued charges, accrued construction costs of RMB197,091,000 (2015: RMB113,277,000) were payable to Tianshan Construction.

(f) Included in receipts in advance, deferred income of RMB1,437,545,000 (2015: RMB1,722,935,000) was expected to be recognised in profit or loss after more than one year.

26 PROMISSORY NOTES/WARRANTS

(a) Liability component of the promissory notes:

	2016 **RMB'000**	2015 RMB'000
Within one year or on demand		
– HK$300 million promissory note (note (ii))	**–**	253,239
– US$30 million promissory note (note (iii))	**–**	132,739
	–	385,978
After one year but within two years		
– HK$200 million promissory note (note (i))	**178,367**	–
	178,367	385,978

26 PROMISSORY NOTES/WARRANTS *(Continued)*

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

(i) On 27 October 2016, the Company issued a promissory note with principal amount of HK$200,000,000 to a third party. The promissory note is interest-bearing at 12% per annum and the interest is payable every six months in arrears. The maturity date of the note is 26 October 2018. The promissory note is secured jointly and severally by guarantees of one of the directors, Mr Wu Zhen Shan, and Neway Enterprises Limited (the ultimate holding company of the Company).

(ii) 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 Mr Wu Zhen Shan and Neway Enterprises Limited.

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.

On 29 October 2016, the above promissory note of HK$300,000,000 was repaid by the Company.

(iii) 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 Mr Wu Zhen Shan and Neway Enterprises Limited.

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.

On 23 March 2015 and 8 March 2016, the Company repaid US$10,000,000 and US$20,000,000 of the above promissory note, respectively.

26 PROMISSORY NOTES/WARRANTS *(Continued)*

(b) The movement of components of the promissory notes during the year ended 31 December 2016 is set out below:

	Promissory notes without warrants (note 26(a)(i)) RMB'000	Promissory notes with warrants (note 26(b)(i)) RMB'000	Warrant reserve (note 26(b)(ii)) RMB'000	Total RMB'000
At 1 January 2015	–	425,040	8,513	433,553
Repayment	–	(62,374)	–	(62,374)
Interest cost amortised	–	2,377	–	2,377
Exchange difference	–	20,935	–	20,935
At 31 December 2015 and 1 January 2016	–	385,978	8,513	394,491
Proceeds from issuance of the promissory notes	171,160	–	–	171,160
Repayment	(3,406)	(388,249)	–	(391,655)
Interest cost amortised	3,406	5,395	–	8,801
Exchange difference	7,207	(3,124)	–	4,083
Warrants expired	–	–	(8,513)	(8,513)
At 31 December 2016	178,367	–	–	178,367

(i) Liability component of the promissory notes with warrants 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 15.9% (2015: 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.

(ii) Warrant reserve represents the excess of proceeds of the promissory note over the liability component initially recognised. As at 31 December 2016, all warrants have expired with the redemption of the promissory notes with warrants during the year.

27 BOND PAYABLES

During the year ended 31 December 2016, the Group issued bonds with an aggregate principal amount of HK$187,800,000 (2015: HK$157,800,000). The bonds bear interest at 5%-7% (2015: 5%-7%) per annum with a maturity date from 2 years to 8 years (2015: 3 years to 8 years) from the issue dates.

At 31 December 2016, the bonds were repayable as follows:

	2016 **RMB'000**	2015 RMB'000
Within one year	**1,784**	–
After one year but within two years	**32,195**	1,665
After two years but within five years	**93,642**	41,458
After five years	**188,623**	95,738
	314,460	138,861
	316,244	138,861

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, other loans and borrowings and limited partners' interest of the Group are disclosed in notes 23, 24, 25, 26 and 27. The Group does not carry out any hedging activities to manage its interest rate exposure. A reasonably possible decrease/increase of 100 basis points interest rates would increase/decrease Group's profit by RMB6,400,000 (2015: RMB5,900,000).

(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.

Cash is deposited with financial institutions with acceptable credit quality. Management does not expect any of these financial institutions will fail to meet their obligations.

28 FINANCIAL INSTRUMENTS *(Continued)*

(b) Credit risk *(Continued)*

The Group's short-term investments are wealth management products issued by various financial institutions with acceptable credit quality in the PRC. In view of the sound credit standing of these counterparties, the management do not expect any of them to fail to meet their obligations.

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.

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 end of reporting period 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 end of reporting period) and the earliest date the Group can be required to pay:

	2016					
		Contractual undiscounted cash flow				
	Carrying amount RMB'000	Total 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	2,411,023	2,711,018	963,976	762,439	953,836	30,767
Other loans	2,328,750	2,690,916	1,356,544	277,377	1,056,995	–
Trade payables	260,390	260,390	260,390	–	–	–
Bills payable	681,732	681,732	681,732	–	–	–
Other payables and accrued charges	1,400,924	1,400,924	1,223,838	177,086	–	–
Promissory note	178,367	217,305	21,404	195,901	–	–
Bond payables	316,244	415,254	21,829	53,081	143,314	197,030
Amounts due to the ultimate holding company	27,060	27,060	27,060	–	–	–
Amounts due to related parties	24,867	24,867	24,867	–	–	–
Limited partners' interest	780,167	861,245	861,245	–	–	–
	8,409,524	9,290,711	5,442,885	1,465,884	2,154,145	227,797

	2015					
		Contractual undiscounted cash flow				
	Carrying amount RMB'000	Total 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	902,025	978,499	374,833	545,201	38,381	20,084
Other loans	1,525,087	1,718,363	899,114	819,249	–	–
Trade payables	158,544	158,544	158,544	–	–	–
Bills payable	1,192,000	1,192,000	1,192,000	–	–	–
Other payables and accrued charges	950,680	950,680	825,945	124,735	–	–
Promissory note	385,978	419,706	419,706	–	–	–
Bond payables	138,861	190,612	9,083	10,740	64,008	106,781
Amounts due to the ultimate holding company	27,363	27,363	27,363	–	–	–
Amounts due to related parties	261,454	261,454	261,454	–	–	–
Limited partners' interest	697,069	799,547	799,547	–	–	–
	6,239,061	6,696,768	4,967,589	1,499,925	102,389	126,865

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 2016 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.

	2016 **RMB'000**	2015 RMB'000
Cash and cash equivalents	**43,544**	51,477
Promissory notes	**(178,367)**	(253,239)
Bond payables	**(316,244)**	(138,861)
Gross exposure arising from recognised assets and liabilities and overall net exposure	**(451,067)**	(340,623)

A reasonably possible increase/decrease of 5% (2015: 5%) in the foreign exchange rate of the functional currency against Hong Kong Dollars would increase/decrease the Group's profit after tax and total equity by RMB22,553,000 (2015: RMB17,031,000).

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 performed on the same basis for 2015.

(e) Fair value

All financial assets and liabilities are carried at amounts not materially different from their fair values at 31 December 2016 and 2015.

29 COMMITMENTS

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

	2016	2015
	RMB'000	RMB'000
Authorised but not contracted for	**6,487,642**	5,537,231
Contracted but not provided for	**3,461,179**	4,786,787
	9,948,821	10,324,018

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 12, 13 and 15.

(c) At 31 December 2016, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	2016	2015
	RMB'000	RMB'000
Within 1 year	**1,386**	3,628
After 1 year but within 5 years	**2,197**	550
After 5 years	**1,546**	–
	5,129	4,178

30 CONTINGENT LIABILITIES

	2016 RMB'000	2015 RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (note (i))	**2,882,337**	1,230,502
Guarantee provided to a bank in respect of facility granted to a related party	–	16,300
	2,882,337	1,246,802

Note:

(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 2016 were RMB2,882,337,000 (2015: RMB1,230,502,000).

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.

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

	2016	2015
	RMB'000	RMB'000
Construction cost (note (i))	**570,667**	517,595
Rental expense (note (ii))	**386**	386
Guarantee fee income (note (iii))	**(549)**	(2,195)

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 the investment properties of the Group secured against a banking facility of Tianshan Construction as set out in note 13(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 trademarks "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) Key management personnel remuneration

Key management personnel are those persons holding positions with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the Group's directors.

31 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Key management personnel remuneration *(Continued)*

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 9, and certain of the highest paid employees as disclosed in note 10, is as follows:

	2016	2015
	RMB'000	RMB'000
Salaries, wages and other benefits	**16,896**	10,347
Contributions to defined contribution retirement plan	**81**	158
	16,977	10,505

Total remuneration is included in "Staff costs" (see note 6(b)).

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

The related party transactions in respect of construction cost in notes 31(a)(i) and (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) 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.

32 ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(a) Provision for completed properties held for sale, properties held for future development and properties under development for sale *(Continued)*

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 end of reporting period. Any increase or decrease in the provision would affect profit or loss in future years.

(b) Impairment provision for buildings and construction in progress

As explained in note 2(h), 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 end of reporting period. 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.

(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 taxation 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.

32 ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(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 end of reporting period 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 end of reporting period, with reference to current market sale prices for similar properties in the same location and condition and the appropriate capitalisation rate.

33 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2016 RMB'000	2015 RMB'000
Non-current asset			
Investment in subsidiaries	14	**1,076,870**	808,596
Current assets			
Receivables		**23,447**	2,319
Cash and cash equivalents		**41,845**	30,513
		65,292	32,832
Current liabilities			
Payables		**12,101**	822
Promissory notes	26	**–**	385,978
Bond payables	27	**1,784**	–
		13,885	386,800
Net current assets/(liabilities)		**51,407**	(353,968)
Total assets less current liability		**1,128,277**	454,628
Non-current liabilities			
Other loans – secured		**490,508**	154,607
Promissory notes	26	**178,367**	–
Bond payables	27	**314,460**	138,861
		983,335	293,468
NET ASSETS		**144,942**	161,160
CAPITAL AND RESERVES			
Share capital	20	**87,186**	87,186
Reserves	21(a)	**57,756**	73,974
TOTAL EQUITY		**144,942**	161,160

(Expressed in Renminbi unless otherwise indicated)

34 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016

Up to the date of issue of these financial statements, the IASB has issued a few amendments and a new standards which are not yet effective for the year ended 31 December 2016 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 7, *Disclosure initiative*	1 January 2017
Amendments to IAS 12, *Income taxes: Recognition of deferred tax assets for unrealised losses*	1 January 2017
IFRS 15, *Revenue from contracts with customers*	1 January 2018
IFRS 9, *Financial instruments*	1 January 2018
Amendments to IFRS 2, *Share-based payment: Classification and measurement of share-based payment transactions*	1 January 2018
IFRS 16, *Leases*	1 January 2019

The Group is in process of making an assessment of what the impact of these amendments and new standards 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, except for the following:

34 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016 *(Continued)*

IFRS 15 Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. IFRS 15 will replace the existing revenue standards, IAS 18, *Revenue*, which covers revenue arising from sale of goods and rendering of services, and IAS 11, *Construction contracts*, which specifies the accounting for revenue from construction contracts. The Group is currently assessing the impacts of adopting IFRS 15 on its financial statements. Based on the preliminary assessment, the Group has identified the following areas which are likely to be affected:

(a) Timing of revenue recognition

The Group's revenue recognition policies are disclosed in note 2(r). Currently, revenue arising from construction contracts and the provision of services is recognised over time, whereas revenue from the sale of goods is generally recognised when the risks and rewards of ownership have passed to the customers. Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. IFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(a) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(b) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under IFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs. As a result of this change from the risk-and-reward approach to the contract-by-contract transfer-of-control approach, it is possible that once the Group adopts IFRS 15 some of the Group's contract industrial property development activities that are currently recognised at a point in time may meet the IFRS 15 criteria for revenue recognition over time. This will depend on the terms of the sales contract and the enforceability of any specific performance clauses in that contract. It is also possible that for the remainder of the Group's contracts the point in time when revenue is recognised may be earlier or later than under the current accounting policy. However, further analysis is required to determine whether this change in accounting policy may have a material impact on the amounts reported in any given financial reporting period.

34 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016 *(Continued)*

IFRS 15 Revenue from contracts with customers *(Continued)*

(b) Significant financing component

IFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance or in arrears.

Currently, the Group would only apply such a policy when payments are significantly deferred, which is currently not common in the Group's arrangements with its customers. Currently, the Group does not apply such a policy when payments are received in advance.

Advance payments are common in the Group's arrangements with its customers, when residential properties are marketed by the Group while the property is still under construction. In this situation, the Group may offer buyers a discount compared to the sales price payable, provided the buyer agrees to pay the balance of the purchase price early.

Currently, the revenue from property sales is recognised when the property is completed, measured at the amount received from the customer, irrespective of whether the customer pays early or on completion. However, under IFRS 15 such advance payment schemes are likely to be regarded as including a financing component.

The Group is in the process of assessing whether this component in the Group's advance payment schemes would be significant to the contract and therefore whether, once IFRS 15 is adopted, the transaction price would need to be adjusted for the purposes of recognising revenue. Any adjustment to the transaction price under IFRS 15, if considered necessary, would result in interest expense being recognised while the construction work is still in progress to reflect the effect of the financing benefit obtained from the customers, with a corresponding increase to revenue on sale of properties recognised when control of the completed property is transferred to the customer.

(c) Sales with a right of return

Currently when the customers are allowed to return the properties, the Group estimates the level of returns and makes an adjustment against revenue and cost of sales.

The Group expects that the adoption of IFRS 15 will not materially affect how the Group recognises revenue and cost of sales when the customers have a right of return. However, the new requirement to recognise separately a return asset for the products expected to be returned will impact the presentation in the consolidated statement of financial position as the Group currently adjusts the carrying amounts of inventory for the expected returns, instead of recognising a separate asset.

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	Yuanshi Tian Shan Waterside View	Changshan Road, Yuanshi County, Shijiazhuang, Hebei Province, China	Residential	11,567	–	Foundation	100%	December 2019
2	Tianjin Tian Shan Wonderful Waterside View	Tianshan Road, Xiaozhan Town, Jinnan District, Tianjin, China	Residential/ commercial	339,468	103,661	Superstructure	100%	December 2019
3	Weihai Tian Shan Waterside View (Phase I)	Wendeng City, Shangdong Province, China	Residential/ commercial	79,860	43,833	Superstructure	100%	December 2020
4	Tian Shan Long Hu Wan	The south coast of Panlong Lake, Yuanshi County, Shijiazhuang, Hebei Province, China	Residential/ commercial	65,333	3,137	Foundation	100%	December 2019
5	Tian Shan Science and Technology Industrial Park	No. 319 Xiangjiang Road, Hi-tech Industry Development Zone, Shijiazhuang, Hebei Province, China	Industrial	11,102	88,718	Superstructure	100%	December 2018
6	Tianshan Auspicious Lake	Intersection of Xiangjiang Road and Kunlun Street, Shijiazhuang, Hebei Province, China	Residential/ commercial	120,226	71,502	Superstructure	100%	December 2017
7	Tian Shan Entrepreneur Valley	Eastern side of Taxi Avenue, Shijiazhuang Economic Technical Development Zone, Hebei Province, China	Industrial	116,832	197	Foundation	100%	December 2018
8	Tian Shan Jiu Feng	Tanan Lu Kou, Jiantong Street, Shijiazhuang, Hebei Province, China	Residential/ commercial	58,332	56,211	Superstructure	100%	December 2017
9	Tianjin Tian Shan Industrial Park	West side of Tianjin-Shantou Expressway, Xiqing District, Tianjin, China	Industrial	243,038	13,205	Foundation	100%	December 2018
10	Tian Shan Galaxy Plaza	To the south of Changjiang Avenue and to the east of Qinling Street, Hi-tech Industry Development Zone, Shijiazhuang, Hebei Province, China	Commercial	39,726	225,736	Superstructure	100%	December 2018

A. PROPERTIES UNDER DEVELOPMENT *(continued)*

	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
11	Tian Shan Tinglan Residence	To the east of Qilian Street and to the north of Guanjiang Road, Hi-tech Industry Development Zone, Shijiazhuang, Hebei Province, China	Residential	50,435	96,568	Superstructure	100%	December 2018
12	Tian Shan Yifang Centre	To the south of Yunnan Road and to the east of Beijingnan Avenue, Zhengding New District, Shijiazhuang, Hebei Province, China	Commercial	47,176	185,154	Superstructure	100%	December 2019
13	Zhengding Tian Shan Auspicious Lake	To the north of Yingxu Road and to the west of Jingzi Street, Zhengding New District, Shijiazhuang, Hebei Province, China	Residential	61,377	98,478	Superstructure	100%	December 2017
14	Xingtai Tian Shan Industrial Park	To the south of Rongtai Street and to the east of Jianye Road, Xingtai City, Hebei Province, China	Industrial	76,436	7,536	Superstructure	100%	December 2017
15	Yinchuan Tian Shan Auspicious Lake	East of Qinshuinan Street and South of Nantangxiang Street, Jinfeng District, Yinchuan City, Ningxia Province, China	Residential	117,389	–	Foundation	100%	December 2019
16	Yinchuan Tian Shan Lanan	East of Guihua Road and West of Lindai, Xingqing District, Yinchuan City, Ningxia Province, China	Residential	313,292	–	Foundation	100%	December 2019
17	Yinchuan Tian Shan Waterpark	North of Jinghe Road and West of Binhe Lvyou Road, Xingqing District, Yinchuan City, Ningxia Province, China	Cultural & Entertainment	450,569	–	Foundation	100%	December 2020
18	Tian Shan Chuangye City	West of Kunlun Street and South of Changjiang Road, Shijiazhuang, Hebei Province, China	Commercial	586,584	153,418	Foundation	100%	December 2019
19	Tian Shan Ambassador House	West of Kunlun Street and North of Xiangjiang Road, Shijiazhuang, Hebei Province, China	Residential/ commercial	119,141	514,917	Superstructure	100%	December 2018
20	Zanhuang Tian Shan Industrial Park	Wumashan Industrial Zone, Zanhuang County, Shijiazhuang, Hebei Province, China	Industrial	242,650	–	Foundation	100%	December 2018
Total				**3,150,533**	**1,662,271**			

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	No. 218 Zhufeng Avenue, Shijiazhuang, Hebei Province, China	Commercial	9,672	100%	Medium term
2	Tian Shan Science and Technology Industrial Park	No. 319 Xiangjiang Road, Hi-tech Industry Development Zone, Shijiazhuang, Hebei Province, China	Apartment	53,145	100%	Medium term
3	Contemporary Noble Territory	No. 9 Juxin Road, Shijiazhuang, Hebei Province, China	Commercial	5,585	100%	Medium term
4	Tian Shan Science and Technology Industrial Park	No. 319 Xiangjiang Road, Hi-tech Industry Development Zone, Shijiazhuang, Hebei Province, China	Commercial	10,823	100%	Medium term
5	Luancheng Tian Shan Logistics Park	West of Chengshang Village, Yehe Town, Luancheng County, Shijiazhuang, Hebei Province, China	Commercial	26,527	100%	Medium term
6	Yuanshi Tian Shan Waterside View	Changshan Road, Huaiyang Town, Yuanshi County, Shijiazhuang, Hebei Province, China	Commercial	3,360	100%	Medium term
7	Tian Shan Jiu Feng	Tanan Road, Yuehua District, Shijiazhuang, Hebei Province, China	Commercial	795	100%	Medium term
8	Sanhe Tian Shan International Enterprise Base	Yanjiao Economic Technical Development Zone, Sanhe City, Hebei Province, China	Apartment	18,210	100%	Long term
9	Sanhe Tian Shan International Enterprise Base	Yanjiao Economic Technical Development Zone, Sanhe City, Hebei Province, China	Commercial	5,939	100%	Medium term
10	Sanhe Tian Shan International Enterprise Base	Yanjiao Economic Technical Development Zone, Sanhe City, Hebei Province, China	Commercial	6,030	100%	Medium term
11	Tianjin Tian Shan Wonderful Waterside View	Tianshan Road, Xiaozhan Town, Tianjin, China	Commercial	1,188	100%	Medium term
12	Tianjin Tian Shan Wonderful Waterside View	Tianshan Road, Xiaozhan Town, Tianjin, China	Commercial	21,574	100%	Long term
Total				**162,848**		

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	5,350	–	100%	Long term
2	Tianjin Tian Shan Wonderful Waterside View	Tianshan Road, Xiaozhan Town, Jinnan District, Tianjin, China	Residential/ commercial	101,064	364	100%	Long term
3	Chengde Tian Shan Wonderful Waters View	Huoyaoku Gou Kou, Cuiqiao Road, Shuangqiao District, Chengde City, Hebei Province, China	Commercial	6,405	–	100%	Medium term
4	Tian Shan Waterside View	No. 218 Zhufeng Avenue, Shijiazhuang, Hebei Province, China	Residential/ commercial	34,627	–	100%	Long term
5	Tian Shan Long Hu Wan	The south coast of Panlong Lake, Yuanshi County, Shijiazhuang, Hebei Province, China	Residential	15,606	–	100%	Long term
6	Yuanshi Tian Shan Waterside View	Changshan Road, Yuanshi County, Shijiazhuang, Hebei Province, China	Residential	25,547	–	100%	Long term
7	Weihai Tian Shan Contemporary Noble Territory	Wendeng Economics Development Zone, Shandong Province, China	Residential/ commercial	21,689	493	100%	Medium term
8	Weihai Tian Shan Waterside View	Wendeng City, Shangdong Province, China	Residential/ commercial	24,358	434	100%	Medium term
9	Weihai Tian Shan International Enterprise Base	Wendeng Economics Development Zone, Shandong Province, China	Industrial	22,083	633	100%	Medium term

Particular of Properties

C. PROPERTIES HELD FOR SALE *(continued)*

	Name of property	Location	Type	Approximate gross floor area (sq.m.)	Approximate number of car parking spaces	Interest attributable to the Group	Lease term
10	Tianshan Auspicious Lake	Intersection of Xiangjiang Road and Kunlun Street, Shijiazhuang, Hebei Province, China	Residential/ commercial	39,382	707	100%	Long term
11	Tian Shan Science and Technology Industrial Park	No. 319 Xiangjiang Road, Hi-tech Industry Development Zone, Shijiazhuang, Hebei Province, China	Industrial	5,541	121	100%	Medium term
12	Tian Shan Jiu Feng	Tanan Road, Yuehua District, Shijiazheuang, Hebei Province, China	Residential/ commercial	37,499	915	100%	Long term
13	Tian Shan Galaxy Plaza	To the south of Changjiang Avenue and to the east of Qinling Street, Hi-tech Industry Development Zone, Shijiazhuang, Hebei Province, China	Commercial	26,076	395	100%	Medium term
14	Chengde Tian Shan Waterside View	Huoyaoku Gou Kou, Cuiqiao Road, Shuangqiao District, Chengde City, Hebei Province, China	Commercial	22,795	171	100%	Long Term
15	Tian Shan Entrepreneur Valley	Eastern side of Taxi Avenue, Shijiazhuang Economic, Technical Development Zone, Hebei Province, China	Industrial	17,431	–	100%	Medium term
16	Tian Shan Tinglan Residence	To the east of Qilian Street and to the north of Guanjiang Road, Hi-tech Industry Development Zone, Shijiazhuang, Hebei Province, China	Residential	2,303	299	100%	Long Term
17	Yuanshi Tian Shan Machinery Industrial Park	Nanbai Building, Yuanshi County, Shijiazhuang, Hebei Province, China	Industrial	8,733	–	100%	Medium Term
Total				**416,489**	**4,532**		

CONSOLIDATED INCOME STATEMENT

	Year ended 31 December				
	2012 RMB'000	2013 RMB'000	2014 RMB'000	2015 RMB'000	**2016** **RMB'000**
Revenue	1,565,588	2,762,697	2,416,825	2,333,037	**3,816,530**
Cost of sales	(1,161,263)	(2,000,781)	(1,525,157)	(1,583,624)	**(2,954,306)**
Gross profit	404,325	761,916	891,668	749,413	**862,224**
Other income	71,097	10,827	14,233	6,267	**18,481**
Selling and marketing expenses	(88,899)	(224,931)	(164,969)	(174,656)	**(258,416)**
Administrative expenses	(130,580)	(176,362)	(168,750)	(186,171)	**(283,580)**
Profit from operations	255,943	371,450	572,182	394,853	**338,709**
Finance income	2,035	5,478	6,209	19,452	**40,732**
Finance expenses	(2,869)	(15,415)	(41,474)	(73,367)	**(74,453)**
Net finance expenses	(834)	(9,937)	(35,265)	(53,915)	**(33,721)**
Profit before change in fair value of investment properties and income tax	255,109	361,513	536,917	340,938	**304,988**
Increase in fair value of investment properties	75,269	52,123	49,302	6,047	**9,421**
Profit before taxation	330,378	413,636	586,219	346,985	**314,409**
Income tax	(122,345)	(154,852)	(304,338)	(212,515)	**(194,977)**
Profit for the year	208,033	258,784	281,881	134,470	**119,432**
Earning per share (RMB cents)					
– Basic	20.80	25.88	28.19	13.40	**11.87**
– Diluted	20.80	25.88	28.09	13.34	**11.82**

Financial Summary

CONSOLIDATED ASSETS AND LIABILITIES

	31 December				
	2012 RMB'000	2013 RMB'000	2014 RMB'000	2015 RMB'000	**2016** **RMB'000**
Total non-current assets	793,058	1,111,436	1,212,001	1,311,847	**1,250,854**
Total current assets	5,164,953	7,199,090	8,652,323	11,105,855	**16,528,658**
Total assets	5,958,011	8,310,526	9,864,324	12,417,702	**17,779,512**
Total non-current liabilities	788,054	1,626,640	1,863,151	1,582,378	**3,343,531**
Total current liabilities	3,663,652	4,935,953	6,002,453	8,722,456	**12,263,072**
Total liabilities	4,451,706	6,562,593	7,865,604	10,304,834	**15,606,603**
Net assets	1,506,305	1,747,933	1,998,720	2,112,868	**2,172,909**