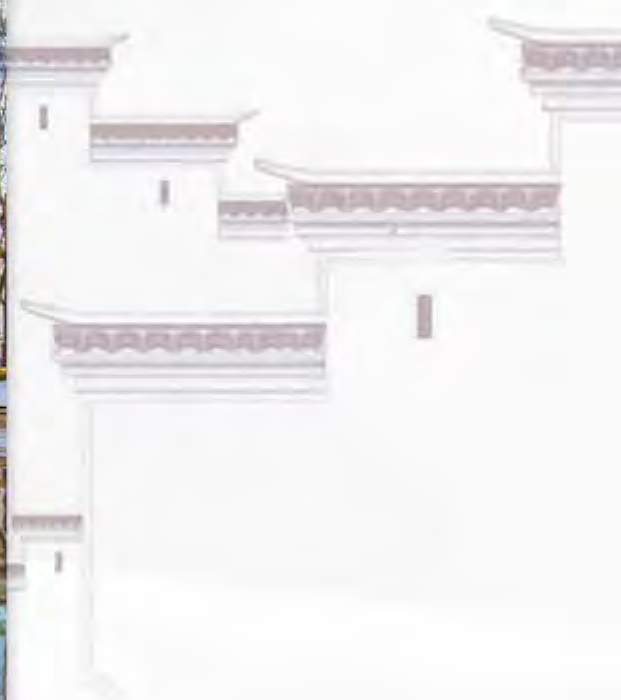
Tian Shan Development (Holding) Limited
天 山 發 展 (控 股) 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2118

ANNUAL REPORT 2018



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Corporate Information

DIRECTORS

Executive Directors

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

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,
Everbright 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

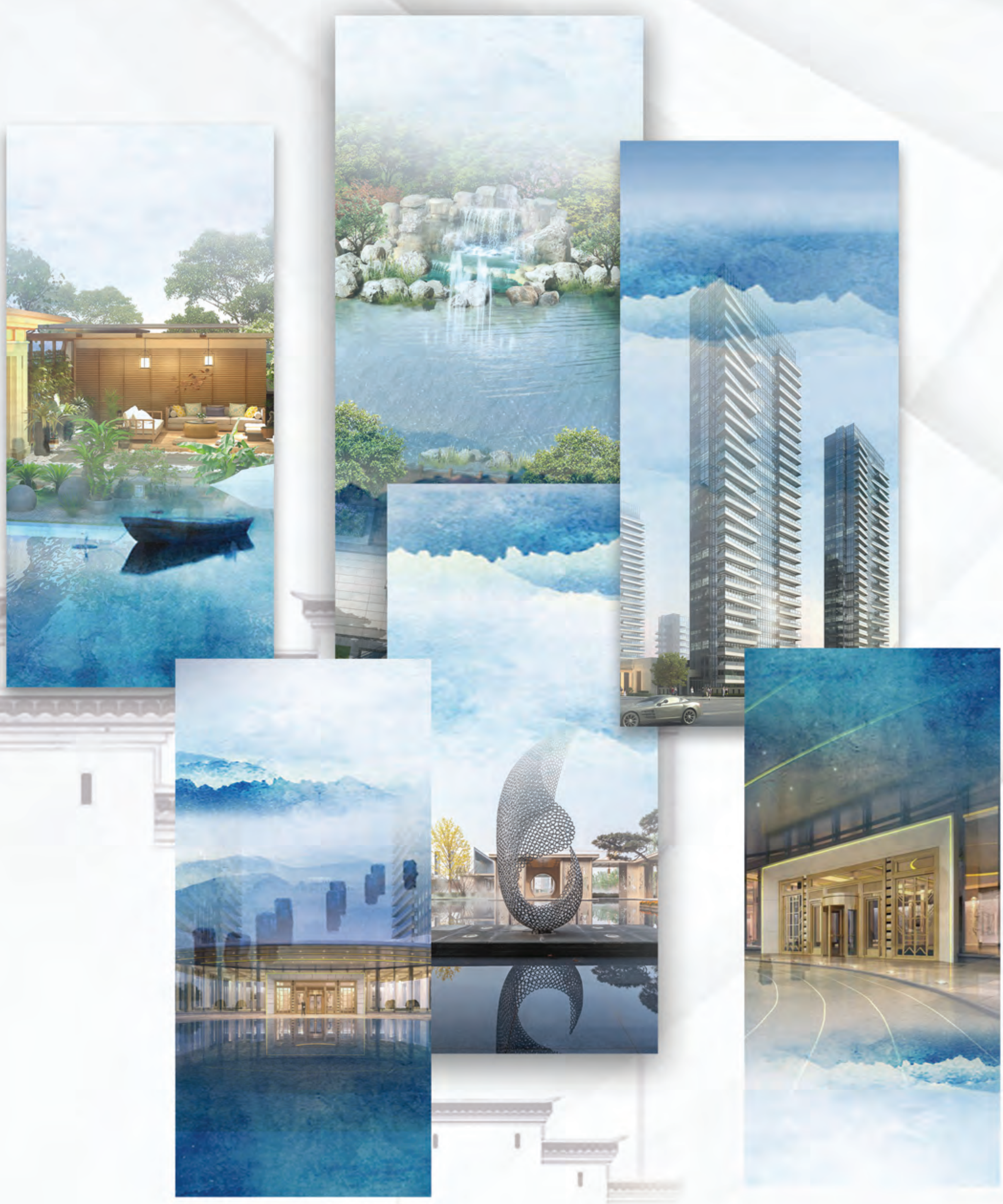
Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Financial Highlights

	Year ended 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	**4,616,305**	4,982,704	3,816,530	2,333,037	2,416,825
Gross profit	**1,282,131**	1,169,374	862,224	749,413	891,668
Profit for the year	**150,271**	103,207	119,432	134,470	281,881
Basic earnings per share (RMB cents)	**16.87**	10.62	11.87	13.40	28.19
Delivered gross floor area	**591,984 sq.m.**	556,272 sq.m.	589,056 sq.m.	363,437 sq.m.	437,214 sq.m.
Contracted sales	**6,982,100**	7,264,300	8,270,400	2,909,700	2,547,300
Contracted sales gross floor area	**856,368 sq.m.**	1,909,897 sq.m.	1,112,720 sq.m.	437,477 sq.m.	457,611 sq.m.

PROPERTY
PORTFOLIO

PROPERTY PORTFOLIO



Chairman Statement

Reviewing the year 2018, the Group achieved remarkable operating results. With the efforts of all the staff in fully executing decisions and plans made by the Board, the Company maintained stable and healthy development. In 2018, the Company formulated the strategy of cultural tourism as guidance and simultaneous development of multiple industries with nationwide scale, and has made major breakthroughs with the construction of projects commenced in various key regions. In addition, we have comprehensively promoted the "sharing development plan" by carrying out the share incentive reform and achieved an overall increase in the Company's profit and staff's benefits, which laid a solid foundation for the development of the Company.

During the year, Tian Shan Development (Holding) Limited was awarded the honour of "Golden Hong Kong Share" Most Valuable Company. Yinchuan Tian Shan Waterpark officially commenced operation, which becomes a new business card for tourism in Yinchuan. Zhending Auspicious Lake Phase II project was granted the Provincial Outstanding Project Award. Auspicious Lake Lanan project was recognized as ultra-low power consumption architecture. Jinfeng Tian Shan Auspicious Lake project was granted the Award for Outstanding Contribution to Economic Development.

Looking ahead to the year 2019, we are full of confidence. In 2019, we will pay close attention to the development opportunities in Beijing-Tianjin-Hebei regions and Yangtze River Delta Economic Zone, and strive to secure quality projects through acquisition, merger and cooperation. Meanwhile, we will formulate human resource plans suitable for the corporate development and attach emphasis on the recruitment of talents in leadership and high-end professional talents. Furthermore, we will optimize the organizational structure and post establishment of the Company, and strengthen the strict implementation and execution to propel the healthy development of the Company.

In 2019, by sticking closely to the strategic layout of governments at the national, provincial and municipal levels and firmly safeguarding the economic development lifeline, the Company will continue to implement the "sharing development plan" and bring more quality products and services to the society under the favourable circumstances of new era, thus developing into a stronger and better company.

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 support to the Company in the past year, and I 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 2018, the Group had numerous property projects under development primarily located in Shijiazhuang, Tianjin, Ningxia and Yangzhou.

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 recorded a turnover of RMB4,616.0 million and delivered gross floor area of 591,984 sq.m.. The total contracted sales amount was RMB6,928.1 million and contracted sales gross floor area was of 856,368 sq.m. for the year under review.

With the marked increase in cash received from contracted sales, during the year ended 31 December 2018, the Group has replenished its land bank by acquiring certain new residential and industrial land parcels through auction/bidding/tender in Shijiazhuang and Yangzhou. The aggregate consideration for the land parcels was RMB2,266.4 million and the estimated salable gross floor area was approximately 1,334,614 sq.m.. The land parcels are intended to be developed for sale in two to three years' time.

In addition, in January 2018, the Group entered into a cooperation agreement with an independent third party, Hebei Daxi Property Development Company Limited ("Hebei Daxi"), to establish a joint venture (the "Xingtai Joint Venture") to participate in the tender, auction and listing-for-sale process to acquire immovable property ownership of a land under redevelopment (the "Xingtai Land"). The Xingtai Joint Venture is owned initially as to 51% by the Group and 49% by Hebei Daxi. The Xingtai Land is situated near Qiaodong district of Xingtai City with an area of approximately 69,700 sq. m.. Pursuant to the aforementioned cooperation agreement, Hebei Daxi and the Group had further entered into a share transfer agreement, under which the Group agreed to acquire from Hebei Daxi its 49% equity interest in the Xingtai Joint Venture upon the successful acquisition of the immovable property ownership of the Xingtai Land by the Xingtai Joint Venture. Upon and subject to the acquisition of the immovable property ownership of the Xingtai Land, the Xingtai Joint Venture shall construct certain resettlement properties on the Xingtai Land and remaining portion of the Xingtai Land will be developed into residential properties with ancillary commercial properties for sale. In November 2018, the Xingtai Joint Venture successfully acquired the Xingtai Land at RMB308.5 million through the relevant tender, auction and listing-for-sale process. Further details of the acquisition of the equity interest of the Xingtai Joint Venture from Hebei Daxi are set out in the Company's announcement dated 3 January 2018.

These new property projects are in the planning and foundation stage and shall contribute to the Group's contracted sales in coming years. The Directors are optimistic that the Group will continue its growth by developing and selling properties developed on the new land banks.

Furthermore, in June 2018, the Group entered into an agreement with an independent third party, Dingzhou Sanlian Real Estate Development Company Limited ("Dingzhou Sanlian"), to establish another joint venture (the "Dingzhou Joint Venture") to participate in the tender, auction and listing-for-sale process to acquire the land use right of two land parcels under redevelopment (the "Dingzhou Land"). The Dingzhou Joint Venture is owned initially as to 51% by the Group and 49% by Dingzhou Sanlian. The Dingzhou Land is situated in Nancheng District, Dingzhou City with aggregate area of approximately 96,476 sq. m.. Pursuant to the aforementioned cooperation agreement, Dingzhou Sanlian and the Group had further entered into a share transfer agreement, under which the Group agreed to acquire from Dingzhou Sanlian the 49% equity interest in the Dingzhou Joint Venture upon the successful obtaining of the land use right of the Dingzhou Land by the Dingzhou Joint Venture. Upon and subject to the obtaining of the land use right of the Dingzhou Land, the Dingzhou Land will be developed into residential properties for sale. Further details of the formation of Dingzhou Joint Venture and the contemplated transfer of shares in Dingzhou Joint Venture are set out in the Company's announcement dated 8 June 2018. As at the date of this report, the tender, auction and listing-for-sale notice in respect of the Dingzhou Land has not been published by the local land bureau.

Benefited from the continued growth in properties market in the PRC, the Group recorded an overall increase in fair value of RMB19.5 million from investment properties. During the year, the Group had reclassified certain commercial properties of RMB5.0 million in *Tianjin • Tian Shan Waterside View* as inventories for sale. The Group will also continue to monitor its property projects in order to make timely response to changing circumstance.

In May 2018, Hebei Tianshan Zhengyao Real Estate Development Limited ("Tianshan Zhengyao"), an indirect wholly-owned subsidiary of the Company, and Hebei Kailongda Food Company Limited ("Hebei Kailongda"), entered into a cooperation agreement (the "Cooperation Agreement"), pursuant to which a project company (the "Project Company") was established to participate in the relevant tender, auction and listing-for-sale process to obtain the land use right of the a land situated in Luancheng District of Shijiazhuang (the "Luancheng Land") for development. The Project Company is owned as to 51% by Tianshan Zhengyao and 49% by Hebei Kailongda. Pursuant to the Cooperation Agreement, Tianshan Zhengyao and Hebei Kailongda further entered into a share transfer agreement (the "Share Transfer Agreement") in respect of the acquisition of 49% equity interest in the Project Company owned by Hebei Kailongda by Tianshan Zhengyao at a consideration of RMB114,000,000 (subject to reduction). Subsequent to the period under review (the "Review Period"), and after amicable discussion and careful consideration of all the circumstances surrounding the Cooperation Agreement and the Share Transfer Agreement, including the introduction of "stop-limit" housing policy in Luancheng District of Shijiazhuang and the fact that the land use right of the Luancheng Land had not been obtained by the Project Company, Tianshan Zhengyao and Hebei Kailongda decided not to proceed with the transactions as contemplated under the Cooperation Agreement and the Share Transfer Agreement and agreed to terminate the Cooperation Agreement and the Share Transfer Agreement. For such purpose, Tianshan Zhengyao and Hebei Kailongda entered into a termination agreement (the "Termination Agreement") in March 2019. Further details of Cooperation Agreement, the Share Transfer Agreement and the Termination Agreement are set out in the Company's announcements dated 7 May 2018 and 20 March 2019.

Management Discussion and Analysis

In March 2014, Tian Shan Real Estate Development Group Limited ("Tian Shan Real Estate"), a wholly-owned subsidiary of the Company, entered into a co-operation agreement (the "Tangshan Agreement") with Tangshan Construction Investment Limited ("Tangshan Investment") and Hebei Tourism Investment Property Development Limited Liability Company (formerly known as Hebei Infrastructure Property Development Limited) ("Hebei Investment") to develop a commercial and residential property project located in Tangshan city by (i) capital injection of RMB35.0 million (equivalent to 70% equity interest of the enlarged registered capital) to Tangshan Infrastructure Property Development Limited ("Tangshan Real Estate"), and (ii) committed to grant loans in aggregate of approximately RMB821.9 million. The Group has paid RMB200.0 million to Tangshan Real Estate in 2014. Further details of the Tangshan Agreement were set out in the Company's circular dated 27 June 2014.

Notwithstanding the Group's performance and effort to perform, Tangshan Investment and Hebei Investment failed to perform their respective obligations and arrangements under the Tangshan Agreement. On 26 June 2017, after seeking legal advices, Tian Shan Real Estate and Hebei Yuanzhi Real Estate Development Company Limited, both are indirect wholly-owned subsidiaries of the Company (collectively, the "Plaintiffs"), jointly initiated legal proceedings (the "Legal Proceedings") at the High People's Court of Hebei Province in the PRC (the "Court") against Tangshan Investment, Hebei Investment, and Tangshan Real Estate (collectively, the "Defendants") seeking for, among others, an order to terminate the co-operation relationship between the Defendants and the Plaintiffs and the return of the investment fund and the gain from the co-operation.

Pursuant to the civil ruling paper issued by the Court on 31 October 2018, among other judgment, (i) the co-operation relationship between the Defendants and Plaintiffs shall be terminated, and (ii) Tangshan Real Estate shall pay Tianshan Real Estate and Hebei Yuanzhi an aggregate amount of approximately RMB264,200,000 (together with any interest accrued thereon). Tianshan Real Estate, Hebei Yuanzhi, Tangshan Investment, Hebei Investment and Tangshan Real Estate subsequently entered into a settlement agreement on 29 December 2018 (the "Settlement Agreement"), under which Tangshan Real Estate has agreed, among others, to make installment payments to Tianshan Real Estate and Hebei Yuanzhi for the adjudged amount. Tianshan Real Estate and Hebei Yuanzhi have undertaken, among others, not to enforce the judgment of the civil ruling paper within the period stipulated in the Settlement Agreement, otherwise such enforcing party will be required to pay liquidated damages in the amount of RMB50,000,000. On 4 January 2019, Tian Shan Real Estate, Hebei Yuanzhi, Tangshan Investment, Hebei Investment and Tangshan Real Estate further confirmed at the Court that the civil appeal petition filed by the Plaintiffs on 19 November 2018 shall be withdrawn and none of the parties to the Legal Proceedings shall file for appeal of the Legal Proceedings.

Pursuant to the Settlement Agreement, Tangshan Real Estate has paid the first installment in the amount of RMB170,000,000 on or around 16 January 2019. The Company expects Tangshan Real Estate to repay the remaining adjudged amount together with any interest accrued thereon as obliged under the Settlement Agreement in 2019.

The Group had recorded a gain of approximately RMB33.3 million in the year ended 31 December 2018 from the Settlement Agreement, which is primarily the brand usage fee and compensation of loss from the Legal Proceedings. In addition, the Group also recognised interest income of RMB72.5 million which has accrued since 2014 up to 31 December 2018 (at a rate of 7.61% per annum until the date of full payment thereof as ordered by the Court).

Management Discussion and Analysis

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 revenue decreased slightly by 7.4% to RMB4,616.0 million from RMB4,982.7 million as compared with the prior year. During the year under review, the Group's revenue was derived principally from the sales and delivery of residential, commercial and industrial property projects, including *Ambassador House One, Yinchuan • Auspicious Lake, Tian Shan • Jiu Feng, Tian Shan • Galaxy Plaza and Tianjin • Tian Shan Wonderful Waterside View (Phases I and II)*.

The cost of sales decreased by 12.6% to RMB3,333.9 million from RMB3,813.3 million as compared with the prior year. The amount of the gross profit increased by 9.6% to RMB1,282.1 million from RMB1,169.4 million, and the gross profit margin for the year under review has increased to approximately 27.8% as compared with that of 23.5% for the preceding year. The increase in gross profit margin was mainly due to the increased number of sales of commercial properties in the 2018 than prior year, namely, *Tian Shan • Galaxy Plaza*, and certain apartments, namely, *Zhengding • Yi Fang Centre*, which had comparatively higher profit margin than residential properties.

The Group's selling and marketing expenses increased by approximately 9.0% to RMB351.8 million from RMB322.8 million. The increase was primarily due to the launching of more promotion campaigns in the year to cater for the increased number of property projects.

The Group's administrative expenses increased by approximately 31.9% to RMB434.4 million from RMB329.4 million. The increase was mainly attributable to an impairment loss of RMB53.1 million recognized during the year in respect of Tianjin Waterpark which had unsatisfactory operating results and lower expected growth rate, and the net effect of increased salaries of RMB42.0 million as more headcounts were employed during the second half year of 2017 and first half year of 2018 and more administrative offices were maintained for increased number in property projects of the Group. In late 2018, the Group has reviewed the human resources structure and cut down headcounts to achieve a more efficient and cost saving size of administrative positions.

The Group's income tax expense slightly decreased by RMB11.6 million to approximately RMB370.7 million from RMB382.3 million. The decrease was primarily due to the decrease in land appreciation tax and corporate income tax, which were in line with the decrease in sales revenue during the year.

As a result of the above, the Group recorded an increase of 45.6% in net profit to approximately RMB150.3 million as compared with preceding year of RMB103.2 million.

Management Discussion and Analysis

Current Assets and Liabilities

As at 31 December 2018, the Group had total current assets of approximately RMB26,323.1 million (2017: RMB21,627.7 million), comprising mainly inventories, trade and other receivables, and restricted cash and cash and cash equivalents.

As at 31 December 2018, the Group had total current liabilities of approximately RMB21,372.4 million (2017: RMB15,449.0 million), comprising mainly bank and other borrowings, trade and other payables, contract liabilities and taxation payable.

As at 31 December 2018, the current ratio (calculated as the total current assets divided by the total current liabilities) was 1.2 (2017: 1.4).

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 2018, the gearing ratio (calculated as net debt divided by total equity) is as follows:

	2018 **RMB'000**	2017 RMB'000
Total bank and other borrowings	**7,811,769**	6,753,317
Promissory notes	**118,385**	280,259
Bond payables	**424,094**	411,990
Less: Cash and cash equivalents	**(1,237,827)**	(2,192,737)
Short-term investments	**(90,990)**	(100,000)
Net debt	**7,025,431**	5,152,829
Total equity	**2,415,196**	2,292,413
Less: Proposed dividends	**(42,746)**	(24,139)
Adjusted capital	**2,372,450**	2,268,274
Adjusted net debt-to-capital ratio	**2.96**	2.27

The gearing ratio increased from 2.27 to 2.96. Such increase was primarily due to the net effect of the increase in bank and other loans of approximately RMB1,058 million, the decrease of promissory notes of RMB161.9 million, the increase in bond payables of RMB12.1 million and the increase in total equity by the profit earned during the year of RMB150.3 million and the decrease in short-term investments by RMB9.0 million and the decrease in cash and cash equivalents by RMB954.9 million.

Charge on Assets

At 31 December 2018, assets of the Group against which bank and other borrowings are secured:

	2018 RMB'000	2017 RMB'000
Properties held for future development for sale	**2,278,915**	989,450
Properties under development for sale	**4,872,948**	2,410,513
Completed properties held for sale	**380,759**	736,718
Property, plant and equipment	**340,455**	517,644
Investment properties	**350,903**	445,006
Restricted cash	**366,000**	166,000
	8,589,980	5,265,331

In addition, as at 31 December 2018, the Group had total restricted cash of RMB316.0 million (31 December 2017: RMB192.4 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 2018, the Group employed a total of 2,458 employees (31 December 2017: 3,495 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 is not exposed to significant foreign currency exchange risks as at 31 December 2018 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 RMB8,233.1 million (2017: RMB8,152.8 million) comprising primarily land and development costs of property projects.

Management Discussion and Analysis

Contingent Liabilities

Except for the guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties of RMB4,481.9 million (2017: RMB4,412.6 million) and the guarantee provided to a bank in respect of banking facility granted to a related party of RMB20.0 million (2017: RMB20.0 million), the Group had no material contingent liability as at 31 December 2018.

Final Dividend

The Directors have recommended the payment of a final dividend of HK5.00 cents (2017: HK3.00 cents) per ordinary share for the year ended 31 December 2018.

Material Acquisitions and Disposals

Save as the acquisitions mentioned above, the Group has not participated in any material acquisition or disposal during the year under review.

Significant Investments

As at 31 December 2018, for short-term treasury management, the Group had invested RMB91.0 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.

EXECUTIVE DIRECTORS

Mr. WU Zhen Shan (吳振山), aged 62, 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 the Company. Mr. WU is also a member of the remuneration committee and the chairman of the nomination committee of the 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 38 years of experience in the construction industry and approximately 18 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 vice chairman of China Individual Labourers' Association, the vice chairman of China Real Estate Association, the vice chairman of Hebei Province Industry and Commerce Joint Association, the chairman of Hebei Province Immovable Property Association, the chairman of Private Enterprise Association of Hebei Province, the chairman of Hebei Enterprise Credit Promotion Association, the vice chairman of Shijiazhuang Industry and Commerce Joint Association, the president of the Association of Real Estate in Shijiazhuang and the chairman of Private Enterprise Association of Shijiazhuang. Mr. WU was awarded the honor of "Shijiazhuang Model Worker" by Shijiazhuang Municipal committee and Shijiazhuang Municipal People's government under the Communist Party of China in April 1998, and was awarded the honor of "Hebei Provincial Model Worker" by Hebei Provincial People's government in April 1999. In February 2003, Mr. WU was elected as a representative of the Tenth National People's Congress. In December 2004, Mr. WU was awarded the "National Outstanding Builders of the Socialism with Chinese Characteristic" by the United Front Work Department of CPC Central Committee, National Development and Reform Commission, National Ministry of Personnel, State Administration for Industry and Commerce and All-China Federation of Industry and Commerce. In April 2006, Mr. WU received the award of "Hebei Outstanding Entrepreneur" from the Hebei Province Entrepreneur Association. In January 2008, Mr. WU was elected as a representative of the Eleventh Hebei People's Congress. In April 2009, Mr. WU was awarded the "National May 1 Labour Medal" by All-China Federation of Industry and Commerce. 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. In May 2014, Mr. WU was awarded the honor of "National Outstanding Entrepreneur" by China Enterprise Confederation and China Enterprise Directors Association. In April 2015, Mr. WU was awarded the honor of "National Model Worker" by the Central Committee of the Communist Party of China and the State Council of the People's Republic of China. In January 2018, Mr. WU was elected as a representative of the Thirteenth Hebei Provincial People's Congress. Mr. WU Zhen Shan is the elder brother of Mr. WU Zhen Ling and the brother-in-law of Mr. ZHANG Zhen Hai.

Directors and Senior Management Biographies

Mr. WU Zhen Ling（吳振嶺）, aged 54, is one of the founders. Mr. WU is the Vice Chairman of the 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 property projects. Mr. WU is also a member of the remuneration committee and the nomination committee of the 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 33 years of experience in the construction industry and approximately 18 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 the other founders established and worked in Shijiazhuang Hi-tech Industry Development Zone Diyi Construction and Engineering Company until 2000, when Mr. WU together with the 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. In April 2010, Mr. WU was awarded the honor of "Shijiazhuang Model Worker" by Shijiazhuang Municipal committee and Shijiazhuang Municipal People's government under the Communist Party of China. In April 2014, Mr. WU was awarded the honor of "Hebei Provincial Model Worker" by Hebei Provincial People's government. Mr. WU currently serves as the vice chairman of the Quality Association of Hebei Province, the chairman of the Landscape Art Culture Association of Hebei Province and the chairman of the Price Association of Shijiazhuang. Mr. WU Zhen Ling is the younger brother of Mr. WU Zhen Shan and the brother-in-law of Mr. ZHANG Zhen Hai.

Mr. ZHANG Zhen Hai（張振海）, aged 64, is one of the founders and was appointed as an executive Director on 10 June 2005. Mr. ZHANG is responsible for overseeing the procurement of 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 38 years of experience in the construction industry and approximately 18 years of experience in the property development industry. In 1980, Mr. ZHANG together with Mr. WU Zhen 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 the 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 and Mr. WU Zhen Ling.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. TIAN Chong Hou（田崇厚）, aged 73, 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 the 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 61, 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 the Board. Mr. WANG has approximately 35 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 59, 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 31 years of experience in financial management for a number of corporations and listed companies. Mr. CHEUNG is an independent non-executive director of Gold-Finance Holding Limited, a company listed on the Stock Exchange (stock code: 1462) since February 2016 and is also an independent non-executive director of China Wan Tong Yuan (Holdings) Limited, a company listed on the Stock Exchange (stock code: 8199) since September 2017. Mr. Cheung was an independent non-executive director of ZACD Group Ltd, a company listed on the Stock Exchange (stock code: 8313) during January 2018 to January 2019 and Beijing Chunlizhengda Medical Instruments Co., Limited, a company listed on the Stock Exchange (stock code: 1858) during March 2015 to March 2018. 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 44, 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 21 years of experience in financial management and reporting.

Directors and Senior Management Biographies

Ms. GAO Li Xiang（高立香）, aged 44, 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 the Group 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 19 years of experience in the property development industry from Tian Shan Real Estate.

Mr. CHEN Shi Bin（陳士彬）, aged 40, 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 obtained a master degree in engineering at Xian University in December 2018. 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 40, 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 16 years of experience in property development.

Ms. SI Jing Xin（司景新）, aged 38, 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 37, 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 the Group 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 12 years of experience in real estate project management and extensive property development experience.

Ms. ZHAO Guiyan（趙桂艷）, aged 37, is currently the finance general manager of Tian Shan Real Estate responsible for the overall financial matters. Ms. ZHAO graduated from Southwestern University of Finance and Economics with a bachelor's degree in management in July 2005. Ms. ZHAO joined the Group in July 2005 and has approximately 14 years of experience in financial management.

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 believes that good corporate governance is essential to the success of the Company and to the enhancement of shareholders' value.

The Company has complied with the code provisions set out in the Corporate Governance Code (the "Corporate Governance Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2018.

BOARD COMPOSITION

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

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

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 15 to 18 of this annual report.

The Company has three independent non-executive Directors ("INEDs"), and 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 based on the said confirmations, the Board considers that all of them are independent pursuant to the Listing Rules. It is noted that pursuant to Code Provision A.4.3 of the Corporate Governance Code, if an independent non-executive director has served more than nine years, any further appointment of such independent non-executive director should be subject to a separate resolution to be approved by shareholders. As all of the INEDs have served more than nine years, in compliance with the Corporate Governance Code, any of their further appointment will be subject to a separate resolution to be approved by shareholders in the general meetings of the Company.

Details of the emoluments of the Directors are set out in note 9 to the consolidated financial statements.

Corporate Governance Report

PRINCIPAL FUNCTIONS

The Board has the ultimate decision on the Group's overall strategy, annual budget, annual and interim results, appointment or retirement of directors, significant contracts and transactions as well as other significant policies and financial matters. No chief executive officer is 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 two general meetings during the Review Period and the following is the summary of the Directors's attendance at these meetings.

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

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 audit committee held two meetings during the year ended 31 December 2018 to review auditor's independence, financial results, internal audit function, risk management and internal control system of the Group and all members have attended. The Group's annual results for the year ended 31 December 2018 have been reviewed by the Company's audit committee.

Remuneration committee

The Board 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 are 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 review the structure, size and composition of the Board, assess the independence of INEDs and 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 INEDs, 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.

The Company recognizes the benefits of Board diversity and endeavours to ensure that the Board has the appropriate balance and level of skills, experience and perspectives required to support the execution of its business strategies. The Company seeks to achieve Board diversity through acting in accordance with its nomination policy. During the Review Period, the Company had adopted the following nomination policy.

Nomination policy

The nomination committee and the Board shall consider a number of factors in making nominations and appointments, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, length of service (where applicable) and commitment. All Board appointments will be based on meritocracy, and candidates will be considered against the aforementioned criteria, having due regard for the diversity perspectives set out in the Board diversity policy. The nomination committee and the Board will also take into consideration factors based on the Company's business scope and specific needs from time to time in determining the optimum composition of the Board. In addition, the candidate to be nominated as an independent non-executive Director must satisfy the independence criteria set out in Rule 3.13 of the Listing Rules. Where applicable, the totality of the candidate's education, qualifications and experience shall also be evaluated to consider whether he/she has the appropriate professional qualifications or accounting or related financial management expertise for filling the office of an independent non-executive Director.

If the nomination committee determines that an addition or replacement of Director is required, the nomination committee will search and select the candidate(s) in accordance with the selection criteria of the nomination policy. The nomination committee will evaluate the candidate through different measures, which may include personal interview and background check. The nomination committee will convene meetings to consider the nomination of the candidate and make recommendations to the Board.

Board diversity policy

The nomination committee is also responsible to review the Board diversity policy. The Board diversity policy, together with the nomination policy ensure 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.

The Board has set measurable objectives (in terms of gender, skills and experience) to implement the Board Diversity Policy and review such objects from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. The nomination committee reviewed the board composition pursuant to the above policy and the requirement of the Listing Rules and was of the opinion that the board members of the Company comply with the Board diversity as required by the Listing Rules in respect of age, educational background and professional experience.

Dividend Policy

The Company has adopted a dividend policy that aims to provide the guidelines for the Board to determine whether dividends are to be declared and paid to the Shareholders and the level of dividend to be paid. Under the dividend policy, in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, among others,

(1) the Group's actual and expected financial performance;

(2) the Group's expected working capital requirements;

(3) retained profits and distributable reserves of the Company;

(4) the Group's liquidity position;

(5) interest of shareholder;

(6) additional taxation burden; and

(7) any other factors that the Board deems appropriate.

Corporate Governance Report

The declaration and payment of dividends by the Company shall remain to be determined at the sole discretion of the Board and is also subject to any restrictions under the Companies Law of the Cayman Islands, the Listing Rules, and the Company's Memorandum and Articles of Association and any other applicable laws and regulations. The Company does not have any pre-determined dividend distribution ratio. The Company's dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Company in the future.

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 was approximately RMB2,480,000. 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 2018 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 37 to 42 of this annual report.

Internal control, internal audit and risk management

The Board is responsible for maintaining the internal control and risk management systems effectively to protect the Group's assets and its shareholders' interests. The Company's internal control and risk management systems are embedded within its various operational departments. The systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Group strives to identify, control and manage risks related to its business activities and implement effective and viable control system, including management structure with specific written terms of reference, sound cash management system as well as regular review on the Group's performance carried out by the audit committee and the Board. 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 and is adequate during the Review Period.

In order to ensure efficient operation and efficiency of the Group's business as well as compliance with relevant laws and regulations, the Group emphasizes the importance of establish an effective and efficient internal control system, monitored and reviewed by the internal audit function of the Company. Solutions will be suggested and critical findings and results will be reported to the audit committee by the internal audit function. The Board considered that the Group's internal audit function remains effective.

The Company takes every precaution in its handling of inside information. The Company has implemented a set of guidelines formally adopted by the Board which aims to prevent inadvertent or selective dissemination of inside information and above all, to ensure compliance of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, in relation to the disclosure of inside information.

Securities transactions by Directors

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

The Company confirms that, having made specific enquiry of all the directors, all Directors have complied with the required standards as set out in the Model Code throughout the year ended 31 December 2018.

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 he has attended training courses relevant to his directorship during the year under review.

Indemnity and insurance provisions

The articles of association of the Company provides that every Director, Secretary and other officers shall be entitled to be indemnified out of the assets of the Company against any liability, action, proceeding, claim, demand, costs, damages or expenses as a result of any act or failure to act in carrying out his/her functions. Such provisions were in force during the course of the financial year ended 31 December 2018 and remained in force as of the date of this report. The Company has also arranged appropriate directors and officers liability insurance in respect of legal action against them.

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, Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong.

The Directors have the pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2018.

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 2018 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 43 to 147.

The Directors have recommended the payment of a final dividend of HK5.00 cents per ordinary share in respect of the year to shareholders on the register of members on 12 June 2019, 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 155 and 156. 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 152.

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 23 and 24 to the financial statements, respectively.

Pre-emptive rights

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

Purchase, redemption or sale of listed securities of the Company

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

Report of the Directors

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 23 to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable reserves

As at 31 December 2018, 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 RMB47,120,000.

Major customers and suppliers

In the year under review, sales to the Group's five largest customers accounted for 1.57% of the total sales for the year and sales to the largest customer included therein amounted to 0.42% 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 34.43% of the total purchases for the year and purchases from the largest supplier included therein amounted to 14.45% of the total purchases.

Except for Hebei Tianshan Industrial Group Construction Engineering Company Limited (a company established in the PRC and a connected person of the Company under the Listing Rules) ("Tianshan Construction") which accounted for 14.45% 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

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

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

The INEDs 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. TIAN 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 15 to 18 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 33 to the financial statements, no transaction, arrangement or 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 or an entity connected with a director had a material interest, subsisted at 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 2018, 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%

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 and 25% by Mr. ZHANG Zhen Hai and all of them being directors of Neway Enterprises. Since these three Directors exercise or control the exercise 75% 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

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 Zhi Lan, the spouse of ZHANG Zhen Hai, 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%

Save as disclosed above, as at 31 December 2018, 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.

Report of the Directors

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

As at 31 December 2018, 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 2018, 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 2018	Grant during the year	Exercised during the year	Forfeited during the year	At 31 December 2018	Date of grant	Exercise period of the share options (note f)	Exercise price of share options (HK$ per share)
Connected persons								
WU Zhi Lan (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
WU Lan Ping (note d)	191,000	–	–	–	191,000	16.06.2010	16.01.2011 to 15.06.2020	0.70
	764,000	–	–	–	764,000			
Other employees								
In aggregate	4,486,000	–	–	(100,000)	4,386,000	16.06.2010	16.01.2011 to 15.06.2020	0.70
Total	5,250,000	–	–	–	5,150,000			

Notes:

(a) WU Zhi Lan is the elder sister of WU Zhen Shan, WU Zhen Ling 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) WU Lan Ping is the younger sister of WU Zhen Shan and WU Zhen Ling.

(e) 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 2018.

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 "Revised Loan Facility"). In addition, on 13 February 2018, the Company and the Lender agreed to extend the respective repayment dates for the Revised Loan Facility for a period of two years.

The Revised Facility Agreement requires, among others, Neway Enterprises and Mr. WU, to undertake and covenant with the Company and the Lender that so long as any principal amount of the Revised 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 Revised Loan Facility be matured immediately at a price equivalent to the sum of (i) the outstanding principal amount of the Revised 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, 26 October 2016 and 13 February 2018.

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. The Company confirmed that it has complied with such disclosure requirements. These continuing connected transaction and connected transaction which also constitute related party transactions are set out in note 33 to the financial statements.

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

On 15 November 2017, 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 2018.

Tianshan Construction is ultimately wholly-owned by (i) Ms. Wu Zhi Lan, the elder sister of Mr. WU Zhen Shan and Mr. WU Zhen Ling and the spouse of Mr. ZHANG Zhen Hai; (ii) Ms. Xu Lan Ying, the spouse of Mr. WU Zhen Shan; (iii) Mr. Wu Xiaonan, the son of Mr. WU Zhen Ling and the nephew of Mr. WU Zhen Shan; and (iv) Ms. Wu Xiaozi, the niece of Mr. WU Zhen Shan and Mr. WU Zhen Ling, who are the associates of Mr. WU Zhen Shan, Mr. WU Zhen Ling and Mr. ZHANG Zhen Hai, the Directors of the Company. In addition, Tianshan Construction is also ultimately controlled by Mr. WU Zhen Shan, Mr. WU Zhen Ling and Mr. ZHANG Zhen Hai who are also the directors of the holding company of Tianshan Construction. Therefore Tianshan Construction is 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 2018, the annual cap for the continuing connected transaction under the Construction Services Agreement is RMB1,456,900,000 and the actual transacted amount was RMB861,504,000.

The Directors (including the INEDs) 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 of the Group and are conducted on normal commercial terms and the terms of the Construction Service Agreement are fair and reasonable and in the interests of the shareholders of the Company as a whole.

In accordance with the requirement of Rule 14A.56 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 (Revised) "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 disclosed 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 disclosed 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 disclosed 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 annual cap as set by the Company.

Contingent liabilities

Details of the contingent liabilities of the Company and the Group are set out in note 32 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 will 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

28 March 2019

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 43 to 147, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018 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 16 to the consolidated financial statements and the accounting policies on pages 70 to 71.

The Key Audit Matter	How the matter was addressed in our audit
The carrying value of properties held for future development, properties under development and completed properties held for sale totalled RMB19,124,039,000 as at 31 December 2018, which accounted for 68% 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 and Ningxia Province 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 could lead to volatility in property prices in these cities.	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 market prices for properties of a similar type and size and in similar a location;

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 the 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.

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.

Independent Auditor's Report

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 Ying Man Ho.

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

28 March 2019

Consolidated Statement of Profit or Loss

for the year ended 31 December 2018 (Expressed in Renminbi)

	Note	2018 RMB'000	2017 (Note) RMB'000
Revenue	4	**4,616,035**	4,982,704
Cost of sales		**(3,333,904)**	(3,813,330)
Gross profit		**1,282,131**	1,169,374
Other net income	5	**74,960**	28,858
Selling and marketing expenses		**(351,824)**	(322,849)
Administrative expenses		**(434,425)**	(329,427)
Profit from operations		**570,842**	545,956
Finance income		**98,257**	27,151
Finance expenses		**(167,545)**	(91,142)
Net finance expenses	6(a)	**(69,288)**	(63,991)
Profit before change in fair value of investment properties and income tax		**501,554**	481,965
Increase in fair value of investment properties	13	**19,459**	3,559
Profit before taxation	6	**521,013**	485,524
Income tax	7	**(370,742)**	(382,317)
Profit for the year		**150,271**	103,207
Attributable to:			
Equity shareholders of the Company		**169,717**	106,790
Non-controlling interests		**(19,446)**	(3,583)
Profit for the year		**150,271**	103,207
Earnings per share (RMB cents)	8		
Basic		**16.87**	10.62
Diluted		**16.81**	10.58

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

The accompanying notes on pages 51 to 147 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 23(h).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2018 (Expressed in Renminbi)

	2018	2017 (Note)
	RMB'000	RMB'000
Profit for the year	**150,271**	103,207
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	**(74,093)**	47,301
Total comprehensive income for the year	**76,178**	150,508
Attributable to:		
Equity shareholders of the Company	**95,624**	154,091
Non-controlling interests	**(19,446)**	(3,583)
Total comprehensive income for the year	**76,178**	150,508

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

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

The accompanying notes on pages 51 to 147 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 December 2018 (Expressed in Renminbi)

	Note	2018 RMB'000	2017 (Note) RMB'000
Non-current assets			
Property, plant and equipment and leasehold land	12	**1,310,296**	725,967
Investment properties	13	**570,765**	556,286
Interest in a joint venture	15	**2,450**	–
Deferred tax assets	7(d)	**78,947**	67,423
		1,962,458	1,349,676
Current assets			
Inventories	16	**19,127,324**	14,233,093
Short-term investments	17	**90,990**	100,000
Contract costs	18	**86,239**	–
Trade and other receivables	19	**4,086,736**	3,854,865
Prepaid tax	7(c)	**313,608**	227,341
Restricted cash	20	**1,380,399**	1,019,655
Cash and cash equivalents	21	**1,237,827**	2,192,737
		26,323,123	21,627,691
Current liabilities			
Bank loans – secured	25	**1,850,386**	1,350,028
Other loans – secured	26	**2,079,050**	810,279
Trade and other payables	27	**8,634,547**	12,770,571
Contract liabilities	18	**8,339,001**	–
Promissory notes	28	**–**	167,544
Bond payables	29	**128,988**	31,498
Taxation payable	7(c)	**340,386**	319,062
		21,372,358	15,448,982
Net current assets		**4,950,765**	6,178,709
Total assets less current liabilities		**6,913,223**	7,528,385

Consolidated Statement of Financial Position

at 31 December 2018 (Expressed in Renminbi)

	Note	2018 RMB'000	2017 (Note) RMB'000
Non-current liabilities			
Bank loans – secured	25	**1,399,993**	3,049,317
Other loans – secured	26	**2,482,340**	1,543,693
Promissory notes	28	**118,385**	112,715
Bond payables	29	**295,106**	380,492
Deferred tax liabilities	7(d)	**202,203**	149,755
		4,498,027	5,235,972
NET ASSETS		**2,415,196**	2,292,413
CAPITAL AND RESERVES			
Share capital	22	**87,186**	87,186
Reserves	23	**2,306,453**	2,178,841
Total equity attributable to equity shareholders of the Company		**2,393,639**	2,266,027
Non-controlling interests		**21,557**	26,386
TOTAL EQUITY		**2,415,196**	2,292,413

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

Approved and authorised for issue by the board of directors on 28 March 2019.

Wu Zhen Shan
Executive director

Wu Zhen Ling
Executive director

The accompanying notes on pages 51 to 147 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2018 (Expressed in Renminbi)

	Note	Attributable to equity shareholders of the Company									
		Share capital RMB'000 (note 22)	Share premium RMB'000 (note 23(b))	Exchange reserve RMB'000 (note 23(c))	Other capital reserve RMB'000 (note 23(d))	PRC statutory reserve RMB'000 (note 23(e))	Share-based compensation reserve RMB'000 (note 23(f))	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interest RMB'000	Total RMB'000
At 31 December 2017		87,186	91,511	27,220	110,070	357,926	4,068	1,588,046	2,266,027	26,386	2,292,413
Impact on initial application of IFRS 15	3	–	–	–	–	–	–	56,021	56,021	–	56,021
Adjusted balance at 1 January 2018		87,186	91,511	27,220	110,070	357,926	4,068	1,644,067	2,322,048	26,386	2,348,434
Changes in equity for 2018:											
Profit for the year		–	–	–	–	–	–	169,717	169,717	(19,446)	150,271
Other comprehensive income		–	–	(74,093)	–	–	–	–	(74,093)	–	(74,093)
Total comprehensive income for the year		–	–	(74,093)	–	–	–	169,717	95,624	(19,446)	76,178
Transfer to statutory reserve		–	–	–	–	32,394	–	(32,394)	–	–	–
Acquisition of subsidiaries		–	–	–	–	–	–	–	–	11,667	11,667
Capital contribution from non-controlling interests		–	–	–	–	–	–	–	–	2,950	2,950
Equity settled share-based payment	6(b)	–	–	–	–	–	106	–	106	–	106
Dividends approved in respect of the previous year	23(h)(ii)	–	(24,139)	–	–	–	–	–	(24,139)	–	(24,139)
At 31 December 2018		87,186	67,372	(46,873)	110,070	390,320	4,174	1,781,390	2,393,639	21,557	2,415,196

Consolidated Statement of Changes in Equity

for the year ended 31 December 2018 (Expressed in Renminbi)

		Attributable to equity shareholders of the Company									
	Note	Share capital RMB'000 (note 22)	Share premium RMB'000 (note 23(b))	Exchange reserve RMB'000 (note 23(c))	Other capital reserve RMB'000 (note 23(d))	PRC statutory reserve RMB'000 (note 23(e))	Share-based compensation reserve RMB'000 (note 23(f))	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interest RMB'000	Total RMB'000
At 1 January 2017		87,186	152,663	(20,081)	110,070	298,357	3,889	1,540,825	2,172,909	–	2,172,909
Changes in equity for 2017:											
Profit for the year		–	–	–	–	–	–	106,790	106,790	(3,583)	103,207
Other comprehensive income		–	–	47,301	–	–	–	–	47,301	–	47,301
Total comprehensive income for the year		–	–	47,301	–	–	–	106,790	154,091	(3,583)	150,508
Transfer to statutory reserve		–	–	–	–	59,569	–	(59,569)	–	–	–
Acquisition of subsidiaries		–	–	–	–	–	–	–	–	23,219	23,219
Capital contribution from non-controlling interests		–	–	–	–	–	–	–	–	6,750	6,750
Equity settled share-based payment	6(b)	–	–	–	–	–	179	–	179	–	179
Dividends approved in respect of the previous year	23(h)(ii)	–	(17,903)	–	–	–	–	–	(17,903)	–	(17,903)
Interim dividends declared	23(h)(i)	–	(43,249)	–	–	–	–	–	(43,249)	–	(43,249)
At 31 December 2017		87,186	91,511	27,220	110,070	357,926	4,068	1,588,046	2,266,027	26,386	2,292,413

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

The accompanying notes on pages 51 to 147 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2018 (Expressed in Renminbi)

	Note	2018 RMB'000	2017 (Note) RMB'000
Operating activities			
Profit before taxation		**521,013**	485,524
Adjustments for:			
Depreciation and amortisation	6(c)	**31,633**	35,824
Equity settled share-based payment expenses		**106**	179
Loss/(gain) on disposal of property, plant and equipment	5	**12,347**	(1,213)
Increase in fair value of investment properties	13	**(19,459)**	(3,559)
Foreign exchange (gain)/loss	6(a)	**(165)**	2,853
Interest income	6(a)	**(98,092)**	(27,151)
Finance expenses		**167,545**	88,289
Write-down of properties under development and completed properties held for sale	16(d)	**55,630**	41,501
Impairment loss on property, plant and equipment	6(c)	**53,120**	28,469
Changes in working capital:			
Increase in inventories		**(4,293,068)**	(3,062,588)
Decrease/(increase) in trade and other receivables		**58,176**	(715,149)
Increase in restricted cash		**(360,744)**	(22,449)
Increase in trade and other payables		**2,686,487**	2,784,790
Increase in contract costs		**(15,206)**	–
Increase in contract liabilities		**1,129,272**	–
Cash used in operations		**(71,405)**	(364,680)
Tax paid			
– PRC tax paid	7(c)	**(409,773)**	(474,351)
Net cash used in operating activities		**(481,178)**	(839,031)

Consolidated Cash Flow Statement

for the year ended 31 December 2018 (Expressed in Renminbi)

	Note	2018 RMB'000	2017 (Note) RMB'000
Investing activities			
Payments for the purchase of property, plant and equipment		**(561,957)**	(149,582)
Proceeds from disposal of property, plant and equipment		**321**	1,701
Payment for purchase of short-term investments		**(587,990)**	(130,000)
Proceeds from redemption of short-term investments		**597,000**	140,000
Interest received		**25,578**	27,151
Acquisition of subsidiaries, net of cash acquired		**(19,037)**	(196,549)
Acquisition of joint venture		**(2,450)**	–
Capital contribution from non-controlling interests		**2,950**	6,750
Net cash used in investing activities		**(545,585)**	(300,529)
Financing activities			
Proceeds from new bank loans	21(b)	**1,084,000**	2,966,311
Proceeds from new other loans	21(b)	**3,218,372**	1,370,507
Proceeds from the issue of promissory notes	21(b)	**–**	116,668
Proceeds from the issue of bond	21(b)	**21,888**	120,586
Repayment of bank loans	21(b)	**(2,232,966)**	(977,989)
Repayment of other loans	21(b)	**(1,047,727)**	(1,256,659)
Repayment of promissory notes	21(b)	**(169,671)**	–
Repayment of bond	21(b)	**(31,324)**	(1,733)
Capital contribution from/(returned to) limited partners	21(b)	**118,145**	(309,357)
Interest paid		**(856,743)**	(741,524)
Dividend paid		**(24,139)**	(61,152)
Net cash generated from financing activities		**79,835**	1,225,658
Net (decrease)/increase in cash and cash equivalents		**(946,928)**	86,098
Cash and cash equivalents at 1 January		**2,192,737**	2,185,846
Effect of foreign exchange rate changes		**(7,982)**	(79,207)
Cash and cash equivalents at 31 December		**1,237,827**	2,192,737

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

The accompanying notes on pages 51 to 147 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 Suites 1205-7, 12/F., Everbright 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. 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 2018 comprise the Company and its subsidiaries (together referred to as "the Group") and the Group's interest in a joint venture. 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(f) and 2(e)), 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 34.

(c) Subsidiaries and non-controlling interests

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.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Subsidiaries and non-controlling interests *(Continued)*

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(i)(iii)).

(d) Joint venture

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2(i)(iii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Joint venture *(Continued)*

When the Group's share of losses exceeds its interest in the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(e)).

(e) 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 and a joint venture are as follows:

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. These investments are subsequently accounted for as follows, depending on their classification.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Investment in debt and equity securities *(Continued)*

(a) Policy applicable from 1 January 2018

Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 2(t)(iv)).

– fair value through other comprehensive income (FVOCI) – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– fair value at profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer’s perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 2(t)(iii).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Investment in debt and equity securities *(Continued)*

(b) Policy applicable prior to 1 January 2018

Investments in securities held for trading were classified as financial assets measured at FVPL. Any attributable transaction costs were recognised in profit or loss as incurred. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in profit or loss.

Dated debt securities that the Group had the positive ability and intention to hold to maturity were classified as held-to-maturity securities. Held-to-maturity securities were stated at amortised cost (for impairment see note 2(i)(i) – policy applicable prior to 1 January 2018).

Investments which did not fall into any of the above categories were classified as available-for-sale financial assets. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve (recycling). Dividend income from equity investments and interest income from debt securities calculated using the effective interest method were recognised in profit or loss in accordance with the policies set out in notes 2(t)(iii) and 2(t)(iv), respectively. Foreign exchange gains and losses arising from debt securities were also recognised in profit or loss. When the investments were derecognised or impaired (see note 2(i)(i) – policy applicable prior to 1 January 2018), the cumulative gain or loss recognised in equity was reclassified to profit or loss.

(f) Investment property

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Investment property *(Continued)*

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(h)), 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(h).

(g) 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(i)(iii)):

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

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)*

(g) 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.

(h) 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)*

(h) 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(f)); 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(g). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(i)(iii). 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)*

(h) 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(f)) or is held for development for sale (see note 2(j)(i)).

(i) Credit losses and impairment of assets

(i) Credit losses from financial instruments and lease receivables

(a) Policy applicable from 1 January 2018

The Group recognises a loss allowance for expected credit losses (ECLs) on the:

– financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables);

Financial assets measured at fair value are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments and lease receivables (Continued)

(a) Policy applicable from 1 January 2018 (Continued)

Measurement of ECLs *(Continued)*

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments and lease receivables (Continued)

(a) Policy applicable from 1 January 2018 (Continued)

Measurement of ECLs *(Continued)*

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments and lease receivables (Continued)

(a) Policy applicable from 1 January 2018 (Continued)

Significant increases in credit risk *(Continued)*

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments and lease receivables (Continued)

(a) Policy applicable from 1 January 2018 (Continued)

Basis of calculation of interest income

Interest income recognised in accordance with note 2(t)(iv) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

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

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

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

– the disappearance of an active market for a security because of financial difficulties of the issuer.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments and lease receivables (Continued)

(a) Policy applicable from 1 January 2018 (Continued)

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(b) Policy applicable prior to 1 January 2018

Prior to 1 January 2018, an "incurred loss" model was used to measure impairment losses on financial assets not classified as at FVPL (e.g. trade and other receivables, available-for-sale investments and held-to-maturity debt securities). Under the "incurred loss" model, an impairment loss was recognised only when there was objective evidence of impairment. Objective evidence of impairment included:

– significant financial difficulties 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)*

(i) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments and lease receivables (Continued)

(b) Policy applicable prior to 1 January 2018 (Continued)

If any such evidence existed, an impairment loss was determined and recognised as follows:

– For trade and other receivables and other financial assets carried at amortised cost, impairment loss was 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, where the effect of discounting was material. This assessment was made collectively where these financial assets shared similar risk characteristics, such as similar past due status, and had not been individually assessed as impaired. Future cash flows for financial assets which were assessed for impairment collectively were 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 decreased and the decrease could be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss was reversed through profit or loss. A reversal of an impairment loss was only recognised to the extent that it did 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)*

(i) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments and lease receivables (Continued)

(b) Policy applicable prior to 1 January 2018 (Continued)

When the recovery of a trade debtor or other financial assets carried at amortised cost was considered doubtful but not remote, associated impairment losses were recorded using an allowance account. When the Group was satisfied that recovery was remote, the amount considered irrecoverable was written off against the gross carrying amount of those assets directly. Subsequent recoveries of amounts previously charged to the allowance account were reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly were recognised in profit or loss.

– For available-for-sale investments, the cumulative loss that had been recognised in the fair value reserve (recycling) was reclassified to profit or loss. The amount of the cumulative loss that was recognised in profit or loss was 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 were not reversed through profit or loss. Any subsequent increase in the fair value of such assets was recognised in other comprehensive income.

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

(ii) Credit losses from financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Credit losses and impairment of assets *(Continued)*

(ii) Credit losses from financial guarantees issued (Continued)

Financial guarantees issued are initially recognised within "trade and other payables" at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued.

(a) Policy applicable from 1 January 2018

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the amount carried in "trade and other payables" in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 2(i)(i) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Credit losses and impairment of assets *(Continued)*

(ii) Credit losses from financial guarantees issued (Continued)

(b) Policy applicable prior to 1 January 2018

Prior to 1 January 2018, a provision would be recognised if and when it became probable that (i) the holder of the guarantee would call upon the group under the guarantee and (ii) the amount of the claim on the group was expected to exceed the amount carried in "trade and other payables" in respect of the guarantee.

(iii) Impairment of other non-current 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:

– property, plant and equipment;

– investment in a joint venture; and

– investments in subsidiaries in the Company's statement of financial position.

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

– *Calculation of recoverable amount*

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

(i) Credit losses and impairment of assets *(Continued)*

(iii) Impairment of other non-current 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.

(iv) 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(i)(i) and (ii)).

(j) Inventories and contract costs

(i) Inventories

Inventories are assets which are held for sale in the ordinary course of business. 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:

– *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(v)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the properties.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Inventories and contract costs *(Continued)*

(i) Inventories *(Continued)*

– *Completed properties held for sale*

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.

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.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(ii) Contract costs

Contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory (see note 2(j)(i)) or property, plant and equipment (see note 2(g)).

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Inventories and contract costs *(Continued)*

(ii) Contract costs (Continued)

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventory, property or plant and equipment, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in note 2(t).

(k) Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2(t)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(l)).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Contract liabilities *(Continued)*

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2(t)).

Policy prior to 1 January 2018

In the comparative period, sales deposits received were presented as "receipt in advance" as included in "trade and other payables". The balance has been reclassified on 1 January 2018 as shown in note 27 (see note 3).

(l) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(i)(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 credit losses (see note 2(i)(i)).

(m) 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. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 2(i)(i).

(n) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(i)(ii), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) 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.

(p) Promissory note

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.

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.

(q) 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Employee benefits *(Continued)*

(ii) Share-based payments (Continued)

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

(iii) Termination benefits

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

(r) 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Income tax *(Continued)*

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

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

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 2(f), 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)*

(r) 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.

(s) 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.

(t) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Revenue and other income *(Continued)*

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sale of properties

Revenue arising from the sale of properties held for sale in the ordinary course of business is recognised when the properties are completed and delivered to the buyers, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under contract liabilities (see note 2(k)).

In determining the transaction price, the Group adjusts the promised amount of the consideration for the effect of a financing component if it is significant.

In the comparative period, deposits and instalments received on properties sold prior to the date of revenue recognition were included in the statement of financial position under trade and other payables.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Revenue and other income *(Continued)*

(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. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(i)(i)).

(u) 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. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Translation of foreign currencies *(Continued)*

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.

(v) 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.

(w) 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Related parties *(Continued)*

(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.

(x) 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Segment reporting *(Continued)*

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

3 CHANGES IN ACCOUNTING POLICIES

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

- IFRS 9, *Financial instruments*
- IFRS 15, *Revenue from contracts with customers*
- IFRIC 22, *Foreign currency transactions and advance consideration*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to IFRS 9, *Prepayment features with negative compensation* which have been adopted at the same time as IFRS 9.

(i) IFRS 9, *Financial instruments*, including the amendments to IFRS 9, *Prepayment features with negative compensation*

IFRS 9 replaces IAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied IFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under IAS 39.

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(i) IFRS 9, *Financial instruments*, including the amendments to IFRS 9, *Prepayment features with negative compensation* *(Continued)*

There is no impact of transition to IFRS 9 on retained profits and reserves and the related tax impact at 1 January 2018.

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(a) Classification of financial assets and financial liabilities

IFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede IAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under IFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of IFRS 9.

The Group did not designate or de-designate any financial asset or liability at FVPL at 1 January 2018.

(b) Credit losses

IFRS 9 replaces the "incurred loss" model in IAS 39 with the expected credit loss (ECL) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in IAS 39.

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(i) IFRS 9, *Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation* *(Continued)*

b. Credit losses (Continued)

The Group applies the new ECL model to the following items:

- financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables);

- further details on the Group's accounting policy for accounting for credit losses, see note 2 (i)(i) and (ii).

The adoption of IFRS 9 does not have any material impact on the financial position and the financial result of the Group.

(ii) IFRS 15, *Revenue from contracts with customers*

IFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. IFRS 15 replaces IAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and IAS 11, *Construction contracts*, which specified the accounting for construction contracts.

IFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under IAS 11 and IAS 18. As allowed by IFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

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

The following table summarises the impact of transition to IFRS 15 on retained profits and the related tax impact at 1 January 2018:

	RMB'000
Retained profits	
Capitalisation of sales commissions	71,033
Related tax	(15,012)
Net increase in retained profits at 1 January 2018	56,021

Further details of the nature and effect of the changes on previous accounting policies are set out below:

(a) Timing of revenue recognition

Previously, revenue arising from sales of properties was generally recognised at a point in time when the risks and rewards of ownership of the properties had passed to the customers. Under IFRS 15, revenue is recognised when the customer obtains control of the promised properties in the contract. 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.

The Group's property development activities are mainly carried out in the major cities of the Bohai Economic Ring and Ningxia Province in Mainland China. Taking into account the contract terms, the Group's business practice and the legal and regulatory environment of the PRC, the property sales contracts do not meet the criteria for recognising revenue over time and therefore revenue from property sales continues to be recognised at a point in time. Previously revenue from sale of properties under all contracts in the ordinary course of business is recognised when the Group has completed the construction of respective properties and when the customers have completed the necessary procedures to acknowledge receipts of delivery of properties in accordance with the terms under the respective property sales contracts, which is taken to be the point in time when the risks and rewards of ownership of the property have been transferred to the customer. Under the transfer-of-control approach in IFRS 15, revenue from property sales is still recognised when the property has been delivered to customer, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property.

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

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

(a) *Timing of revenue recognition (Continued)*

This change in accounting policy had no material impact on opening balances as at 1 January 2018 and is not likely to have significant impact in future periods.

(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 of the revenue recognition or significantly deferred.

In assessing whether advance payments include a significant financing component, the Group has considered the difference between the length of time between the payment date and the date when the customers obtain control of the properties based on the typical arrangements entered into with the customers.

Where payment schemes include a significant financing component, the transaction price is adjusted to separately account for this component. In the case of payments in advance, such adjustment results in interest expense being accrued by the Group to reflect the effect of the financing benefit obtained by the Group from the customers during the period between the payment date and the completion date of legal assignment. This accrual increases the amount of the contract liability during the period of construction, and therefore increases the amount of revenue recognised when control of the completed property is transferred to the customer. The interest is expensed as accrued unless it is eligible to be capitalised under IAS 23, *Borrowing costs*, if significant.

This change in accounting policy had no material impact on opening balances as at 1 January 2018 and is not likely to have significant impact in future periods.

(c) *Sales commissions payable related to property sales contracts*

The Group previously recognised sales commissions payable related to property sales contracts as selling expenses when they were incurred. Under IFRS 15, the Group is required to capitalise these sales commissions as costs of obtaining contracts when they are incremental and are expected to be recovered, unless the expected amortisation period is one year or less from the date of initial recognition of the asset, in which case the sales commissions can be expensed when incurred. Capitalised commissions are charged to profit or loss when the revenue from the related property sale is recognised and are included as selling expenses at that time.

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

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

(c) Sales commissions payable related to property sales contracts (Continued)

As a result of this change in accounting policy, the Group has capitalised sales commissions payable related to property sales contracts amounting to RMB71,033,000, increased deferred tax liabilities by RMB15,012,000 and increased retained profits by RMB56,021,000 at 1 January 2018.

(d) Presentation of contract liabilities

Under IFRS 15, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue.

Receipt in advance in relation to property sales activities were previously presented under "trade and other payables" until the properties were delivered to the customers and the revenue was recognised.

To reflect the changes in presentation, adjustment at 1 January 2018 has been made to decrease trade and other payables and increase contract liabilities by RMB7,209,729,000 in respect of the receipt in advance in relation to property sales.

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

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

(e) Disclosure of the estimated impact on the amounts reported in respect of the year ended 31 December 2018 as a result of the adoption of IFRS 15 on 1 January 2018

The following tables summarise the estimated impact of adoption of IFRS 15 on the Group's consolidated financial statements for the year ended 31 December 2018, by comparing the amounts reported under IFRS 15 in these consolidated financial statements with estimates of the hypothetical amounts that would have been recognised under IAS 18 if those superseded standards had continued to apply to 2018 instead of IFRS 15. These tables show only those line items impacted by the adoption of IFRS 15:

	Amounts reported in accordance with IFRS 15 (A)	**Hypothetical amounts under IAS 18 (B)**	**Difference: Estimated impact of adoption of IFRS 15 (A)-(B)**
	RMB'000	RMB'000	RMB'000
Line items in the consolidated statement of profit or loss and other comprehensive income for year ended 31 December 2018 impacted by the adoption of IFRS 15			
Selling and marketing expenses	(351,824)	(367,030)	15,206
Profit from operations	**570,842**	**555,636**	**15,206**
Profit before taxation	**521,013**	**505,807**	**15,206**
Income tax	(370,742)	(365,358)	(5,384)
Profit for the year	**150,271**	**140,449**	**9,822**
Profit attributable to equity shareholders of the company	**169,717**	**159,393**	**10,324**
Earnings per share, in RMB cents:			
Basic	16.87	15.85	1.03
Diluted	16.81	15.79	1.02
Total comprehensive income for the year	**76,178**	**66,356**	**9,822**
Total comprehensive income attributable to the equity shareholders of the Company	**95,624**	**85,300**	**10,324**

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

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

(e) Disclosure of the estimated impact on the amounts reported in respect of the year ended 31 December 2018 as a result of the adoption of IFRS 15 on 1 January 2018 (Continued)

	Amounts reported in accordance with IFRS 15 (A) RMB'000	Hypothetical amounts under IAS 18 (B) RMB'000	Difference: Estimated impact of adoption of IFRS 15 (A)-(B) RMB'000
Line items in the consolidated statement of financial position as at 31 December 2018 impacted by the adoption of IFRS 15:			
Contract costs	86,239	–	86,239
Total current assets	**26,323,123**	**26,236,884**	**86,239**
Trade and other payables	(8,634,547)	(16,973,548)	8,339,001
Contract liabilities	(8,339,001)	–	(8,339,001)
Total current liabilities	**(21,372,358)**	**(21,372,358)**	**–**
Net current assets	**4,950,765**	**4,864,526**	**86,239**
Total assets less current liabilities	**6,913,223**	**6,826,984**	**86,239**
Deferred tax liabilities	(202,203)	(181,807)	(20,396)
Total non-current liabilities	**(4,498,027)**	**(4,477,631)**	**(20,396)**
Net assets	**2,415,196**	**2,349,353**	**65,843**
Reserves	(2,306,453)	(2,240,108)	(66,345)
Total equity attributable to equity shareholders of the company	**(2,393,639)**	**(2,327,294)**	**(66,345)**
Non-controlling interst	**(21,557)**	**(22,059)**	**502**
Total equity	**(2,415,196)**	**(2,349,353)**	**(65,843)**
Line items in the reconciliation of profit before taxation to cash generated from operations for year ended 31 December 2018 impacted by the adoption of IFRS 15:			
Profit before taxation	521,013	505,807	15,206
Increase in trade and other receivables	58,175	42,969	15,206
Decrease in contract costs	(15,206)	–	(15,206)
Increase in trade and other payables	2,686,487	3,815,759	(1,129,272)
Increase in contract liabilities	1,129,272	–	(1,129,272)

The significant differences arise as a result of the changes in accounting policies described above.

4 REVENUE

The principal activity of the Group is property development.

Disaggregation of revenue

Revenue mainly represents income from sales of properties and rentals from investment properties. Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	2018	2017
		(Note)
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Income from sales of properties	**4,541,978**	4,918,853
Others	**31,084**	30,975
	4,573,062	4,949,828
Revenue from other sources		
Gross rental income	**42,973**	32,876
	4,616,035	4,982,704
Disaggregated by timing of revenue recognition		
Point in time	**4,573,062**	4,949,828
Over time	**42,973**	32,876
	4,616,035	4,982,704

Note: The Group has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with IAS 18 (See note 3(ii)).

The Group's customer base is diversified and there is no customers of the Group with whom transactions have exceeded 10% of the Group's revenue.

5 OTHER NET INCOME

	2018 RMB'000	2017 RMB'000
(Loss)/gain on disposal of property, plant and equipment	**(12,347)**	1,213
Brand use fee and compensation income (note 19(c))	**33,295**	–
Government grants	**603**	3,616
Penalty income	**9,747**	13,290
Service income	**10,138**	–
Others	**33,524**	10,739
	74,960	28,858

6 PROFIT BEFORE TAXATION

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

	2018 RMB'000	2017 RMB'000
(a) Net finance expenses		
Interest income from cash at bank	**(25,578)**	(27,151)
Interest income from the loan due from Tangshan Real Estate (note 19(c))	**(72,514)**	–
Exchange gain	**(165)**	–
Finance income	**(98,257)**	(27,151)
Interest expense and other borrowing costs on loans and borrowings	**824,496**	753,731
Less: Interest capitalised (note)	**(656,951)**	(665,442)
Exchange loss	**–**	2,853
Finance expenses	**167,545**	91,142
Net finance expenses	**69,288**	63,991

Note: Borrowing costs have been capitalised at rates ranging from 4.75% to 12.50% per annum (2017: 4.75% to 12.50% per annum) for the year ended 31 December 2018.

6 PROFIT BEFORE TAXATION *(Continued)*

		2018 RMB'000	2017 RMB'000
(b)	**Staff costs**		
	Wages, salaries and other staff costs	**333,316**	260,878
	Contributions to defined contribution retirement scheme	**19,059**	9,720
	Equity settled share-based payment expenses (note 24)	**106**	179
		352,481	270,777

In addition to the above, staff costs of RMB142,811,000 (2017: RMB108,600,000), including contributions to defined contribution retirement scheme of RMB8,568,000 (2017: RMB6,427,000), are capitalised as properties held for future development and under development.

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

The Group also 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.

6 PROFIT BEFORE TAXATION *(Continued)*

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

	2018 **RMB'000**	2017 RMB'000
(c) Other items		
Depreciation and amortisation	**31,633**	35,824
Auditors' remuneration – audit services	**3,910**	3,802
Operating lease charges on hire of property	**5,088**	5,509
Cost of inventories (note 16(d))	**3,311,213**	3,790,250
Rentals receivable less direct outgoings of RMB5,078,000 (2017: RMB5,006,000)	**(37,895)**	(27,870)
Impairment losses on property, plant and equipment (note 12)	**53,120**	28,469

7 INCOME TAX

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

	2018 **RMB'000**	2017 RMB'000
Current tax		
PRC Corporate Income Tax		
– Provision for the year	**208,061**	190,522
– Under-provision in respect of prior years	**7,284**	7,058
PRC Land Appreciation Tax	**129,485**	194,021
	344,830	391,601
Deferred tax		
Origination and reversal of temporary differences (note 7(d))	**25,912**	(9,284)
	370,742	382,317

7 INCOME TAX *(Continued)*

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

(i) Pursuant to the rules and regulations of the British Virgin Islands ("the BVI") and the Cayman Islands, the Group is not subject to any income tax in the BVI or the Cayman Islands.

(ii) No Hong Kong Profits Tax has been provided for as the Group's Hong Kong operations do not give rise to estimated assessable profits during the current and prior years.

(iii) PRC Corporate Income Tax ("CIT")

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

The PRC subsidiaries of the Group were charged at 25% (2017: 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税暫行條例)effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT(中華人民共和國土地增值税暫行條例實施細則)effective from 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for property sales of ordinary residential properties(普通標準住宅)if their appreciation values do not exceed 20% of the sum of the total deductible items.

Certain subsidiaries of the Group were subject to LAT which is calculated based on 5% (2017: 5%) of their revenue in accordance with the authorised taxation method approved by respective local tax bureau.

7 INCOME TAX *(Continued)*

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

(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 (2017: Nil) for the undistributed earnings of the Group's PRC subsidiaries earned for the year ended 31 December 2018 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:

	2018 **RMB'000**	2017 RMB'000
Profit before taxation	**521,013**	485,524
Notional tax on profit before taxation calculated at the rates applicable to the jurisdictions concerned	**117,605**	105,900
Tax effect of unused tax losses not recognised	**96,338**	84,128
Non-deductible expenses	**40,594**	23,154
PRC Land Appreciation Tax	**129,485**	194,021
PRC Land Appreciation Tax deductible for PRC Corporate Income Tax	**(20,564)**	(31,944)
Under-provision of prior years	**7,284**	7,058
Actual tax expense	**370,742**	382,317

7 INCOME TAX (Continued)

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

	2018 RMB'000	2017 RMB'000
PRC Corporate Income Tax		
At 1 January	**76,542**	(6,306)
Charged to profit or loss	**(215,345)**	(197,580)
Tax paid	**222,490**	280,428
At 31 December	**83,687**	76,542
PRC Land Appreciation Tax		
At 1 January	**(168,263)**	(168,165)
Charged to profit or loss	**(129,485)**	(194,021)
Tax paid	**187,283**	193,923
At 31 December	**(110,465)**	(168,263)
Total	**(26,778)**	(91,721)
Representing:		
Prepaid tax	**313,608**	227,341
Taxation payable	**(340,386)**	(319,062)
	(26,778)	(91,721)

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	Accounts receivable from sales of properties RMB'000	Capitalisation of sales commission RMB'000	Total RMB'000
At 1 January 2017	(86,580)	(19,400)	28,620	(14,256)	–	(91,616)
(Charged)/credited to profit or loss (note 7(a))	(890)	–	2,524	7,650	–	9,284
At 31 December 2017	(87,470)	(19,400)	31,144	(6,606)	–	(82,332)
Impact on initial application of IFRS 15 (note 3(ii))	–	–	–	–	(15,012)	(15,012)
At 1 January 2018	(87,470)	(19,400)	31,144	(6,606)	(15,012)	(97,344)
Charged to the profit or loss (note 7(a))	(4,865)	–	(14,822)	(841)	(5,384)	(25,912)
At 31 December 2018	(92,335)	(19,400)	16,322	(7,447)	(20,396)	(123,256)

	2018 RMB'000	2017 RMB'000
Representing:		
Deferred tax assets	**78,947**	67,423
Deferred tax liabilities	**(202,203)**	(149,755)
	(123,256)	(82,332)

7 INCOME TAX *(Continued)*

(e) Deferred tax assets and liabilities not recognised

In accordance with the accounting policy set out in note 2(r), the Group has not recognized deferred tax assets in respect of tax losses in certain subsidiaries of RMB385,352,000, which will expire in 2023, 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 2018, 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 RMB4,435,082,000 (2017: RMB3,802,707,000), 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 RMB169,717,000 (2017: RMB106,790,000) and the weighted average of 1,005,781,955 ordinary shares (2017: 1,005,781,955 ordinary shares) in issue during the year.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB169,717,000 (2017: RMB106,790,000) and the weighted average number of ordinary shares of 1,009,500,000 shares (2017: 1,009,801,000 shares).

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

	2018 **'000**	2017 '000
Weighted average number of ordinary shares at 31 December	**1,005,782**	1,005,782
Effect of dilutive potential shares – share options	**3,718**	4,019
Weighted average number of ordinary shares (diluted) at 31 December	**1,009,500**	1,009,801

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
2018						
Executive directors						
Mr Wu Zhen Shan	–	1,661	462	8	4	2,135
Mr Wu Zhen Ling	–	1,647	462	16	4	2,129
Mr Zhang Zhen Hai	–	1,661	462	8	4	2,135
Independent non-executive directors						
Mr Tian Chong Hou	51	–	–	–	–	51
Mr Wang Ping	51	–	–	–	–	51
Mr Cheung Ying Kwan	76	–	–	–	–	76
	178	4,969	1,386	32	12	6,577
2017						
Executive directors						
Mr Wu Zhen Shan	–	1,509	600	14	6	2,129
Mr Wu Zhen Ling	–	1,509	600	14	6	2,129
Mr Wu Zhen He (retired on 26 May 2017)	–	–	–	–	–	–
Mr Zhang Zhen Hai	–	1,509	600	14	6	2,129
Independent non-executive directors						
Mr Tian Chong Hou	52	–	–	–	–	52
Mr Wang Ping	52	–	–	–	–	52
Mr Cheung Ying Kwan	73	–	–	–	–	73
	177	4,527	1,800	42	18	6,564

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(q)(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 (2017: five) individuals with the highest emoluments, three (2017: three) are directors whose emoluments are disclosed in note 9. The emolument in respect of the remaining two (2017: two) individual is as follows:

	2018 RMB'000	2017 RMB'000
Salaries, allowances and benefits in kind	**4,345**	4,801
Retirement scheme contributions	**46**	39
	4,391	4,840

The emolument of the two (2017: two) individual with the highest emolument is within the following bands:

	2018 Number of individuals	2017 Number of individuals
RMB1,500,001 to RMB2,000,000	**1**	1
RMB2,500,001 to RMB3,000,000	**1**	1

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 2018	500,288	28,739	46,727	66,932	192,592	835,278	106,131	941,409
Additions	121,718	1,610	14,832	6,106	528,331	672,597	9,153	681,750
Transfer in/(out)	440,142	25,086	–	–	(465,228)	–	–	–
Disposals	(21,075)	(82)	(62)	(1,837)	–	(23,056)	–	(23,056)
At 31 December 2018	1,041,073	55,353	61,497	71,201	255,695	1,484,819	115,284	1,600,103
Accumulated depreciation, amortisation and impairment:								
At 1 January 2018	112,773	11,100	28,814	49,755	–	202,442	13,000	215,442
Charge for the year	12,599	2,106	6,821	8,572	–	30,098	1,535	31,633
Impairment losses (note)	43,001	2,549	100	–	–	45,650	7,470	53,120
Written back on disposals	(8,754)	(23)	(11)	(1,600)	–	(10,388)	–	(10,388)
At 31 December 2018	159,619	15,732	35,724	56,727	–	267,802	22,005	289,807
Net book value:								
At 31 December 2018	881,454	39,621	25,773	14,474	255,695	1,217,017	93,279	1,310,296

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 2017	460,953	28,614	38,910	68,793	95,827	693,097	106,131	799,228
Additions	299	125	8,062	5,295	135,801	149,582	–	149,582
Transfer in/(out)	39,036	–	–	–	(39,036)	–	–	–
Disposals	–	–	(245)	(7,156)	–	(7,401)	–	(7,401)
At 31 December 2017	500,288	28,739	46,727	66,932	192,592	835,278	106,131	941,409
Accumulated depreciation, amortisation and impairment:								
At 1 January 2017	71,294	7,436	23,007	48,841	–	150,578	7,484	158,062
Charge for the year	18,626	2,189	5,756	7,718	–	34,289	1,535	35,824
Impairment losses (note)	22,853	1,475	159	1	–	24,488	3,981	28,469
Written back on disposals	–	–	(108)	(6,805)	–	(6,913)	–	(6,913)
At 31 December 2017	112,773	11,100	28,814	49,755	–	202,442	13,000	215,442
Net book value:								
At 31 December 2017	387,515	17,639	17,913	17,177	192,592	632,836	93,131	725,967

Note: As the operating results of one theme park operated by the Group was less than the expectation, management of the Group considered property, plant and equipment related to this theme park, which was determined to be a cash-generating unit ("the CGU"), may have been impaired. At 31 December 2018, with reference to the valuation report issued by an independent firm of surveyors, Jones Lang LaSalle Corporate Appraisal and Advisory Limited, management assessed the recoverable amount of the CGU to be RMB246,000,000 (31 December 2017: RMB312,000,000) based on the value in use calculation, which was less than the CGU's carrying amount. The Group referred to the weighted average cost of capital when determining the after-tax discount rate which was 12% (2017: 13%). Accordingly, the CGU's carrying amount was written down to its recoverable amount and an impairment loss of RMB53,120,000 (2017: RMB28,469,000) was recognised in the consolidated statement of profit or loss for the year ended 31 December 2018.

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:

	2018 **RMB'000**	2017 RMB'000
In PRC		
– medium-term leases	**93,279**	93,131

The Group's property, plant and equipment with carrying value of RMB340,455,000 (2017: RMB517,644,000 were pledged as securities for the Group's bank loans and other loans (notes 25 and 26).

13 INVESTMENT PROPERTIES

	2018 **RMB'000**	2017 RMB'000
At 1 January	**556,286**	565,697
Transfer to completed properties held for sale	**(4,980)**	(12,970)
Increase in fair value	**19,459**	3,559
At 31 December	**570,765**	556,286
Representing:		
Valuation	**570,765**	556,286

13 INVESTMENT PROPERTIES *(Continued)*

(a) Basis of valuation of investment properties

All investment properties of the Group were revalued as at 31 December 2018 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 2018 RMB'000	**Fair value measurements as at 31 December 2018 categorised into Level 3 RMB'000**	Fair value at 31 December 2017 RMB'000	Fair value measurements as at 31 December 2017 categorised into Level 3 RMB'000
Recurring fair value measurement				
Investment properties:				
– PRC	**570,765**	**570,765**	556,286	556,286

(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 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2017: 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 PRC 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
PRC	Income Capitalisation Approach	Capitalisation rate	(1)	3.0% ~ 5.0% (2017: 3.0% – 4.5%)
		Average unit market rent per month	(2)	RMB1.3 – RMB68.4/sq.m (2017: RMB1.3 – RMB61.0/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:

	2018 RMB'000	2017 RMB'000
In PRC		
– Long-term leases	**177,702**	173,948
– Medium-term leases	**393,063**	382,338
	570,765	556,286

Certain portion of the Group's investment properties was pledged against bank loans and other loans, details are set out in notes 25 and 26.

In addition to investment properties against which the Group's bank loans and other loans were secured as set out in notes 25 and 26, at 31 December 2018, investment properties with fair value of RMB23,669,000 (2017: RMB20,479,000) were pledged as securities for a banking facility for the aggregate maximum amount of RMB27,000,000 granted to Hebei Tianshan Industrial Group Construction Engineering Company Limited ("Tianshan Construction"), a company wholly owned by the controlling shareholders of the Group.

(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 RMB14,037,000 (2017: RMB12,435,000) as at 31 December 2018. 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:

	2018 **RMB'000**	2017 RMB'000
Within 1 year	**36,475**	17,397
After 1 year but within 5 years	**80,924**	75,928
After 5 years	**117,966**	71,682
	235,365	165,007

14 INVESTMENT IN SUBSIDIARIES

	2018 **RMB'000**	2017 RMB'000
Unlisted shares, at cost	**160**	160
Amounts due from subsidiaries	**1,619,234**	1,403,986
	1,619,394	1,404,146

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

Notes to the Financial Statements

(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 Group 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 Investment 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
Hebei Tianshan Jingyulan Real Estate Development Company Limited	Hebei, the PRC	RMB50,000,000	–	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 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 Industry Group 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
Shanghai 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
Hebei Shang Run Real Estate Development Company Limited	Hebei, the PRC	RMB10,000,000	–	100%	Property development	Limited liability company
Haixing Tian Shan Real Estate Development Company Limited	Hebei, the PRC	RMB20,000,000	–	100%	Property development	Limited liability company

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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
Cangzhou Tian Shan Real Estate Development Company Limited	Hebei, the PRC	RMB20,000,000	–	60%	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%	Property development	Limited liability company
Langfang City Chenghui Real Estate Development Company Limited	Hebei, the PRC	RMB5,100,000	–	95%	Property development	Limited liability company
Xingtai Xiangyu Real Estate Development Limited	Hebei, the PRC	RMB110,000,000	–	100%	Property development	Limited liability company
Hebei Ruiying Real Estate Development Company Limited	Hebei, the PRC	RMB20,000,000	–	70%	Property development	Limited liability company
Hebei Xinlong Real Estate Development Company Limited	Hebei, the PRC	RMB30,000,000	–	60%	Property development	Limited liability company
Shijiazhuang City Tianshan Chuangzhan Real Estate Development Company Limited	Hebei, the PRC	RMB5,000,000	–	51%	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	Held by a subsidiary	Principal activities	Legal form
Hebei Chuangda Real Estate Development Company Limited	Hebei, the PRC	RMB420,000,000	–	100%	Property development	Limited liability company
Hebei Chuangyue Real Estate Development Company Limited	Hebei, the PRC	RMB510,000,000	–	100%	Property development	Limited liability company
Hebei Changxin Real Estate Development Company Limited	Hebei, the PRC	RMB281,000,000	–	100%	Property development	Limited liability company
Hebei Tianrui Real Estate Development Limited	Hebei, the PRC	RMB221,000,000	–	100%	Property development	Limited liability company
Hebei Yushuiyuan Real Estate Development Company Limited	Hebei, the PRC	RMB211,000,000	–	100%	Property development	Limited liability company
Shijiazhuang Tianshan Yonghui Real Estate Development Company Limited	Hebei, the PRC	RMB5,000,000	–	100%	Property development	Limited liability company
Hebei Tianshan Zhengyao Real Estate Development Company Limited	Hebei, the PRC	RMB5,000,000	–	100%	Property development	Limited liability company
Hebei Tianshan Depeng Real Estate Development Company Limited	Hebei, the PRC	RMB50,000,000	–	100%	Property development	Limited liability company
Handan Zhirui Enterprise Incubator Company Limited	Hebei, the PRC	RMB79,820,000	–	100%	Business Services	Limited liability company
China Federation of Industry Consulting Services Company limited	Hebei, the PRC	RMB50,000,000	–	100%	Business Services	Limited liability company
Yangzhou Tianshan Real Estate Development Company Limited	Jiangsu, the PRC	RMB50,000,000	–	100%	Property development	Limited liability company
Hebei Tianshan Xingrong Real Estate Development Company Limited	Hebei, the PRC	RMB5,000,000	–	90%	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 Shengcheng Real Estate Development Company Limited (note (iii)	Hebei, the PRC	RMB5,000,000	–	60%	Property development	Limited liability company
Xingtai Dongjingan Real Estate Development Company Limited	Hebei, the PRC	RMB10,000,000	–	100%	Property development	Limited liability company
Hebei Tianzhi Hongchuang Real Estate Development Company Limited	Hebei, the PRC	RMB5,000,000	–	80%	Property development	Limited liability company
Hebei Tianshan Kailongda Real Estate Development Company Limited (note (iii)	Hebei, the PRC	RMB5,000,000	–	51%	Property development	Limited liability company
Tianshan Auspicious Lake Holding Company Limited	Hong Kong	HK1	–	100%	Investment holding	Limited liability company
Pingshan Tianshan Chuanggu Enterprise Incubator Company Limited	Hebei, the PRC	RMB9,900,000	–	100%	Business Services	Limited liability company
Hebei Tianshan Municipal Engineering Company Limited	Hebei, the PRC	RMB100,000	–	99%	Property development	Limited liability company

Notes:

(i) 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.

(ii) At 31 December 2018, there were no subsidiaries of the Group had any material non-controlling interests.

(iii) During the year ended 31 December 2018, the Group entered into share transfer agreements with independent third parties to acquire equity interests in two property development companies which held lands and properties under development in PRC, with a total cash consideration of approximately RMB20,000,000.

15 INTERESTS IN A JOINT VENTURE

Details of the group's interest in the joint venture, which is accounted for using the equity method in the consolidated financial statements, are as follows:

Name of joint venture	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by a subsidiary	Principal activities	Legal form
Shijiazhuang Dinghui Real Estate Development Company Limited ("Shijiazhuang Dinghui")*	Hebei, the PRC	RMB5,000,000	49%	49%	Property development	Limited liability company

* The English names of the companies which operate in the PRC are for reference only and have not been registered.

Shijiazhuang Dinghui, the only joint venture in which the Group participates, is an unlisted corporate entity whose quoted market price is not available. As at 31 December 2018, Shijiazhuang Dinghui has not started operation and therefore no financial information is disclosed.

16 INVENTORIES

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

	2018 RMB'000	2017 RMB'000
Properties held for future development for sale	**3,519,399**	4,997,612
Properties under development for sale	**11,305,504**	6,276,034
Completed properties held for sale	**4,299,136**	2,957,949
Others	**3,285**	1,498
	19,127,324	14,233,093

16 INVENTORIES *(Continued)*

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

	2018 RMB'000	2017 RMB'000
In PRC, held on leases of		
– Over 50 years	**8,255,547**	5,521,382
– Between 10 and 50 years	**2,631,874**	2,674,603
	10,887,421	8,195,985

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

	2018 RMB'000	2017 RMB'000
Properties held for future development for sale	**3,519,399**	4,997,612
Properties under development for sale	**8,500,681**	1,189,230
	12,020,080	6,186,842

(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:

	2018 RMB'000	2017 RMB'000
Carrying amount of properties sold	**3,255,583**	3,748,749
Write-down of properties under development and completed properties held for sale	**55,630**	41,501
	3,311,213	3,790,250

16 INVENTORIES *(Continued)*

(e) Certain portion of the Group's inventories was pledged against bank and other loans, details are set out in notes 25 and 26.

(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.

17 SHORT-TERM INVESTMENTS

	2018 **RMB'000**	2017 RMB'000
Investments in debt securities:		
– Redeemable on demand	**90,990**	100,000

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

18 CONTRACT COSTS AND CONTRACT LIABILITIES

(a) Contract costs

	At **31 December** **2018** **RMB'000**	At 1 January 2018 (i) RMB'000	At 31 December 2017 (i) RMB'000
Contract costs			
Arising from sales commission	**86,239**	71,033	–

18 CONTRACT COSTS AND CONTRACT LIABILITIES *(Continued)*

(a) Contract costs *(Continued)*

Notes:

(i) The Group has initially applied IFRS 15 using the cumulative effect method and adjusted the opening balances as at 1 January 2018. Comparative information has not been restated. In the comparative period, such sales commission was recognised as "selling and marketing expenses" when incurred.

(ii) Upon the adoption of IFRS 15, opening adjustments were made as at 1 January 2018 to capitalise sales commissions related to property sales contracts which were expensed in prior periods. This has resulted in an increase in contract costs as at that date (see note 3(ii)).

Contract costs relate to the incremental sales commissions paid to property agents whose selling activities resulted in customers entering into sale and purchase agreements for the Group's properties which are still under development at reporting date. Contract costs are recognised as part of "selling and marketing expenses" in the statement of comprehensive income in the period in which sales from properties are recognised. The amount of capitalised contract costs recognised in profit or loss during the year was RMB19,180,000. There was no impairment in relation to the opening balance of capitalised costs or the costs capitalised during the year.

The Group applies the practical expedient in paragraph 94 of IFRS 15 and recognises the incremental costs of obtaining contracts relating to the sale of properties as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is within the same reporting period as the date of entering into the contract.

At 31 December 2018, the amount of capitalised contract costs that is expected to be recovered after more than one year is RMB48,435,000.

18 CONTRACT COSTS AND CONTRACT LIABILITIES *(Continued)*

(b) Contract liabilities

	At 31 December 2018 RMB'000	At 1 January 2018 (i) RMB'000	At 31 December 2017 (i) RMB'000
Contract liabilities			
Pre-sale deposits	**8,339,001**	7,209,729	–

Notes:

(i) The Group has initially applied IFRS 15 using the cumulative effect method and adjusted the opening balance at 1 January 2018.

(ii) Upon the adoption of IFRS 15, these amounts were reclassified from "Trade and other payables" (note 27) to contract liabilities (see note 3(ii)).

(iii) The amount of revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period is RMB4,453,007,000. At 31 December 2018, the amount of pre-sale deposits and instalments received expected to be recognised as income after more than one year is RMB4,458,943,000 (2017: RMB2,949,196,000 which was included under "receipt in advance" under "Trade and other payables).

19 TRADE AND OTHER RECEIVABLES

	2018 RMB'000	2017 RMB'000
Trade receivables (note (a))	**258,590**	263,042
Other receivables (note (b))	**1,296,883**	2,130,593
Loan and receivable due from Tangshan Real Estate (note (c))	**335,614**	225,509
Loans and receivables	**1,891,087**	2,619,144
Deposits and prepayments (note (d))	**2,195,649**	1,235,721
	4,086,736	3,854,865

All of the trade and other receivables, except deposits and prepayments for leasehold land amounting to RMB2,002,286,000 (2017: RMB2,406,768,000), are expected to be recovered within one year.

19 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:

	2018 **RMB'000**	2017 RMB'000
Less than 1 month	**128,761**	96,088
More than 1 month but less than 3 months	**8,254**	–
More than 3 months	**121,575**	166,954
	258,590	263,042

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 30(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(i)(i)).

The Group's other receivables which were individually determined to be impaired were RMB Nil (2017: RMB Nil).

19 TRADE AND OTHER RECEIVABLES *(Continued)*

(c) Loan and receivable due from Tangshan Real Estate

The Group paid RMB200,000,000 to Tangshan Infrastructure Property Development Limited Liability Company ("Tangshan Real Estate") in March 2014, which 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 existing shareholders of Tangshan Real Estate to develop a commercial and residential property project in Tangshan Phoenix New Town.

On 26 June 2017, the Group initiated legal proceedings at the High People's Court of Hebei Province in the PRC against Tangshan Real Estate and its two existing shareholders ("the Defendants"), seeking for orders to terminate the co-operation relationship and return the loan, plus interest and gain from co-operation.

In October 2018, first instance court judgment has been rendered in favour of the Group. The co-operation relationship was terminated and the Defendants were required to repay the Group in terms of the loan, interest, brand use fee and compensation of loss. The Group and Defendants subsequently agreed not to file further appeal of the legal proceedings and entered into a settlement agreement on 29 December 2018. Pursuant to the settlement agreement, the Defendants have agreed to make installment payments to the Group for the adjudged amount.

It was virtually certain for the Group to receive the adjudged amount from the Defendants at 31 December 2018, the Group therefore has recognised interest income of RMB72,514,000, brand use fee of RMB13,295,000 and compensation income of RMB20,000,000 in the profit or loss during the year ended 31 December 2018. In January 2019, the Group received an aggregate amount of RMB170,000,000 from Tangshan Real Estate and the remaining amount was expected to be received in 2019.

(d) At 31 December 2018, included in deposits and prepayments, prepayments for leasehold land costs were RMB960,466,000 (2017: RMB771,926,000), and prepayments to Tianshan Construction for construction services were RMB58,234,000 (2017: RMBNil).

20 RESTRICTED CASH

	2018 RMB'000	2017 RMB'000
Guarantee for mortgage loans (note (a))	**316,019**	192,351
Guarantee for loans and borrowings (note 24(b))	**366,000**	166,000
Restricted cash related to pre-sale proceeds received (note (b))	**698,380**	661,304
	1,380,399	1,019,655

(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) In accordance with relevant government regulations, certain project companies of the Group are required to place the pre-sale proceeds of properties received of RMB698,380,000 (2017: RMB661,304,000), at designated bank accounts as guarantee deposits for construction work of related properties as at 31 December 2018. The deposits can only be used for purchases of construction materials and payments of construction fee of relevant properties upon the approval of Authorities of the Ministry of Housing and Urban-Rural Development and relevant banks. Such guarantee deposits will be released according to the completion stage of the related pre-sold properties.

21 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

Cash and cash equivalents consist of balances with banks and cash on hand.

The Group's bank balances denominated in RMB amounting to RMB1,234,756,000 (2017: RMB2,192,737,000) are deposited with banks in the PRC. The conversion of these RMBdenominated 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.

21 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(Continued)*

(b) Reconciliation of liabilities arising from financing activities

	Bank loans RMB'000 (note 25)	Other loans RMB'000 (note 26)	Limited partners' interest RMB'000 (note 27(b))	Promissory notes RMB'000 (note 28)	Bond payables RMB'000 (note 29)	Total RMB'000
At 1 January 2018	4,399,345	2,353,972	470,810	280,259	411,990	7,916,376
Changes from financing						
Proceeds from new bank loans	1,084,000	–	–	–	–	1,084,000
Proceeds from new other loans	–	3,218,372	–	–	–	3,218,372
Proceeds from the issue of bond	–	–	–	–	21,888	21,888
Capital contribution from limited partners	–	–	118,145	–	–	118,145
Repayment of bank loans	(2,232,966)	–	–	–	–	(2,232,966)
Repayment of other loans	–	(1,047,727)	–	–	–	(1,047,727)
Repayment of promissory notes	–	–	–	(169,671)	–	(169,671)
Repayment of bond	–	–	–	–	(31,324)	(31,324)
Total changes from Financing cash flows	(1,148,966)	2,170,645	118,145	(169,671)	(9,436)	960,717
Exchange adjustments	–	36,773	–	7,797	21,540	66,110
At 31 December 2018	3,250,379	4,561,390	588,955	118,385	424,094	8,943,203

21 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(Continued)*

(b) Reconciliation of liabilities arising from financing activities *(Continued)*

	Bank loans RMB'000 (note 25)	Other loans RMB'000 (note 26)	Limited partners' interest RMB'000 (note 27(b))	Promissory notes RMB'000 (note 28)	Bond payables RMB'000 (note 29)	Total RMB'000
At 1 January 2017	2,411,023	2,328,750	780,167	178,367	316,244	6,014,551
Changes from financing						
Proceeds from new bank loans	2,966,311	–	–	–	–	2,966,311
Proceeds from new other loans	–	1,370,507	–	–	–	1,370,507
Proceeds from the issue of promissory notes	–	–	–	116,668	–	116,668
Proceeds from the issue of bond	–	–	–	–	120,586	120,586
Repayment of bank loans	(977,989)	–	–	–	–	(977,989)
Repayment of other loans	–	(1,256,659)	–	–	–	(1,256,659)
Repayment of promissory notes	–	–	–	–	–	–
Repayment of bond	–	–	–	–	(1,733)	(1,733)
Capital returned to limited partners	–	–	(309,357)	–	–	(309,357)
Total changes from Financing cash flows	1,988,322	113,848	(309,357)	116,668	118,853	2,028,334
Exchange adjustments	–	(88,626)	–	(14,776)	(23,107)	(126,509)
At 31 December 2017	4,399,345	2,353,972	470,810	280,259	411,990	7,916,376

22 SHARE CAPITAL

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

	2018 No. of shares	**2018** HK$'000	2017 No. of shares	2017 HK$'000
Ordinary shares, issued and fully paid:				
At 1 January and 31 December	**1,005,781,955**	**100,578**	1,005,781,955	100,578
RMB equivalent (RMB'000)		**87,186**		87,186

22 SHARE CAPITAL *(Continued)*

(b) 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. Adjusted net debt is calculated as total debt, less cash and cash equivalents and short-term investments. Adjusted capital comprises all components of equity, less unaccrued proposed dividends. This ratio is calculated as adjusted net debt divided by adjusted capital.

22 SHARE CAPITAL *(Continued)*

(b) Capital management *(Continued)*

The net debt-to-equity ratios at 31 December 2018 and 2017 were as follows:

	2018 RMB'000	2017 RMB'000
Non-current liabilities		
Bank loans	**1,399,993**	3,049,317
Other loans	**2,482,340**	1,543,693
Promissory notes	**118,385**	112,715
Bond payables	**295,106**	380,492
	4,295,824	5,086,217
Current liabilities		
Bank loans	**1,850,386**	1,350,028
Other loans	**2,079,050**	810,279
Promissory notes	**–**	167,544
Bond payables	**128,988**	31,498
	4,058,424	2,359,349
Total debt	**8,354,248**	7,445,566
Less: Cash and cash equivalents	**(1,237,827)**	(2,192,737)
Short-term investments	**(90,990)**	(100,000)
Adjusted net debt	**7,025,431**	5,152,829
Total equity	**2,415,196**	2,292,413
Less: Proposed dividends	**(42,746)**	(24,139)
Adjusted capital	**2,372,450**	2,268,274
Adjusted net debt-to-capital ratio	**2.96**	2.27

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

23 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 23(b))	Exchange reserve RMB'000 (note 23(c))	Share-based compensation reserve RMB'000 (note 23(f))	(Accumulated loss)/retained profits RMB'000	Total RMB'000
At 1 January 2018		91,511	(10,975)	4,068	(42,682)	41,922
Changes in equity for 2018:						
Profit for the year		–	–	–	59,374	59,374
Exchange difference on translation of financial statements		–	(30,143)	–	–	(30,143)
Total comprehensive income for the year		–	(30,143)	–	59,374	29,231
Equity settled share-based payment		–	–	106	–	106
Dividends approved in respect of the previous year	23(h)(ii)	(24,139)	–	–	–	(24,139)
		(24,139)	–	106	–	(24,033)
At 31 December 2018		67,372	(41,118)	4,174	16,692	47,120

23 RESERVES AND DIVIDENDS *(Continued)*

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

	Note	Share premium RMB'000 (note 23(b))	Exchange reserve RMB'000 (note 23(c))	Share-based compensation reserve RMB'000 (note 23(f))	Accumulated loss RMB'000	Total RMB'000
At 1 January 2017		152,663	(26,507)	3,889	(72,289)	57,756
Changes in equity for 2017:						
Profit for the year		–	–	–	29,607	29,607
Exchange difference on translation of financial statements		–	15,532	–	–	15,532
Total comprehensive income for the year		–	15,532	–	29,607	45,139
Equity settled share-based payment		–	–	179	–	179
Dividends approved in respect of the previous year	23(h)(ii)	(17,903)	–	–	–	(17,903)
Interim dividends declared	23(h)(i)	(43,249)	–	–	–	(43,249)
		(61,152)	–	179	–	(60,973)
At 31 December 2017		91,511	(10,975)	4,068	(42,682)	41,922

(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.

23 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 24.

(g) Distributability of reserves

At 31 December 2018, the aggregate amounts of the Company's reserves available for distribution to equity shareholders of the Company at 31 December 2018 was RMB47,120,000 (2017: RMB41,922,000).

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.

23 RESERVES AND DIVIDENDS *(Continued)*

(h) Dividends

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

	2018 RMB'000	2017 RMB'000
Interim dividend declared and paid of HKNil cents (equivalents to RMBNil cents) per ordinary share (2017: HK5.00 cents (equivalents to RMB4.30 cents) per ordinary share)	–	43,249
Final dividend proposed after the end of the reporting period of HK5.00 cents (equivalent to RMB4.25 cents) per ordinary share (2017: HK3.00 cents (equivalent to RMB2.40 cents) per ordinary share)	**42,746**	24,139
	42,746	67,388

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

	2018 RMB'000	2017 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK3.00 cents (equivalents to RMB2.40 cents) per ordinary share (2017: HK2.00 cents (equivalents to RMB1.78 cents) per ordinary share)	**24,139**	17,903

(Expressed in Renminbi unless otherwise indicated)

24 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:

	2018		2017	
	Exercise price HK$	**Number of options**	Exercise price HK$	Number of options
Outstanding at 1 January and 31 December	**0.7**	**5,250,000**	0.7	5,250,000
Exercisable at 31 December	**0.7**	**4,715,000**	0.7	4,180,000

The options outstanding at 31 December 2018 had an average exercise price of HK$0.7 (2017: HK$0.7) and a weighted average remaining contractual life of 1.5 years (2017: 2.5 years).

25 BANK LOANS – SECURED

(a) At 31 December 2018, bank loans were repayable as follows:

	2018 RMB'000	2017 RMB'000
Within one year or on demand	**1,850,386**	1,350,028
After one year but within two years	**676,222**	2,225,755
After two years but within five years	**600,000**	804,468
After five years	**123,771**	19,094
	1,399,993	3,049,317
	3,250,379	4,399,345

(b) At 31 December 2018, assets of the Group against which bank loans are secured:

	2018 RMB'000	2017 RMB'000
Properties held for future development for sale	**500,000**	692,600
Properties under development for sale	**2,824,673**	2,245,680
Completed properties held for sale	**200,121**	570,822
Property, plant and equipment	**111,155**	114,263
Investment properties	**230,262**	353,764
Restricted cash	**366,000**	166,000
	4,232,211	4,143,129

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

	2018 %	2017 %
Bank loans	**4.75 – 9.17**	4.75 – 9.50

26 OTHER LOANS – SECURED

(a) At 31 December 2018, other loans were repayable as follows:

	2018 RMB'000	2017 RMB'000
Within one year or on demand	**2,079,050**	810,279
After one year but within two years	**2,032,340**	810,592
After two years but within five years	**450,000**	733,101
	2,482,340	1,543,693
	4,561,390	2,353,972

(b) At 31 December 2018, assets of the Group against which other loans are secured:

	2018 RMB'000	2017 RMB'000
Properties held for future development for sale	**1,778,915**	296,850
Properties under development for sale	**2,048,275**	164,833
Completed properties held for sale	**180,638**	165,896
Property, plant and equipment	**229,300**	403,381
Investment properties	**120,641**	91,242
	4,357,769	1,122,202

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

	2018 %	2017 %
Other loans	**7.00 – 12.50**	7.00 – 12.50

27 TRADE AND OTHER PAYABLES

	2018 RMB'000	2017 RMB'000
Trade payables (note (a))	**615,660**	325,056
Bills payable (note (a))	**605,999**	87,000
Limited partners' interest (note (b))	**588,955**	470,810
Amounts due to the ultimate holding company	**–**	63,463
Amounts due to related parties (note (c))	**4,849**	19,127
Other payables and accrued charges (notes (d) and (e))	**3,753,883**	1,777,460
Financial liabilities measured at amortised cost	**5,569,346**	2,742,916
Receipts in advance	**3,065,201**	10,027,655
	8,634,547	12,770,571

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

	2018 RMB'000	2017 RMB'000
Within 1 month	**876,837**	357,056
1 month to 3 months	**184,614**	30,000
Over 3 months but within 6 months	**160,208**	25,000
	1,221,659	412,056

(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 9.5% to 15% 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 related parties are unsecured, interest-free and repayable on demand.

27 TRADE AND OTHER PAYABLES *(Continued)*

(d) At 31 December 2018, included in other payables and accrued charges of the Group, retention payables of RMB606,361,000 (2017: RMB176,593,000) were expected to be settled after more than one year.

(e) At 31 December 2018, included in other payables and accrued charges, accrued construction costs of RMB493,487,000 (2017: RMB320,000,000) were payable to Tianshan Construction.

28 PROMISSORY NOTES

	2018 **RMB'000**	2017 RMB'000
Within one year or on demand		
– HK$200 million promissory note (note (i))	**–**	167,544
After one year but within three years		
– HK$135 million promissory note (note (ii))	**118,385**	112,715
	118,385	280,259

Notes:

(i) On 27 October 2016, the Company issued a two-year 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 promissory note was fully repaid in 2018.

(ii) On 18 July 2017, the Company issued a promissory note with principal amount of HK$134,550,000 to a third party. The promissory note is interest-bearing at 9% per annum and the interest is payable every six months in arrears. The maturity date of the note is 17 July 2020. The promissory note is secured jointly and severally by guarantees of one of the directors, Mr Wu Zhen Shan, and Neway Enterprises Limited.

29 BOND PAYABLES

During the year ended 31 December 2018, the Group issued bonds with an aggregate principal amount of HK$25,800,000 (2017: HK$139,200,000). The bonds bear interest at 5% – 8% (2017: 5% – 8%) per annum with a maturity date from 2 years to 8 years (2017: 2 years to 8 years) from the issue dates.

At 31 December 2018, the bonds were repayable as follows:

	2018 **RMB'000**	2017 RMB'000
Within one year	**128,988**	31,498
After one year but within two years	**63,350**	122,809
After two years but within five years	**172,805**	126,998
After five years	**58,951**	130,685
	295,106	380,492
	424,094	411,990

30 FINANCIAL INSTRUMENTS

The Group is not exposed to significant currency risk as most of the transactions are denominated in the same currency as the functional currency of the operations in which they relate. Exposure to interest rate, credit, and liquidity 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 25, 26, 27, 28 and 29. 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 RMB4.1 million (2017: RMB3.1 million).

30 FINANCIAL INSTRUMENTS *(Continued)*

(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.

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.

Except for the financial guarantees given by the Group as set out in note 32, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 32.

Trade receivables

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

	2018 **RMB'000**	2017 RMB'000
Less than 1 month	**128,761**	96,088
More than 1 month but less than 3 months	**8,254**	–
More than 3 months	**121,575**	166,954
	258,590	263,042

Receivables that were neither past due nor impaired related to customers and debtors for whom there was no recent history of default.

30 FINANCIAL INSTRUMENTS *(Continued)*

(b) Credit risk *(Continued)*

Trade receivables (Continued)

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 monitors the settlement progress on an ongoing basis and assesses the financial abilities of the purchasers/debtors before granting the instalment sales/facilities to them. 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.

As the balances of trade receivables are considered fully recoverable, the management believes that no expected credit allowance is necessary in respect of these balances as at 31 December 2018.

Comparative information under IAS 39

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment (see note 2(i)(i) – policy applicable prior to 1 January 2018). At 31 December 2017, the Group's exposure to credit risk arising from default of the counterparty is limited. At 31 December 2017, no trade receivables were determined to be impaired.

(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.

30 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:

		2018				
		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	3,250,379	3,569,412	2,026,145	743,415	630,378	169,474
Other loans	4,561,390	5,028,169	2,394,365	2,181,813	451,991	–
Trade and other payables measured at amortised cost	5,569,346	5,569,346	4,962,985	606,361	–	–
Promissory notes	118,385	134,847	10,655	124,192	–	–
Bond payables	424,094	489,450	152,996	79,401	195,317	61,736
	13,923,594	14,791,224	9,547,146	3,735,182	1,277,686	231,210

		2017				
		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	4,399,345	4,869,818	1,669,762	2,362,071	815,418	22,567
Other loans	2,353,972	2,691,940	993,316	932,623	766,001	–
Trade and other payables measured at amortised cost	2,742,916	2,751,071	2,574,478	176,593	–	–
Promissory notes	280,259	342,836	194,158	10,144	138,534	–
Bond payables	411,990	505,149	57,820	143,943	164,529	138,857
	10,188,482	11,160,814	5,489,534	3,625,374	1,884,482	161,424

(d) Fair value

All financial assets and liabilities are carried at amounts not materially different from their fair values at 31 December 2018 and 2017.

31 COMMITMENTS

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

	2018 **RMB'000**	2017 RMB'000
Authorised but not contracted for	**10,658,400**	7,920,789
Contracted but not provided for	**3,577,638**	2,804,818
	14,236,038	10,725,607

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 16.

(c) At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	2018 **RMB'000**	2017 RMB'000
Within 1 year	**4,204**	3,024
After 1 year but within 5 years	**6,202**	4,479
After 5 years	**4,000**	1,159
	14,406	8,662

32 CONTINGENT LIABILITIES

	2018 **RMB'000**	2017 RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (note (i))	**4,481,900**	4,412,624
Guarantee provided to a bank in respect of facility granted to a related party (note (ii))	**20,000**	20,000
	4,501,900	4,432,624

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 2018 are RMB4,481,900,000 (2017: RMB4,412,624,000).

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

(ii) The Company and its subsidiary, Tian Shan Real Estate, jointly entered into an agreement with Tianshan Construction, pursuant to which the Company agreed to provide a repayment guarantee whereas Tian Shan Real Estate agreed to provide a repayment guarantee and charge over its investment properties as set out in note 13(c), in favour of a banking facility for the aggregate maximum amount of RMB27,000,000 granted to Tianshan Construction. Under the guarantee, the Company and Tian Shan Real Estate shall unconditionally guarantee to pay the indebtedness, including: (i) the principal amount of the facility; (ii) the accrued interest during the term of facility and overdue interest that may incurred; and (iii) any expenses and fees incurred by the bank to enforce the guarantee.

As at 31 December 2018, the aggregate amount drawn under the banking facility by Tianshan Construction amounted to RMB20,000,000 (2017:RMB20,000,000). The guarantee amount represents the potential maximum exposure of the Group in accordance with the above guarantees.

33 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

	2018 RMB'000	2017 RMB'000
Construction cost (note (i))	**861,504**	505,103
Rental expense (note (ii))	**634**	386
Guarantee fee income (note (iii))	**(945)**	(761)
Guarantees provided by a director of the Company for the Group's bank and other loans at the end of the reporting period	**4,412,762**	5,235,257

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 amount 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.

33 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:

	2018	2017
	RMB'000	RMB'000
Salaries, wages and other benefits	**19,453**	18,159
Contributions to defined contribution retirement plan	**143**	132
	19,596	18,291

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 33(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.

34 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.

34 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(i), 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) Expected credit losses of trade receivables

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the trade receivables. Trade receivables are categorised by individual characteristics of each customer. The Group estimates the loss allowance at an amount equal to lifetime expected credit losses for trade receivables based on the ageing of overdue balances, repayment histories of individual debtors, existing customer-specific and market conditions and forward-looking information.

The Group considers the following indicators when assessing the credit risks, such as the changes in macroeconomic conditions, probabilities of default and internal or external credit ratings, or expected operating performance of the customer, etc. At every reporting date the historical observed default rates are updated and changes in the forward-looking information are analysed. Such assessment involves a significant degree of judgement by the management.

34 ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

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

As explained in note 7, the Group is subject to PRC Corporate Income Tax under actual taxation method and PRC Land Appreciation Tax under either authorised 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.

(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.

35 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2018 RMB'000	2017 RMB'000
Non-current asset			
Investment in subsidiaries	14	**1,619,394**	1,404,146
Current assets			
Receivables		**29,749**	25,299
Cash and cash equivalents		**3,016**	98,283
		32,765	123,582
Current liabilities			
Other loans		**–**	335,087
Payables		**614,630**	27,820
Promissory notes	28	**–**	167,544
Bond payables	29	**128,988**	31,498
		743,618	561,949
Net current liabilities		**(710,853)**	(438,367)
Total assets less current liability		**908,541**	965,779
Non-current liabilities			
Other loans		**360,744**	343,464
Promissory notes	28	**118,385**	112,715
Bond payables	29	**295,106**	380,492
		774,235	836,671
NET ASSETS		**134,306**	129,108
CAPITAL AND RESERVES			
Share capital	22	**87,186**	87,186
Reserves	23(a)	**47,120**	41,922
TOTAL EQUITY		**134,306**	129,108

(Expressed in Renminbi unless otherwise indicated)

36 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

As at 31 December 2018, the directors consider the immediate parent and ultimate controlling party of the Group to be Neway Enterprises Limited, a company incorporated in British Virgin Islands, which does not produce financial statements available for public use.

37 COMPARATIVE FIGURES

The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 3.

38 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018

Up to the date of issue of these financial statements, the IASB has issued a number amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2018 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
IFRS 16, *Leases*	1 January 2019
IFRIC 23, *Uncertainty over income tax treatments*	1 January 2019
Annual Improvements to IFRSs 2015-2017 Cycle	1 January 2019
Amendments to IAS 28, Long-term interest in associates and joint ventures	1 January 2019

38 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018 *(Continued)*

The Group is in process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for IFRS 16, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ended 30 June 2019. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report.

IFRS 16 Leases

As disclosed in note 2(h), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

IFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once IFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

IFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease.

38 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018 *(Continued)*

IFRS 16 Leases *(Continued)*

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. As allowed by IFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in IFRS 16 only to contracts that are entered into on or after the date of initial application.

In addition, the Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets.

The Group plans to elect to use the modified retrospective approach for the adoption of IFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019 and will not restate the comparative information. As disclosed in note 31(c), at 31 December 2018 the Group's future minimum lease payments under non-cancellable operating leases amount to RMB14,406,000, the majority of which is payable either between 1 and 5 years after the reporting date or in more than 5 years. As the Group's future minimum lease payments under non-cancellable operating leases are limited, therefore, the Group does not expect that changes in accounting policies according to IFRS 16 as described above could have a significant impact on the Group's financial results upon initial implementation of IFRS 16.

Particular of Properties

A. PROPERTIES UNDER DEVELOPMENT

	Name of property	Location	Type	Approximate total site area (sq.m.)	Approximate total areas under development (sq.m.)	State of completion	Percentage of interest attributable to the Group	Estimated project completion date
1	Yuanshi·Tian Shan Waterside View	Changshan Road, Yuanshi County,Shijiazhuang City, Hebei Province, China	Residential	21,007	26,692	Superstructure	100%	December 2019
2	Tianjin·Tian Shan Waterside View	Tian Shan Road, Xiaozhan Town, Jinnan District, Tianjin City, China	Residential	339,468	401,270	Superstructure	100%	December 2019
3	Tian Shan·Longhu Wan	The South Coast of Panlong Lake, Yuanshi County, Shijiazhuang City, Hebei Province, China	Residential	65,333	3,137	Foundation	100%	December 2021
4	Tian Shan·Tinglan Residence	To the east of Qilian Street and to the north of Minjiang Road, Hi-tech industry Zone, Shijiazhuang City, Hebei Province, China	Residential	50,435	16,120	Superstructure	100%	June 2019
5	Tian Shan·Guan Lan Yuan	To the south of Chengan Road and to the East of Baipu Street, Zhengding New District, Shijiazhuang City, Hebei Province, China	Residential	26,860	78,036	Superstructure	100%	December 2020
6	Yinchuan·Tian Shan Auspicious Lake	To the east of Qinshui south street and to the south of Nantang Lane, Jinfeng District, Ninxia Hui Autonomous Region, China	Residential	117,389	55,582	Superstructure	100%	December 2020
7	Yinchuan·Xing Qing Tian Shan Auspicious Lake	To the east of Planing Road and to the south of Xingyuan Road, Jinfeng District, Ninxia Hui Autonomous Region, China	Residential	179,212	306,538	Superstructure	100%	December 2020
8	Yinchuan·Tian Shan Ambassador House	To the east of Jinfeng Ten Street, to the south of Jinfeng Sixteen Road, to the west of Jinfeng Eleven Street and to the north of Jinfeng Seventeen Road, Jinfeng District, Ninxia Hui Autonomous Region, China	Residential	134,081	20,810	Superstructure	100%	December 2021
9	Tian Shan· Ambassador House	To the west of Kunlun Street and to the north of Xiangjiang Road, Hi-tech industry Zone Shijiazhuang City, Hebei Province, China	Residential	119,141	94,105	Superstructure	100%	June 2019
10	Xingtai·Tian Shan Auspicious Lake	To the west of Xinhua Southern Road and to the north of Longquan Street, Xintai City, Hebei Provice, China	Residential/ Commercial	36,970	144,496	Superstructure	100%	December 2021

	Name of property	Location	Type	Approximate total site area (sq.m.)	Approximate total areas under development (sq.m.)	State of completion	Percentage of interest attributable to the Group	Estimated project completion date
11	Tian Shan· Auspicious Lake Ming Yu Home	To the north of Zhongxing Eastern Street and to the west of Jiangdong eight Road,Xintai City, Hebei Provice, China	Commercial	34,391	65,930	Superstructure	100%	October 2020
12	Nanhe County Laiyin·Tian Shan Auspicious Lake	To the north of Pingan Street and to the west of Xianghe Road, Nanhe County,Xintai City, Hebei Provice, China	Residential	46,666	131,268	Superstructure	55%	May 2020
13	Tian Shan·State House No. One	To the east of Linji eastern Street and to the north of Dongguan Road, Zhengding New District, Shijiazhuang City, Hebei Province, China	Residential	60,455	–	Foundation	100%	June 2020
14	Tian Shan Guo Xi Fu	To the east of Taihang northern Street and to the north of Yingxu Road, Zhengding New District, Shijiazhuang City, Hebei Province, China	Residential	93,122	367,213	Superstructure	100%	December 2021
15	Tian Shan·Fei Li Mansion	To the north of Hengshan West Road, Zhengding Country, Shijiazhuang City, Hebei Province, China	Residential	19,672	65,779	Superstructure	100%	December 2020
16	Tian Shan·Xiyue Residence	To the west of Chaiwu Street and to the south of Hongda Road, Luancheng District, Shijiazhuang City, Hebei Province, China	Residential	63,593	110,145	Superstructure	51%	June 2020
17	Land lot no.2017003 of Shijiazhuang	To the Hi-tech industry Zone, Shijiazhuang City, Hebei Province, China	Residential	4,958	–	Foundation	100%	December 2021
18	Tian Shan·Yilan Residence	East to Qilian Street, West to Wuhe real estate, south to Xueyuan Road, north to Wanquan Road, the Hi-tech industry Zone, Shijiazhuang City, Hebei Province, China	Residential	36,079	69,784	Superstructure	91%	June 2020
19	World No. One	To the east of Kunlun Street Green Land,to the west of Qilian Street, to the south of Changjiang Road and to the north of collective land of Liu Village, the Hi-tech industry Zone, Shijiazhuang City, Hebei Province, China	Residential	62,175	50,127	Superstructure	100%	December 2021

Particular of Properties

	Name of property	Location	Type	Approximate total site area (sq.m.)	Approximate total areas under development (sq.m.)	State of completion	Percentage of interest attributable to the Group	Estimated project completion date
20	Yanshan·Tian Shan Auspicious Lake	To the south of Xuyang Road, to the east of Jianshe western Street and to the west of Jianshe eastern Street, Yanshan County, Cangzhou City, Hebei Province, China	Residential	41,410	117,593	Superstructure	60%	May 2020
21	Haixing·Tian Shan Auspicious Lake	To the north of Haizhong Road, to the east of Xingye Street, Haixing County, Cangzhou City, Hebei Province, China	Residential	67,707	57,932	Superstructure	100%	October 2020
22	Jin Di Yue Fu	To the east of industrial one Street, to the south of Yongan Road and to the west of Anji Road, Zhao County, Shijiazhuang City, Hebei Province, China	Residential	59,122	91,497	Superstructure	70%	June 2020
23	Wu Ji·Tian Shan Auspicious Lake	To the southern section of technology Street, to the east of Xiyao village, Wuji County, Shijiazhuang City, Hebei Province, China	Residential	35,910	93,450	Superstructure	60%	May 2020
24	Yangzhou· Ambassador House	To the east of Xin Ganquan Road and to the south of Planning Road, Hanjiang District, Yangzhou City, Jiangsu Province, China	Residential	208,987	–	Foundation	100%	December 2025
25	Jiu Long Fu Di	To the south of Xinghua Road, to the west of planning state southern Street and to the east of Planning Road,Gaocheng District, Shijiazhuang City, Hebei Province, China	Commercial	91,720	4,684	Superstructure	100%	December 2021
26	The Gate of the World (Land lot no.15)	To the east of Qilian Street, to the west of Tian Shan Street, to the south of Changjiang Road and to the north of the collective land of Liu Village, Hi-tech industry Zone, Shijiazhuang City, Hebei Province, China	Commercial	63,663	–	Foundation	100%	December 2024
27	The Gate of the World (Land lot no.27)	To the east of Qilian Street, to the west of Tian Shan Street, to the south of Minwang Road and to the north of the Changjiang Road, Hi-tech industry Zone, Shijiazhuang City, Hebei Province, China	Commercial	60,187	–	Foundation	100%	December 2023
28	Tian Shan·Chuangye City	To the south of Changjiang Road and to the west of Kunlun Street, Hi-tech industry Zone, Shijiazhuang City, Hebei Province, China	Commercial	58,654	375,096	Superstructure	100%	June 2022
29	Tian Shan·Galaxy Plaza	To the south of Changjiang Road and to the east of Qinling Street, Hi-tech industry Zone, Shijiazhuang City, Hebei Province, China	Commercial	39,726	82,154	Superstructure	100%	December 2019

	Name of property	Location	Type	Approximate total site area (sq.m.)	Approximate total areas under development (sq.m.)	State of completion	Percentage of interest attributable to the Group	Estimated project completion date
30	Tian Shan·Yifang Centre	To the east of Baipu Road, to the south of Green Land, to the north of Hongwen Road and to the west of New City Street, Zhengding New District, Shijiazhuang City, Hebei Province, China	Commercial	47,176	63,733	Superstructure	100%	December 2020
31	Tian Shan·Yue Cube	To the south of Nanlong Road and to the east of thumb plaza, Langfang City, Hebei P, China	Commercial	14,313	–	Foundation	100%	July 2021
32	Wan Chuang·Smart City	Feixiang commercial development zone, Handan City, Hebei Province, China	Commercial	14,422	17,016	Superstructure	100%	December 2019
33	Tianjin·Tian Shan Industrial Park	No.35,Tianxiang Road, Liqizhuang Street, Xiqing District, Tianjin City, China	Industrial	73,339	–	Foundation	100%	December 2021
34	Pingshan Industrial Park	Yanbao Village, Pingshan County, Hebei Province, China	Industrial	110,160	–	Foundation	100%	December 2019
35	Luancheng Wan Chuang Industrial Park	To the west of Western City Street and to the north of Xinyuan Road, Luancheng Distirct, Shijiazhuang City, Hebei Province, China	Industrial	59,510	67,694	Superstructure	100%	December 2019
36	Xingtai·Tian Shan Industrial Park	To the south of Rongqin Street and to the east of Jianye Road, Xingtai City, Hebei Province, China	Industrial	76,436	–	Foundation	100%	December 2020
37	Tian Shan Waterpark·Huanghe Pearl	To the north of Jinghe Road and to the west of Binhe Road, Xingqing District, Ninxia Hui Autonomous Region, China	Comprehensive entertainment	450,569	216,076	Superstructure	100%	December 2025
Total				3,084,018	3,193,957			

Particular of Properties

B. PROPERTIES HELD FOR INVESTMENT

	Name of property	Location	Type	Approximate total areas (sq.m.)	Percentage of interest attributable to the Group	Lease term
1	Tian Shan·Waterside View	No. 218, Zhufeng Street, Shijiazhuang City, Hebei Province, China	Commercial	9,324	100%	Medium term
2	Tian Shan· Science and Technology Industiral Park	No. 319 Xiangjiang Road, Hi-tech Industry Development Zone, Shijiazhuang City, Hebei Province, China	Apartment	53,145	100%	Medium term
3	Tian Shan·Contemporary Noble Territory	No.9 Juxin Road,Shijiazhuang City, Hebei Province, China	Commercial	5,585	100%	Medium term
4	Tian Shan· Science and Technology Industiral Park	No.319 Xiangjiang Road,Hi-tech Industry Development Zone, Shijiazhuang City, Hebei Province, China	Commercial	10,994	100%	Medium term
5	Luancheng·Tian Shan Logistics Base	To the east of Chengshang Village, Yehe Town, Luancheng County, Shijiazhuang City, Hebei Province, China	Commercial	4,645	100%	Medium term
6	Tian Shan·Jiu Feng	Tanan Lu Kou, Jiantong Street,Shijiazhuang City,Hebei Province, China	Commercial	795	100%	Medium term
7	Sanhe·Tian Shan International Enterprises Base	Yanjiao Ecnomics Technical Development Zone,Sanhe City, Hebei Province,China	Apartment	18,210	100%	Medium term
8	Sanhe·Tian Shan International Enterprises Base	Yanjiao Ecnomics Technical Development Zone,Sanhe City, Hebei Province, China	Commercial	5,939	100%	Medium term
9	Sanhe·Tian Shan International Enterprises Base	Yanjiao Ecnomics Technical Development Zone,Sanhe City, Hebei Province, China	Commercial	7,594	100%	Medium term
10	Tianjin·Tian Shan Waterside View	Xiaozhan Town,Jinnan District, Tianjin City, China	Commercial	21,574	100%	Medium term
Total				**137,805**		

C. PROPERTIES HELD FOR SALE

	Name of property	Location	Type	Approximate total areas (sq.m.)	Approximate number of car parking spaces	Percentage of interest attributable to the Group	Lease term
1	Tian Shan·Contemporary Noble Territory	No.9 Juxin Road, Shijiazhuang City, Hebei Province, China	Residential	4,777	–	100%	Long term
2	Tianjin·Tian Shan Waterside View	Xiaozhan Town, Jinnan District, Tianjin City, China	Residential	70,672	975	100%	Long term
3	Tianjin·Tian Shan Waterside View	Xiaozhan Town, Jinnan District, Tianjin City, China	Commercial	9,751	–	100%	Medium term
4	Chengde·Tian Shan Waterside View	Huoyaoku Kou, Cuiqiao Road, Shuangqiao District, Chengde City, Hebei Province, China	Residential/ Commercial	15,551	171	100%	Long term
5	Tian Shan ·Waterside View	To the south of Minjiang Road and to the east of Jingzhu east Road, Shijiazhuang City, Hebei Province, China	Residential	1,144	4	100%	Long term
6	Ningjin·Tian Shan Waterside View	Intersection of Tianbao Street and Xinxing Road, Ningjin City, Hebei Province, China	Residential	9,939	–	100%	Long term
7	Tian Shan·Longhu Wan	The south coast of Panlonghu, Yuanshi County, Shijiazhuang City, Hebei Province, China	Residential	15,734	–	100%	Long term
8	Yanshi·Tian Shan Waterside View	Changshan Road, Yuanshi County, Shijiazhuang City, Hebei Province, China	Residential	19,106	–	100%	Long term
9	Weihai·Tian Shan Contemporary Noble Territory	Wendeng Ecnomics Development Zone, Shandong Province, China	Residential/ Commercial	3,438	429	100%	Long term
10	Weihai·Tian Shan Waterside View	Wendeng City, Shandong Province, China	Residential/ Commercial	8,748	282	100%	Long term
11	Tian Shan ·Auspicious Lake	Intersection of Xiangjiang Road and Kunlun Street, Shijiazhuang City, Hebei Province, China	Residential	41,032	726	100%	Long term
12	Tian Shan ·Auspicious Lake Wave Bank	Intersection of Xiangjiang Road and Kunlun Street, Shijiazhuang City, Hebei Province, China	Residential	13,366	313	100%	Long term
13	Tian Shan·Jiu Feng	Tanan Lu Kou,Jiantong Street, Shijiazhuang City, Hebei Province, China	Residential	15,473	922	100%	Long term

Particular of Properties

	Name of property	Location	Type	Approximate total areas (sq.m.)	Approximate number of car parking spaces	Percentage of interest attributable to the Group	Lease term
14	Tian Shan· Ambassador House	To the west of Kunlun Street and to the north of Xiangjiang Road,Hi-tech industry Zone, Shijiazhuang City, Hebei Province, China	Residential/ Commercial	13,590	307	100%	Long term
15	Tian Shan·Tinglan Residence	To the east of Qilian Street and to the north of Minjiang Road, Hi-tech industry Zone, Shijiazhuang City, Hebei Province, China	Residential	1,786	356	100%	Long term
16	Zhengding·Tian Shan Auspicious Lake	Zhengding New District, Shijiazhuang City, Hebei Province, China	Residential	21,295	31	100%	Long term
17	Yinchuan·Xing Qing Tian Shan Auspicious Lake	To the east of Planing Road and to the south of Xingyuan Road, Jinfeng District, Ninxia Hui Autonomous Region, China	Residential	179,380	1,137	100%	Long term
18	Tian Shan·Galaxy Plaza	To the south of Changjiang Road and to the east of Qinling Street, Hi-tech industry Zone, Shijiazhuang City, Hebei Province, China	Commercial	13,868	1,118	100%	Medium term
19	Tian Shan·Yifang Centre	To the east of Baipu Road, to the south of Green Land, to the north of Hongwen Road and to the west of New City Street, Zhengding New District, Shijiazhuang City, Hebei Province, China	Commercial	368	258	100%	Medium term
20	Tian Shan·Wan Chuang Yuan	To the north of Xinyuan Road,to the west of Xiyu Street and to the south of Huiyuan Road, Luancheng District, Shijiazhuang City, Hebei Province, China	Commercial	13,981	193	100%	Medium term
21	Weihai·Tian Shan International Enterprises Base	Wendeng Ecnomics Development Zone, Shandong Province, China	Industrial	9,427	–	100%	Medium term
22	Yanshi Industrial Park	Nanbai Lou, Yuanshi County, Shijiazhuang City, Hebei Province, China	Industrial	3,820	–	100%	Medium term
23	Sanhe·Tian Shan International Enterprises Base	Yanjiao Ecnomics Technical Development Zone, Sanhe City, Hebei Province, China	Industrial	4,273	–	100%	Medium term
24	Tian Shan· Science and Technology Industiral Park	No.319 Xiangjiang Road,Hi-tech Industry Development Zone, Shijiazhuang City, Hebei Province, China	Industrial	28,301	867	100%	Medium term
25	Tian Shan·Chuanggu Building	No. 123 Songjiang Road, Ecnomic Techonology Development Zone, Shijiazhuang City, Hebei Province, China	Industrial	11,946	–	100%	Medium term
26	Tian Shan·Wan Chuang Yuan	To the north of Xinyuan Road, to the west of Xiyu Street and to the south of Huiyuan Road, Luancheng District, Shijiazhuang City, Hebei Province, China	Industrial	17,618	–	100%	Medium term
Total				**548,384**	**8,089**		

CONSOLIDATED INCOME STATEMENT

	Year ended 31 December				
	2014	2015	2016	2017	**2018**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Revenue	2,416,825	2,333,037	3,816,530	4,982,704	**4,616,035**
Cost of sales	(1,525,157)	(1,583,624)	(2,954,306)	(3,813,330)	**3,333,904**
Gross profit	891,668	749,413	862,224	1,169,374	**1,282,131**
Other income	14,233	6,267	18,481	28,858	**74,960**
Selling and marketing expenses	(164,969)	(174,656)	(258,416)	(322,849)	**(31,824)**
Administrative expenses	(168,750)	(186,171)	(283,580)	(329,427)	**(434,425)**
Profit from operations	572,182	394,853	338,709	545,956	**570,842**
Finance income	6,209	19,452	40,732	27,151	**98,257**
Finance expenses	(41,474)	(73,367)	(74,453)	(91,142)	**(167,545)**
Net finance expenses	(35,265)	(53,915)	(33,721)	(63,991)	**(69,288)**
Profit before change in fair value of investment properties and income tax	536,917	340,938	304,988	481,965	**501,554**
Increase in fair value of investment properties	49,302	6,047	9,421	3,559	**19,459**
Profit before taxation	586,219	346,985	314,409	485,524	**521,013**
Income tax	(304,338)	(212,515)	(194,977)	(382,317)	**(370,742)**
Profit for the year	281,881	134,470	119,432	103,207	**150,271**
Attributable to:					
Equity shareholders of the Company	281,881	134,470	119,432	106,790	**169,717**
Non-controlling interests	–	–	–	(3,583)	**(19,446)**
Profit for the year	281,881	134,470	119,432	103,207	**150,271**
Earning per share (RMB cents)					
– Basic	28.19	13.40	11.87	10.62	**16.87**
– Diluted	28.09	13.34	11.82	10.58	**16.81**

Financial Summary

CONSOLIDATED ASSETS AND LIABILITIES

	31 December				
	2014	2015	2016	2017	**2018**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Total non-current assets	1,212,001	1,311,847	1,250,854	1,349,676	**1,962,458**
Total current assets	8,652,323	11,105,855	16,528,658	21,627,691	**26,323,123**
Total assets	9,864,324	12,417,702	17,779,512	22,977,367	**28,285,581**
Total non-current liabilities	1,863,151	1,582,378	3,343,531	5,235,972	**4,498,027**
Total current liabilities	6,002,453	8,722,456	12,263,072	15,448,982	**21,372,358**
Total liabilities	7,865,604	10,304,834	15,606,603	20,684,954	**25,870,385**
Net assets	1,998,720	2,112,868	2,172,909	2,292,413	**2,415,196**