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 **2020**

Contents

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

Suite 801, 8th Floor,
Everbright Centre
108 Gloucester Road
Wanchai
Hong Kong

REGISTERED OFFICE IN CAYMAN ISLANDS

Windward 3, Regatta Office Park
PO Box 1350, Grand Cayman KY1-1108
Cayman Islands

AUDITORS

KPMG
Certified Public Accountants

PRINCIPAL SHARE REGISTER AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
PO Box 1350, Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTER AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Financial Highlights

	Year ended 31 December				
	2020	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	**5,394,276**	4,990,511	4,616,305	4,982,704	3,816,530
Gross profit	**895,730**	1,043,079	1,282,131	1,169,374	862,224
(Loss)/Profit for the year	**(92,803)**	(111,946)	150,271	103,207	119,432
(Loss)/Basic earnings per share (RMB cents)	**(15.94)**	(10.52)	16.87	10.62	11.87
Delivered gross floor area	**650,756 sq.m.**	619,842 sq.m.	591,984 sq.m.	556,272 sq.m.	589,056 sq.m.
Contracted sales	**5,758,800**	8,853,500	6,982,100	7,264,300	8,270,400
Contracted sales gross floor area	**605,865 sq.m.**	800,575 sq.m.	856,368 sq.m.	1,909,897 sq.m.	1,112,720 sq.m.

PROPERTY PORTFOLIO

Tian Shan Guo Xi Fu

Tianjin Tian Shan
Waterside View

Yinchuan
Tian Shan Waterpark

Tian Shan Jiu Feng

Chairman Statement

Year 2020 witnessed the spread of the COVID-19 pandemic across the world; however the outbreak has been brought under full control shortly in China as a result of efficient and effective prevention and control mechanism adopted under the leadership of the central government.

Looking back at 2020, in spite of the impact caused by the COVID-19 pandemic, the Group achieved good performance. Tian Shan Real Estate Development Group Limited, a wholly-owned subsidiary of the Group, was awarded as the “Top 100 Real Estate Development Enterprises in China for 2020” and “TOP10 Brand of Real Estate Companies of Beijing-Tianjin-Hebei Region in China for 2020 (2020年中國京津冀城市群房地產公司品牌價值TOP10)”; the project World No. One was awarded as the “2020 Typical Urban Sample Project (2020年城市典型樣本項目)”.

Looking ahead to 2021, we are full of confidence. In 2021, we will focus on the business expansion in Hebei Province, especially Shijiazhuang, and at the same time actively seize development opportunities in Beijing, Tianjin, and Hebei, and further explore development opportunities in the economic belt of Yangtze River Delta. We will further and better our market research and analysis of customer base positioning in order to improve our ability of operation, sales and marketing and production. We will also be in pursuit of a development model which is oriented for sound cash flow and fast turnover in each project. In respect of product design, we will focus on new environmentally-friendly products such as passive houses and prefabricated construction so as to further enhance the Company’s product competitiveness and provide products of high quality to our customers.

At the beginning of 2021, Shijiazhuang, Hebei Province suffered from an outbreak of COVID-19 again, forcing the city to be locked down for disinfection and to curb virus spike in January 2021. The measures inevitably caused a trough in real estate sales of the Group. Nonetheless, we believe that the epidemic is bound to be overcome, and that the real estate market in China will maintain a promising growth trend.

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

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

Management Discussion and Analysis

Management Discussion and Analysis

BUSINESS REVIEW AND PROSPECTS

Market Review

During the year under review (the "Year"), the outbreak of the COVID-19 pandemic in the People's Republic of China (the "PRC") and worldwide brought vast uncertainties to the economies around the globe. Maintaining stable and healthy development of the real estate market is one of the keys to resume and stabilise the economy of the PRC. Benefited from the efficient and effective prevention and control mechanism adopted, the COVID-19 pandemic was under control within the PRC during the Year. Economic activities have been resumed to a satisfactory status in the PRC. According to the data from the National Bureau of Statistics of China, gross domestic product of the PRC for 2020 increased gently by 2.3% year-on-year. In addition, the sales area of commercial buildings in the PRC reached 1,760.9 million square meters, representing a year-on-year increase of 2.6%. The volume of sales of commercial buildings amounted to RMB17,361.3 billion, representing a year-on-year increase of 8.7%.

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 the PRC. As at 31 December 2020, 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, the Group recorded a turnover of approximately RMB5,394.3 million and delivered properties with gross floor area of approximately 650,756 square meters. The total contracted sales amount was approximately RMB5,758.8 million and contracted sales gross floor area was approximately 605,865 square meters for the Year.

Hebei Changxin Real Estate Development Company Limited ("Hebei Changxin"), an indirect wholly-owned subsidiary of the Company, acquired the land use rights for a parcel of land for urban residential purpose located in the PRC on 9 June 2017. In 2019, Hebei Changxin proposed to the original assignor of land to terminate the original land transfer agreement. Both parties entered into a termination agreement for the land on 28 February 2020 at a consideration of RMB528.0 million during the Year. Further details are set out in the Company's announcement dated 28 February 2020.

On 19 November 2020, Tianshan Wanchuang Industries Company Limited ("Tianshan Wanchuang"), an indirect wholly-owned subsidiary of the Company, disposed of the entire equity interest in Langfang City Chenghui Real Estate Development Company Limited (the "Disposal Subsidiary") to independent third parties, among others, at a consideration of approximately RMB104.8 million. The Disposal Subsidiary was primarily holding a land parcel of approximately 14,310 square meters in the PRC for future development for sale. Further details are set out in the Company's announcements dated 19 November 2020 and 23 November 2020.

Both land parcels disposed of during the Year were non-core assets of the Group and were vacant sites. The Group has plenty of land banks available for its development and these disposals did not have any material adverse impact on the Group's property development business.

Nevertheless, to achieve long-term balanced land banks for development, during the Year, the Group has replenished its land bank by acquiring certain new residential and industrial land parcels through auction/bidding/tender primarily in Shijiazhuang, Yinchuan and Xi'an in aggregate consideration of approximately RMB758.7 million with estimated salable gross floor area of approximately 542,327 square meters which are intended to be developed for sale in two to three years' time.

Prospect

Benefited from continued joint and prevention measures, there was effective control of the COVID-19 pandemic in the PRC and overall business operations of the Group has gradually recovered. With the introduction of the "Three Red Lines" policy in the fourth quarter of the year 2020, which requires property developers to impose strict control over their debt ratios, the Directors are of the view that the competition in the PRC real estate market will intensify as stringent regulation on real estate developers' financing continued and property developers may launch new projects faster to encourage cash collection.

The PRC government has reiterated policy principle of "houses are not for speculation, but for living". Therefore, the PRC government is expected to continue introducing policies with the objectives of stabilising land and housing selling prices.

In the future, the Group will continue to follow the national policy, combine its competitive advantages and market positioning, focus on the Beijing-Tianjin-Hebei region, strategically increase presence in Yinchuan and Yangzhou markets, and vigorously enhance its market share where its business locates. Meanwhile, the Group will continue to maintain sound cash flow of the Company and ensure its sustainable and healthy development.

Management Discussion and Analysis

FINANCIAL REVIEW

The Group's revenue increased by 8.1% to approximately RMB5,394.3 million from RMB4,990.5 million as compared with the prior year. During the Year, the Group's revenue was derived principally from the sales and delivery of residential, commercial and industrial property projects, including *Yinchuan • Tian Shan Auspicious Lake, Yinchuan • Xing Qing Tian Shan Auspicious Lake, Yinchuan • Tian Shan Ambassador House, Tian Shan Guo Xi Fu, Tian Shan • Yilan Residence, Yanshan • Tian Shan Auspicious Lake, etc.*.

The cost of sales increased by 14.0% to approximately RMB4,498.5 million from approximately RMB3,947.4 million as compared with the prior year. The amount of the gross profit decreased by 14.1% to approximately RMB895.7 million from approximately RMB1,043.1 million, and the gross profit margin for the Year has decreased to 16.6% as compared with that of 20.9% for the preceding year. The decrease in gross profit margin was mainly due to the fact that the Group delivered more commercial properties with higher gross profit margin last year than this Year. In addition, an impairment loss on certain land and properties held for future development or under development for sale in aggregate amounted to approximately RMB238.3 million (2019: RMB290.3 million) was recorded during the Year because the profitability of such property projects was not as good as the Company expected. These land and properties were primarily situated in Hebei Province.

The Group's selling and marketing expenses decreased by 19.2% to approximately RMB311.3 million from approximately RMB385.2 million. The decrease was primarily due to the fact that less advertising and promotion expenses were spent by the Group during the first half year under the serious impact of COVID-19 pandemic and more advertising and promotion events were made through digital media which were generally less expensive than traditional media. In addition, the Group also cut down headcounts of sales teams to achieve a balanced sales force during the Year which lowered salaries and wages expenses by approximately RMB36.3 million.

The Group's administrative expenses slightly increased by 0.9% to approximately RMB370.5 million from approximately RMB367.1 million. During the Year, impacted by COVID-19, the operating results from Tianjin Waterpark was not satisfactory and an impairment loss of RMB9.6 million to the property, plant and equipment was made during the Year. In addition, expected credit losses of RMB29.3 million was made for certain long outstanding receivables during the Year. Benefited by the Group's continued effort from the prior year in reviewing its human resources structure and cutting down headcounts to achieve a more efficient and cost-saving size of administrative positions, the salaries and wages expenses decreased by approximately RMB37.9 million as compared with the prior year.

The Group's income tax expense decreased by approximately RMB79.6 million to approximately RMB313.9 million from approximately RMB393.6 million. The decrease was primarily due to the lower profit before taxation during the Year, the decrease of corporate income tax from tax credits of approximately RMB21.1 million from prior years' overprovision and approximately RMB43.1 million from the tax effect of deferred tax not recognised which was recorded during the Year.

As a result of the above, the Group recorded a net loss of approximately RMB92.8 million as compared with a net loss of approximately RMB111.9 million in last year.

Current Assets and Liabilities

As at 31 December 2020, the Group had total current assets of approximately RMB25,313.0 million (2019: RMB27,572.6 million), comprising mainly inventories, trade and other receivables, prepaid tax, contract assets, and restricted cash and cash and cash equivalents.

As at 31 December 2020, the Group had total current liabilities of approximately RMB21,962.8 million (2019: RMB23,882.0 million), comprising mainly bank and other borrowings, trade and other payables, contract liabilities and taxation payable.

As at 31 December 2020, the current ratio (calculated as the total current assets divided by the total current liabilities) was 1.2 (2019: 1.2).

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 2020, the gearing ratio (calculated as net debt divided by total equity) is as follows:

	2020	2019
	RMB'000	RMB'000
Total bank and other borrowings	**6,028,704**	6,928,853
Promissory notes	**279,848**	299,205
Bond payables	**263,412**	323,485
Less: Cash and cash equivalents	**(374,757)**	(1,425,193)
Net debt	**6,197,207**	6,126,350
Total equity	**2,213,403**	2,240,289
Debt-to-capital ratio	**2.80**	2.73

The gearing ratio increased slightly from 2.73 to 2.80. Such increase was primarily due to the net effect of the decrease in bank and other loans of approximately RMB900.1 million, the decrease of promissory notes of approximately RMB19.4 million, the decrease in bond payables of approximately RMB60.1 million and the decrease in cash and cash equivalents by approximately RMB1,050.4 million.

Management Discussion and Analysis

Charge on Assets

At 31 December 2020, assets of the Group against which bank and other borrowings are secured:

	2020	2019
	RMB'000	RMB'000
Properties held for future development for sale	**697,496**	1,720,249
Properties under development for sale	**6,969,452**	4,880,851
Completed properties held for sale	**592,692**	1,031,034
Property, plant and equipment	**489,271**	399,391
Investment properties	**86,439**	253,299
Restricted cash	**136,669**	21,550
Contract assets	**228,608**	–
	9,200,627	8,306,374

In addition, as at 31 December 2020, the Group had total restricted cash of approximately RMB344.1 million (31 December 2019: RMB383.7 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 2020, the Group employed a total of 1,531 employees (31 December 2019: 1,986 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, adopted in 2010 for employees of the Group, expired on 15 June 2020.

The Group also provides training to staffs which covers professional knowledge and skill sets of various positions. Training is conducted in different forms like training camp, lecture, seminar or exchanges.

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 2020 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.

Interest Rates and Interest Rate Risks

The Group's borrowings (including bank loans, other loans, promissory notes and bond payables) are all denominated in Renminbi and Hong Kong dollars and are primarily at fixed interest rates ranged from 3.85% to 13.00% per annum.

The Group does not carry out any hedging activities to manage its interest rate exposure.

Capital Expenditure

During the Year, the Group incurred capital expenditure in the amount of approximately RMB5,131.7 million (2019: RMB5,397.8 million) comprising primarily land and development costs of property projects.

Contingent Liabilities

Except for the guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties of approximately RMB9,532.3 million (2019: RMB7,755.7 million) and the guarantee provided to a bank in respect of banking facility granted to a related party of RMB60.0 million (2019: RMB90.0 million), the Group had no material contingent liability as at 31 December 2020.

Final Dividend

The Directors do not recommend the payment of a final dividend for the Year (2019: Nil).

Material Acquisitions and Disposals

The Group has not participated in any material acquisition or disposal during the Year.

Significant Investments

The Group did not make any significant investments during the Year and there were no intended plans for material investments which were expected to be carried out in the coming year.

IMPACT OF COVID-19 AFTER THE END OF THE YEAR

In early January 2021, there was an outbreak of COVID-19 again in Hebei Province (where the Group's headquarters and most of its property projects are located). The local government swiftly announced lockdown of the Hebei Province entirely for COVID-19 testing and quarantine (the "Lockdown"). With about 5 weeks of compulsory and universal community-wide stay-at-home quarantine and testing, in mid-February, the pandemic was under control, and the local government announced reopening of the Hebei Province. As such, people in Hebei Province gradually resumed their normal social life prior to the Chinese New Year holidays. Therefore, the Group expects that there will be a weak performance from the residential and commercial properties market in the Hebei Province and the financial results of the Group's water theme parks maybe negatively impacted in 2021. As of the date of this report, all of the Group's property projects have resumed normal operations. Given the dynamic nature of these circumstances, the magnitude and duration of its impact on the Group's consolidated financial position, financial performance and cash flows could not be reasonably estimated at this stage and will be reflected in the Group's 2021 interim and annual financial statements.

Directors and Senior Management Biographies

EXECUTIVE DIRECTORS

Mr. WU Zhen Shan（吳振山）, aged 64, 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 40 years of experience in the construction industry and approximately 20 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 56, is one of the founders of the Group. 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 35 years of experience in the construction industry and approximately 20 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 66, is one of the founders of the Group 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 40 years of experience in the construction industry and approximately 20 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.

Directors and Senior Management Biographies

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. TIAN Chong Hou（田崇厚）, aged 75, 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 63, 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 37 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 61, 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 33 years of experience in financial management for a number of corporations and listed companies. Mr. CHEUNG is an independent non-executive director of China Wan Tong Yuan (Holdings) Limited, a company listed on the Stock Exchange (stock code: 6966) since September 2017. 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 46, 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 23 years of experience in financial management and reporting.

Directors and Senior Management Biographies

Ms. GAO Li Xiang (高立香), aged 46, 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 21 years of experience in the property development industry from Tian Shan Real Estate.

Mr. CHEN Shi Bin (陳士彬), aged 42, 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 42, 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 18 years of experience in property development.

Ms. SI Jing Xin (司景新), aged 40, 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 39, 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 14 years of experience in real estate project management and extensive property development experience.

Ms. ZHAO Guiyan (趙桂艷), aged 39, 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 16 years of experience in financial management.

Corporate Governance Report

The Company is committed to maintaining a high standard of corporate governance within a sensible framework with an emphasis on the principles of integrity, transparency and accountability. The Board 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.

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 14 to 16 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.

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 ten Board meetings and one general meeting during the year ended 31 December 2020 (the "Review Period") and the following is the summary of the Directors' attendance at these meetings.

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

Appointment, Re-election and Removal of Directors

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

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

BOARD COMMITTEES

To strengthen the functions of the Board, there are several Board Committees namely, the audit committee, the remuneration committee and the nomination committee formed under the Board, with each of which performing different functions.

Audit committee

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

The audit committee held two meetings during the year ended 31 December 2020 to review financial results, internal audit function, risk management and internal control system of the Group and all members have attended.

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, and 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 make recommendations to the Board on the remuneration packages, 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 sets measurable objectives (in terms of gender, skills and experience) to implement the Board Diversity Policy and reviews 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.

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 during the Review Period was approximately RMB2,450,000. 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 2020 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 38 to 43 of this annual report.

Internal control, internal audit and risk management

The Board acknowledges that it is responsible for the internal control and risk management systems and review their effectiveness as they can 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 Board reviews the risk management and internal control systems on an ongoing basis. 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.

Corporate Governance Report

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.

Continuous professional development of Directors and Company Secretary

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.

Mr. Cheung Siu Yiu, the Company Secretary, has also taken no less than 15 hours of relevant professional training during the Year.

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 2020 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 Suite 801, 8th Floor, Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong.

Report of the Directors

The Directors have the pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2020.

Principal activities

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

Results and dividends

The Group's loss for the year ended 31 December 2020 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 44 to 141.

The Directors do not recommend payment of a final dividend for the Year.

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 149 and 150. This summary does not form part of the audited financial statements.

Property, plant and equipment and investment properties

Details of movements in the property, plant and equipment, and investment properties of the Group during the Year are set out in notes 13 and 14 to the financial statements, respectively. Further details of the Group's investment properties are set out on page 146.

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 24 and 26 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.

Tax relief

The Company is not aware of any relief from taxation available to its shareholders by reason of their holding in the shares of the Company.

Purchase, redemption or sale of listed securities of the Company

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

Reserves

Details of movements in the reserves of the Company and the Group during the Year are set out in note 25 to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable reserves

As at 31 December 2020, no reserves of the Company was available for distribution, calculated in accordance with the provisions of the Companies Law of the Cayman Islands.

Major customers and suppliers

During the Year, sales to the Group's five largest customers accounted for 1.31% of the total sales for the year and sales to the largest customer included therein amounted to 0.65% 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, the purchase from the Group's five largest suppliers accounted for 25.92% of the total purchases for the Year and purchases from the largest supplier included therein amounted to 17.96% 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) which accounted for 17.96% 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.

The Group values its relationships with its customers and suppliers. The Group ensures that feedbacks from customers are relayed back to the relevant parties and the management. The Group also strives to maintain strong and stable relationship with its suppliers.

Report of the Directors

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. WU Zhen Ling and Mr. ZHANG Zhen Hai, the Executive Directors, shall retire as Directors by rotation. Mr. WU Zhen Shan, Mr. WU Zhen Ling and Mr. ZHANG Zhen Hai, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The INEDs have been appointed for an initial term of three years commencing from 16 June 2010 and such appointments have been last renewed for a further period of three years from 15 June 2019, but are subject to (among others) 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 14 to 16 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 36 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 2020, 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

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) Long Position	74.56%
WU Zhen Ling	Interest of a controlled corporation	750,000,000 (note) Long Position	74.56%
ZHANG Zhen Hai	Interest of a controlled corporation	750,000,000 (note) Long Position	74.56%

Note: 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.

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 2020, none of the directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2020, 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	74.56%

Save as disclosed above, as at 31 December 2020, 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 2020	Grant during the Year	Exercised during the Year	Expired during the Year	At 31 December 2020	Date of grant	Exercise period of the share options	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 Yu 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	4,386,000	–	100,000	4,286,000	–	16.06.2010	16.01.2011 to 15.06.2020	0.70
Total	5,150,000	–	100,000	5,050,000	–			

Notes:

(a) WU Zhi Lan is the elder sister of WU Zhen Shan, WU Zhen Ling and the spouse of ZHANG Zhen Hai.

(b) XU Lan Ying is the spouse of WU Zhen Shan.

(c) FAN Yi Mei is the spouse of WU Zhen Ling.

(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.

During the Year, options to subscribe for 100,000 shares of the Company were exercised and the weighted average closing price immediately before the date(s) on which options were exercised was HK$3.05.

No options were granted under the Pre-IPO Share Option Scheme during the Year. As at 31 December 2020, all outstanding options granted under the Pre-IPO Share Option Scheme had expired and the Company had no share options outstanding under the Pre-IPO Share Option Scheme.

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. The purpose of the Share Option Scheme is to (i) motivate the eligible participants to optimise their performance efficiency for the benefit of the Group; and (ii) attract and retain or otherwise maintain on-going business relationship with the eligible participants whose contributions are or will be beneficial to the long-term growth of the Group.

The Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with the terms of the Share Option Scheme:

(i) any full-time or part-time employees, executives or officers of the Company or any of the Company's subsidiaries or other related entities;

(ii) any directors (including non-executive directors and independent non-executive directors) of the Company or any of Company's subsidiaries or other related entities; and

(iii) any advisers, consultants, suppliers, customers and agents to the Company or any of the Company's subsidiaries or other related entities.

The maximum number of Shares that may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 100,000,000 Shares, being 10% of the Shares in issue as at the date of approval of the Share Option Scheme. Prior to the expiration of the Share Option Scheme, the total number of Shares available for issue under the Share Option Scheme was 100,000,000 Shares, representing 9.94% of the Shares then in issue.

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant.

The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted.

During the Year, no share options were granted or exercised or lapsed or cancelled 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 2020.

The Share Option Scheme expired on 15 June 2020.

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. On 27 April 2020 and 30 October 2020, among others, the Company and the Lender agreed to further extend the first tranche repayment date and second tranche repayment date for a period of two years to March 2022 and October 2022, respectively.

The Revised Facility Agreement requires Neway Enterprises and Mr. WU, to undertake and covenant with the Company and the Lender that, among others, 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 and that Neway Enterprises (i) shall not create any security over any of its assets and (ii) shall remain to be the sole absolute legal and beneficial owner of Shares of not less than 51% of the issued share capital of the Company (on a fully diluted and as converted basis) (the "Specific Performance Obligations").

It will be an event of default if any Specific Performance Obligations 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, 13 February 2018, 27 April 2020 and 30 October 2020.

CHARGE OF SHARES BY CONTROLLING SHAREHOLDER UNDER RULE 13.17 OF THE LISTING RULES

As security for the obligations of the Company under the Revised Facility Agreement and the relevant finance documents, on 27 April 2020, Neway Enterprises executed a share charge, pursuant to which Neway Enterprises agreed to deposit 520,000,000 shares of the Company into a security account and charge the same in favour of the Lender. The charged shares represented approximately 51.70% of the issued share capital of the Company. Details of the charge of shares is set out in the Company's announcements dated 27 April 2020 and 30 October 2020.

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 36 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. In view of the expiry of the Construction Services Agreement, the Group entered into a renewal framework services agreement with Tianshan Construction on 30 October 2019, pursuant to which Tianshan Construction agreed to provide the aforesaid construction work and service to the Group for a term of two years commencing from 1 January 2020.

As at the date of this report, Tianshan Construction is ultimately wholly-owned by Mr. WU Zhen Shan, Mr. WU Zhen Ling and Mr. ZHANG Zhen Hai, the Directors of the Company, as well as Ms. Wu Xiaozi (the niece of Mr. WU Zhen Shan and Mr. WU Zhen Ling). In addition, Tianshan Construction is also ultimately controlled by Mr. WU Zhen Shan, who is also a director 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 2020, the annual cap for the continuing connected transaction under the Construction Services Agreement is RMB1,511,100,000 and the actual transacted amount was RMB597,407,000.

The Directors (including the INEDs) are of the view that the Construction Services Agreement under which construction work and services provided by Tianshan Construction are entered into 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. Further details of the continuing connected transactions are set out in the Company announcement dated 30 October 2019.

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.

Connected transaction with Tianshan Construction

On 22 May 2020, Tianshan Construction entered into a loan agreement with a rural credit cooperative union established in the PRC (the "Lender") whereby the Lender agreed, among others, to grant to Tianshan Construction a facility for the aggregate maximum amount of RMB40 million. As security for the loan, Tian Shan Real Estate Development Limited ("Tian Shan Real Estate"), a wholly owned subsidiary of the Company, entered into a charge (the "First Charge") in favour of the Lender on 22 May 2020, pursuant to which it agreed to provide securities over certain immovable properties in favour of the Lender for a term of one year commencing from 22 May 2020. In consideration of the provision of the securities, Tianshan Construction has to pay Tian Shan Real Estate a sum of approximately RMB1.4 million, pursuant to a guarantee agreement dated 22 May 2020 and entered into between Tian Shan Real Estate and Tianshan Construction (the "First Financial Assistance Agreement"). Further details of the connected transaction are set out in the Company's announcement dated 22 May 2020.

On 14 July 2020, Tianshan Construction entered into a loan agreement with a bank in the PRC ("Bank A") whereby Bank A agreed, among others, to grant to Tianshan Construction a facility for the aggregate maximum amount of RMB20 million. As security for the loan, Tian Shan Real Estate entered into a charge (the "Second Charge") in favour of the Bank A on 14 July 2020, pursuant to which it agreed to provide securities over certain immovable properties in favour of Bank A for a term of three years commencing from 14 July 2020. In consideration of the provision of the securities, Tianshan Construction has to pay Tian Shan Real Estate a sum of approximately RMB2.8 million, pursuant to a guarantee agreement dated 14 July 2020 and entered into between Tian Shan Real Estate and Tianshan Construction (the "Second Financial Assistance Agreement"). Further details of the connected transaction are set out in the Company's announcement dated 14 July 2020.

Connected transaction with Hebei Tianshan Construction Material Technology Company Limited ("Tianshan Construction Material")

On 15 December 2020, Tianshan Construction Material entered into a facility agreement with a bank in the PRC ("Bank B"), pursuant to which Bank B agreed to make available to Tianshan Construction Material a loan facility up to RMB25.0 million from 24 December 2020 to 24 December 2023. Subject to the terms of the facility agreement, Tianshan Construction Material further entered into a loan agreement with Bank B, under which Tianshan Construction Material may draw down a one-year term loan of RMB20.0 million at an interest rate of 5.3% per annum. On 15 December 2020, the Group entered into a financial assistance agreement (the "Third Financial Assistance Agreement") with Tianshan Construction Material and Tianshan Construction, pursuant to which the Group conditionally agreed to provide financial assistance to Tianshan Construction Material by charging certain immovable properties in favour of Bank B to guarantee and secure the payment obligations of Tianshan Construction Material under the facility agreement with the maximum guarantee amount of RMB25.0 million. The term of the Third Financial Assistance Agreement is three years commencing from 24 December 2020. In consideration of the provision of the securities, Tianshan Construction Material has to pay to the Group a guarantee fee in the sum of approximately RMB2.6 million.

As at the date of this report, Tianshan Construction Material is ultimately owned by Mr. Wu Zhen Shan, Mr. Wu Zhen Ling and Mr. Zhang Zhen Hai, the Directors of the Company, as well as Ms. Wu Xiaozi (the niece of Mr. Wu Zhen Shan and Mr. Wu Zhen Ling). In addition, Mr. Wu Zhen Shan is also the sole director of the holding Company of Tianshan Construction Material. As such, Tianshan Construction Material is a connected person of the Company under the Listing Rules. Further details of the connected transaction are set out in the Company's announcement dated 15 December 2020.

The Third Financial Assistance Agreement was approved in the extraordinary general meeting of the Company held on 29 January 2021.

The Directors (including the INEDs) consider that the First Charge, the Second Charge, the First Financial Assistance Agreement, the Second Financial Assistance Agreement, the Third Financial Assistance Agreement and the transactions contemplated thereunder are not entered into in the ordinary and usual course of business of the Company but are on the normal commercial terms and are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

Contingent liabilities

Details of the contingent liabilities of the Company and the Group are set out in note 35 to the financial statements.

Subsequent Events

Save as disclosed in note 40 to the financial statements, the Board is not aware of any important event affecting the Group which has occurred subsequent to 31 December 2020 and up to the date of this report.

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

23 April 2021

Independent Auditor's Report

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

OPINION

We have audited the consolidated financial statements of Tian Shan Development (Holding) Limited ("the Company") and its subsidiaries ("the Group") set out on pages 44 to 141, which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020 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 18 to the consolidated financial statements and the accounting policies on page 68.

The Key Audit Matter

The carrying value of properties held for future development, properties under development and completed properties held for sale totalled RMB19,598,864,000 as at 31 December 2020, which accounted for 71% 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.

How the matter was addressed in our audit

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

- evaluating the design, implementation and operating effectiveness of key internal controls over the preparation and monitoring of management budgets and forecasts of construction and other costs for each property development project;

- conducting site visits to property development sites, on a sample basis, discussing with site management the progress of each project and challenging management's development budgets reflected in the latest forecasts for each project with reference to signed construction contracts and/or unit construction costs of recently completed projects developed by the Group;

- challenging the forecast property selling prices as estimated by management with reference to independent 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.

Independent Auditor's Report

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

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 Yeung Ka Chun.

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

23 April 2021

Consolidated Statement of Profit or Loss

for the year ended 31 December 2020 (Expressed in Renminbi)

	Note	2020 RMB'000	2019 RMB'000
Revenue	4	**5,394,276**	4,990,511
Cost of sales		**(4,498,546)**	(3,947,432)
Gross profit		**895,730**	1,043,079
Other net income	5	**48,111**	70,349
Selling and marketing expenses		**(311,267)**	(385,244)
Administrative expenses		**(370,545)**	(367,064)
Profit from operations		**262,029**	361,120
Finance income		**21,707**	31,449
Finance expenses		**(64,294)**	(108,636)
Net finance expenses	6(a)	**(42,587)**	(77,187)
Profit before change in fair value of investment properties and income tax		**219,442**	283,933
Increase/(decrease) in fair value of investment properties	14	**1,698**	(2,303)
Profit before taxation	6	**221,140**	281,630
Income tax	7	**(313,943)**	(393,576)
Loss for the year		**(92,803)**	(111,946)
Attributable to:			
Equity shareholders of the Company		**(160,354)**	(105,780)
Non-controlling interests		**67,551**	(6,166)
Loss for the year		**(92,803)**	(111,946)
Loss per share (RMB cents)	8		
Basic		**(15.94)**	(10.52)
Diluted		**(15.94)**	(10.52)

The accompanying notes on pages 52 to 141 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2020 (Expressed in Renminbi)

	2020 RMB'000	2019 RMB'000
Loss for the year	**(92,803)**	(111,946)
Other comprehensive income for the year (after tax and reclassification adjustments)		
Items that will not be reclassified to profit or loss:		
Equity investments at fair value through other comprehensive income-net movement in fair value reserve (non-recycling)	**(2,992)**	15,615
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign subsidiaries	**73,929**	(29,909)
Other comprehensive income for the year	**70,937**	(14,294)
Total comprehensive income for the year	**(21,866)**	(126,240)
Attributable to:		
Equity shareholders of the Company	**(89,417)**	(120,074)
Non-controlling interests	**67,551**	(6,166)
Total comprehensive income for the year	**(21,866)**	(126,240)

The accompanying notes on pages 52 to 141 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 December 2020 (Expressed in Renminbi)

	Note	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment and leasehold land	13	**1,387,755**	1,423,186
Investment properties	14	**555,893**	568,462
Other financial assets	17	**289,650**	293,640
Deferred tax assets	7(d)	**158,498**	117,291
		2,391,796	2,402,579
Current assets			
Inventories	18	**19,599,965**	20,440,708
Contract costs	19	**97,047**	93,089
Contract assets	20	**228,608**	–
Trade and other receivables	21	**3,391,078**	3,645,936
Prepaid tax	7(c)	**418,827**	484,066
Restricted cash	22	**1,202,743**	1,483,567
Cash and cash equivalents	23	**374,757**	1,425,193
		25,313,025	27,572,559
Current liabilities			
Bank loans – secured	27	**1,382,701**	1,527,636
Other loans – secured	28	**1,578,661**	2,223,056
Trade and other payables	29	**6,795,565**	8,455,707
Contract liabilities	19	**11,335,115**	11,033,493
Promissory notes	30	**279,848**	120,335
Bond payables	31	**78,965**	87,914
Lease liabilities	32	**2,080**	3,474
Taxation payable	7(c)	**509,902**	430,337
		21,962,837	23,881,952
Net current assets		**3,350,188**	3,690,607
Total assets less current liabilities		**5,741,984**	6,093,186

The accompanying notes on pages 52 to 141 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 December 2020 (Expressed in Renminbi)

	Note	2020 RMB'000	2019 RMB'000
Non-current liabilities			
Bank loans – secured	27	**1,754,710**	1,988,450
Other loans – secured	28	**1,312,632**	1,189,711
Promissory notes	30	**–**	178,870
Bond payables	31	**184,447**	235,571
Lease liabilities	32	**7,414**	10,625
Deferred tax liabilities	7(d)	**269,378**	249,670
		3,528,581	3,852,897
NET ASSETS		**2,213,403**	2,240,289
CAPITAL AND RESERVES			
Share capital	24	**87,195**	87,186
Reserves	25	**2,050,800**	2,140,162
Total equity attributable to equity shareholders of the Company		**2,137,995**	2,227,348
Non-controlling interests		**75,408**	12,941
TOTAL EQUITY		**2,213,403**	2,240,289

Approved and authorised for issue by the board of directors on 23 April 2021.

Wu Zhen Shan
Executive director

Wu Zhen Ling
Executive director

The accompanying notes on pages 52 to 141 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2020 (Expressed in Renminbi)

	Note	Attributable to equity shareholders of the Company										
		Share capital RMB'000 (note 24)	Share premium RMB'000 (note 25(b))	Exchange reserve RMB'000 (note 25(c))	Other capital reserve RMB'000 (note 25(d))	PRC statutory reserve RMB'000 (note 25(e))	Share-based compensation reserve RMB'000 (note 25(f))	Fair value reserve (non-recycling) RMB'000 (note 25(g))	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interest RMB'000	Total RMB'000
Balance at 1 January 2020		87,186	24,626	(76,782)	106,570	418,139	4,203	15,615	1,647,791	2,227,348	12,941	2,240,289
Changes in equity for 2020:												
Loss for the year		–	–	–	–	–	–	–	(160,354)	(160,354)	67,551	(92,803)
Other comprehensive income		–	–	73,929	–	–	–	(2,992)	–	70,937	–	70,937
Total comprehensive income for the year		–	–	73,929	–	–	–	(2,992)	(160,354)	(89,417)	67,551	(21,866)
Transfer to statutory reserve		–	–	–	–	30,377	–	–	(30,377)	–	–	–
Equity settled share-based payment		9	150	–	–	–	(95)	–	–	64	–	64
Transfer between reserves		–	–	–	–	–	(4,108)	–	4,108	–	–	–
Disposal of a subsidiary		–	–	–	–	–	–	–	–	–	(5,084)	(5,084)
At 31 December 2020		87,195	24,776	(2,853)	106,570	448,516	–	12,623	1,461,168	2,137,995	75,408	2,213,403

The accompanying notes on pages 52 to 141 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2020 (Expressed in Renminbi)

		Attributable to equity shareholders of the Company										
	Note	Share capital RMB'000 (note 24)	Share premium RMB'000 (note 25(b))	Exchange reserve RMB'000 (note 25(c))	Other capital reserve RMB'000 (note 25(d))	PRC statutory reserve RMB'000 (note 25(e))	Share-based compensation reserve RMB'000 (note 25(f))	Fair value reserve (non-recycling) RMB'000 (note 25(g))	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interest RMB'000	Total RMB'000
Balance at 1 January 2019		87,186	67,372	(46,873)	110,070	390,320	4,174	–	1,781,390	2,393,639	21,557	2,415,196
Changes in equity for 2019:												
Loss for the year		–	–	–	–	–	–	–	(105,780)	(105,780)	(6,166)	(111,946)
Other comprehensive income		–	–	(29,909)	–	–	–	15,615	–	(14,294)	–	(14,294)
Total comprehensive income for the year		–	–	(29,909)	–	–	–	15,615	(105,780)	(120,074)	(6,166)	(126,240)
Transfer to statutory reserve		–	–	–	–	27,819	–	–	(27,819)	–	–	–
Acquisition from non-controlling interests		–	–	–	(3,500)	–	–	–	–	(3,500)	(2,450)	(5,950)
Equity settled share-based payment	6(b)	–	–	–	–	–	29	–	–	29	–	29
Dividends approved in respect of the previous year	25(i)(ii)	–	(42,746)	–	–	–	–	–	–	(42,746)	–	(42,746)
At 31 December 2019		87,186	24,626	(76,782)	106,570	418,139	4,203	15,615	1,647,791	2,227,348	12,941	2,240,289

The accompanying notes on pages 52 to 141 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2020 (Expressed in Renminbi)

	Note	2020 RMB'000	2019 RMB'000
Operating activities			
Profit before taxation		**221,140**	281,630
Adjustments for:			
Depreciation and amortisation	6(c)	**58,214**	39,677
Equity settled share-based payment expenses		**–**	29
(Gain)/loss on disposal of property, plant and equipment	5	**(364)**	2,393
Gain on disposal a subsidiary	5	**(8,514)**	(17,988)
Dividend income	5	**(7,605)**	–
(Increase)/decrease in fair value of investment properties	14	**(1,698)**	2,303
Foreign exchange loss	6(a)	**9,522**	3,197
Interest income	6(a)	**(21,707)**	(31,449)
Finance expenses	6(a)	**54,772**	105,439
Write-down of properties under development and completed properties held for sale	18(d)	**238,350**	290,251
Impairment loss on trade receivables and contract assets	21	**29,267**	–
Impairment loss on property, plant and equipment	6(c)	**9,636**	–
Changes in working capital:			
Decrease/(increase) in inventories		**1,115,193**	(1,109,362)
Decrease in trade and other receivables		**188,628**	106,936
Decrease/(increase) in restricted cash		**280,824**	(103,168)
Decrease in trade and other payables		**(1,159,578)**	(56,662)
Increase in contract costs		**(3,958)**	(6,850)
Increase in contract assets		**(228,608)**	–
Increase in contract liabilities		**301,622**	2,694,492
Cash generated from operations		**1,075,136**	2,200,868
Tax paid			
– PRC tax paid		**(189,640)**	(470,165)
Net cash generated from operating activities		**885,496**	1,730,703

The accompanying notes on pages 52 to 141 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2020 (Expressed in Renminbi)

	Note	2020 RMB'000	2019 RMB'000
Investing activities			
Payments for the purchase of property, plant and equipment		**(35,611)**	(67,783)
Proceeds from disposal of property, plant and equipment		**452**	1,961
Proceeds from redemption of short-term investments		**–**	90,990
Payment for purchase of other financial assets		**–**	(272,820)
Proceeds from repayment of receivables from Tangshan Real Estate		**–**	263,100
Interest received		**21,707**	103,963
Dividend received		**7,605**	–
Acquisition of subsidiaries, net of cash acquired		**11**	–
Net proceeds from disposal of a joint venture		**–**	2,450
Net proceeds from disposal of subsidiaries		**979**	27,400
Net cash (used in)/generated from investing activities		**(4,857)**	149,261
Financing activities			
Proceeds from shares issued	26	**64**	–
Proceeds from new bank loans	23(b)	**728,350**	2,176,110
Proceeds from new other loans	23(b)	**1,700,852**	1,459,687
Proceeds from the issue of promissory notes	23(b)	**–**	177,421
Proceeds from the issue of bond	23(b)	**3,802**	25,992
Repayment of bank loans	23(b)	**(1,107,025)**	(1,910,403)
Repayment of other loans	23(b)	**(2,059,342)**	(2,614,250)
Repayment of bond	23(b)	**(45,186)**	(132,711)
Capital returned to limited partners	23(b)	**(431,635)**	(157,320)
Capital element of lease rentals paid	23(b)	**(2,062)**	(3,962)
Interest element of lease rentals paid	23(b)	**(754)**	(1,037)
Interest paid		**(717,858)**	(651,726)
Dividend paid		**–**	(42,746)
Net cash used in financing activities		**(1,930,794)**	(1,674,945)
Net (decrease)/increase in cash and cash equivalents		**(1,050,155)**	205,019
Cash and cash equivalents at 1 January		**1,425,193**	1,237,827
Effect of foreign exchange rate changes		**(281)**	(17,653)
Cash and cash equivalents at 31 December		**374,757**	1,425,193

The accompanying notes on pages 52 to 141 form part of these financial statements.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 CORPORATION INFORMATION

Tian Shan Development (Holding) Limited ("the Company") was incorporated in the Cayman Islands on 10 June 2005 and registered as an exempted company with limited liability under the Companies Law (2013 Revision) of the Cayman Islands. Its principal place of business is at Suite 801, 8/F., Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong and its registered office is at Windward 3, Regatta office Park, 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 amendments to 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 2020 comprise the Company and its subsidiaries. The consolidated financial statements are presented in Renminbi ("RMB") rounded to the nearest thousand Yuan.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

The measurement basis used in the preparation of the financial statements is the historical cost basis except for investment in debt and equity securities and investment properties (see notes 2(e) and 2(f)), which are stated at their fair value.

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 37.

In determining the appropriate basis of preparation of the financial statements, the directors of the Company have reviewed the Group's cash flow projections prepared by management based on estimations of future cashflow from pre-sale of properties, future committed and planned properties development expenditure and the availability of financing, which cover a period of twelve months from the reporting period end date. They are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due and committed future properties development expenditure within the next twelve months from the end of the current reporting period and that there are no material uncertainties in this respect which individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

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, investment in subsidiaries is stated at cost less impairment losses (see note 2(i)).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

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 (after applying the ECL model to such other long-term interests where applicable (see note 2(i)(i)).

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Joint venture *(Continued)*

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.

(i) 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(ii) 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 irrevocable 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).

(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).

(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)):

– right-of-use assets arising from leases over freehold or leasehold properties where the Group is not the registered owner of the property interest; and

– items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see note 2(h)).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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.

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 and under lease for own use at cost and leasehold improvement	5 – 40 years
–	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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Leased assets *(Continued)*

(i) As a lessee (Continued)

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(g) and 2(i)(iii)), except for the following types of right-of-use asset:

– right-of-use assets that meet the definition of investment property are carried at fair value in accordance with note 2(f); and

– right-of-use assets related to interests in leasehold land where the interest in the land is held as inventory are carried at the lower of cost and net realisable value in accordance with note 2(j).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and presents lease liabilities separately in the statement of financial position.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Leased assets *(Continued)*

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 2(t)(ii).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in note 2(h)(i), then the Group classifies the sub-lease as an operating lease.

(i) Credit losses and impairment of assets

(i) Credit losses from financial instruments, contract assets and lease receivables

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) and contract assets as defined in IFRS 15 (see note 2(t));

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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).

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 and contract assets: effective interest rate determined at initial recognition or an approximation thereof; and

– 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.

Loss allowances for trade receivables and contract assets 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

Measurement of ECLs (Continued)

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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

Significant increases in credit risk (Continued)

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).

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 past due event;

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

Basis of calculation of interest income (Continued)

– 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.

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.

(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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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.

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.

(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, including right-of-use assets (other than property carried at revalued amounts);

– investment in joint venture; and

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(iii) Impairment of other non-current assets (Continued)

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).

– *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)).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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 interests in freehold and leasehold 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.

– *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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(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.

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).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Contract assets and liabilities

A contract asset is recognised when the group recognises revenue (see note 2(t)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2 (i)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 2(l)).

A contract liability is recognised when the customer pays non-refundable 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 non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(l)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

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

(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).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

(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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Employee benefits *(Continued)*

(ii) Share-based payments

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

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

(iii) Termination benefits

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

(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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Income tax *(Continued)*

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

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

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

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Income tax *(Continued)*

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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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.

(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 receivable. Variable lease payments that do not depend on an index or a rate 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 under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. 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)).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(v) Construction contracts

A contract with a customer is classified by the Group as a construction contract when the contract relates to work on real estate assets under the control of the customer and therefore the Group's construction activities create or enhance an asset under the customer's control.

When the outcome of a construction contract can be reasonably measured, revenue from the contract is recognised progressively over time using the cost-to-cost method, i.e. based on the proportion of the actual costs incurred relative to the estimated total costs.

The likelihood of the Group earning contractual bonuses for early completion or suffering contractual penalties for late completion are taken into account in making these estimates, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, then a provision is recognised in accordance with the policy set out in note 2(w).

(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) Onerous contracts

An onerous contract exists when the group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Related parties

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

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

(2) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) Segment reporting

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

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

3 CHANGES IN ACCOUNTING POLICIES

The IASB has issued the following amendments to International Financial Reporting Standards ("IFRSs") that are first effective for the current accounting period of the Group:

- Amendments to IFRS 3, *Definition of a Business*
- Amendments to IFRS 9, IAS 39 and IFRS 7, *Interest Rate Benchmark Reform*
- Amendments to IAS 1 and IAS 8, *Definition of Material*
- Amendments to IFRS 16, *Covid-19-Related Rent Concessions*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in these financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 REVENUE

The principal activity of the Group is property development.

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

4 REVENUE *(Continued)*

	2020 RMB'000	2019 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Income from sales of properties	**5,105,529**	4,876,235
Income from construction contracts	**228,608**	–
Others	**32,321**	75,458
	5,366,458	4,951,693
Revenue from other sources		
Gross rental income	**27,818**	38,818
	5,394,276	4,990,511
Disaggregated by timing of revenue recognition		
Point in time	**5,137,850**	4,951,693
Over time	**256,426**	38,818
	5,394,276	4,990,511

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

	2020 RMB'000	2019 RMB'000
Gain/(loss) on disposal of property, plant and equipment	**364**	(2,393)
Gain on disposal of subsidiaries	**8,514**	17,988
Government grants	**5,722**	3,224
Penalty income	**3,106**	11,985
Service income	**357**	5,506
Income from factoring service	**236**	8,385
Compensation income	**9,098**	6,365
Utility income	**880**	3,145
Property management income	**6,023**	5,948
Input value-added tax surplus deduction	**1,067**	2,042
Dividend income (note 17)	**7,605**	–
Others	**5,139**	8,154
	48,111	70,349

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

6 PROFIT BEFORE TAXATION

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

		2020 RMB'000	2019 RMB'000
(a)	**Net finance expenses**		
	Interest income from cash at bank	**(21,707)**	(27,696)
	Interest income from the loan due from Tangshan Real Estate	**–**	(3,753)
	Finance income	**(21,707)**	(31,449)
	Interest expense and other borrowing costs on loans and borrowings	**715,601**	686,792
	Less: Interest capitalised (note)	**(661,583)**	(582,390)
	Exchange loss	**9,522**	3,197
	Interest on lease liabilities (note 23(b))	**754**	1,037
	Finance expenses	**64,294**	108,636
	Net finance expenses	**42,587**	77,187

Note: Borrowing costs have been capitalised at rates ranging from 3.85% to 13.00% per annum (2019: 4.75% to 13.35% per annum) for the year ended 31 December 2020.

		2020 RMB'000	2019 RMB'000
(b)	**Staff costs**		
	Wages, salaries and other staff costs	**242,522**	307,336
	Contributions to defined contribution retirement scheme	**1,875**	18,129
	Equity settled share-based payment expenses (note 26)	**–**	29
		244,397	325,494

6 PROFIT BEFORE TAXATION *(Continued)*

In addition to the above, staff costs of RMB67,899,000 (2019: RMB122,146,000), including contributions to defined contribution retirement scheme of RMB842,000 (2019: RMB7,329,000), 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.

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

	2020 **RMB'000**	2019 RMB'000
(c) Other items		
Depreciation and amortisation		
– owned property, plant and equipment	**55,355**	35,565
– right-of-use assets	**2,859**	4,112
Auditors' remuneration – audit services	**4,491**	3,784
Cost of inventories (note 18(d))	**4,455,887**	3,894,286
Rentals receivable less direct outgoings of RMB4,350,000 (2019: RMB4,890,000)	**(23,469)**	(33,928)
Impairment losses on property, plant and equipment	**9,636**	–

7 INCOME TAX

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

	2020 RMB'000	2019 RMB'000
Current tax		
PRC Corporate Income Tax		
– Provision for the year	**170,701**	193,752
– (Over)/under-provision in respect of prior years	**(21,089)**	5,800
PRC Land Appreciation Tax	**184,832**	190,106
	334,444	389,658
Deferred tax		
Origination and reversal of temporary differences (note 7(d))	**(20,501)**	3,918
	313,943	393,576

(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% (2019: 25%) on estimated assessable profits for the year.

7 INCOME TAX *(Continued)*

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

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

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

Certain subsidiaries of the Group are subject to LAT which is calculated based on 5% (2019: 5%) of their revenue in accordance with the authorised taxation method approved by respective local tax bureau.

(v) Withholding tax

Withholding taxes are levied on the non PRC-resident entities in respect of dividend distribution arising from the profit of the Group's PRC subsidiaries earned after 1 January 2008 at a rate of 10%. No deferred tax liabilities were recognised (2019: Nil) for the undistributed earnings of the Group's PRC subsidiaries earned for the year ended 31 December 2020 since it is not probable that they will be distributed to their immediate holding company outside the PRC in the foreseeable future.

7 INCOME TAX *(Continued)*

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

	2020 RMB'000	2019 RMB'000
Profit before taxation	**221,140**	281,630
Notional tax on profit before taxation calculated at the rates applicable to the jurisdictions concerned	**58,782**	72,276
Tax effect of unused tax losses not recognised	**108,759**	99,115
Non-deductible expenses	**72,002**	73,806
Tax effect of deferred tax not recognized (Note)	**(43,135)**	–
PRC Land Appreciation Tax	**184,832**	190,106
PRC Land Appreciation Tax deductible for PRC Corporate Income Tax	**(46,208)**	(47,527)
(Over)/under-provision of prior years	**(21,089)**	5,800
Actual tax expense	**313,943**	393,576

Note: Tax effect of deferred tax not recognized represented the loss of the land resumption of Hebei Changxin Real Estate Development Company Limited ("Hebei Changxin") amounted to RMB172,830,000 recognised for the year ended 31 December 2019, which could be deductible (note 18(d)) during the year ended 31 December 2020 according to the communication with local tax bureau.

7 INCOME TAX *(Continued)*

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

	2020 RMB'000	2019 RMB'000
PRC Corporate Income Tax		
At 1 January	**164,398**	83,687
Charged to profit or loss	**(149,612)**	(199,552)
Tax paid	**58,740**	280,263
At 31 December	**73,526**	164,398
PRC Land Appreciation Tax		
At 1 January	**(110,669)**	(110,465)
Charged to profit or loss	**(184,832)**	(190,106)
Tax paid	**130,900**	189,902
At 31 December	**(164,601)**	(110,669)
Total	**(91,075)**	53,729
Representing:		
Prepaid tax	**418,827**	484,066
Taxation payable	**(509,902)**	(430,337)
	(91,075)	53,729

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	Impairment loss on trade receivables RMB'000	Capitalisation of sales commission RMB'000	Depreciation charge of right-of-use asset RMB'000	Fair value changes of financial assets RMB'000	Total RMB'000
At 1 January 2019	(92,335)	(19,400)	16,322	(7,447)	–	(20,396)	–	–	(123,256)
Credit/(charged) to the profit or loss (note 7(a))	576	–	(219)	444	–	(2,766)	(1,953)	–	(3,918)
Charged to other comprehensive income	–	–	–	–	–	–	–	(5,205)	(5,205)
At 31 December 2019 and 1 January 2020	(91,759)	(19,400)	16,103	(7,003)	–	(23,162)	(1,953)	(5,205)	(132,379)
Credit/(charged) to the profit or loss (note 7(a))	119	–	13,483	135	7,317	(872)	319	–	20,501
Charged to other comprehensive income	–	–	–	–	–	–	–	998	998
At 31 December 2020	(91,640)	(19,400)	29,586	(6,868)	7,317	(24,034)	(1,634)	(4,207)	(110,880)

	2020 RMB'000	2019 RMB'000
Representing:		
Deferred tax assets	**158,498**	117,291
Deferred tax liabilities	**(269,378)**	(249,670)
	(110,880)	(132,379)

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 RMB435,036,000, which will expire in 2025, 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 2020, 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 RMB5,291,316,000 (2019: RMB5,079,406,000), 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 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB160,354,000 (2019: loss of RMB105,780,000) and the weighted average of 1,005,841,955 ordinary shares (2019: 1,005,781,955 ordinary shares) in issue during the year.

(b) Diluted loss per share

For the years ended 31 December 2020 and 2019, diluted loss per share was the same as the basic loss per share as the potential ordinary shares outstanding during the year had an anti-dilutive effect on the basic loss per share.

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
2020						
Executive directors						
Mr Wu Zhen Shan	–	1,680	720	–	–	2,400
Mr Wu Zhen Ling	–	1,668	720	14	–	2,402
Mr Zhang Zhen Hai	–	1,680	720	–	–	2,400
Independent non-executive directors						
Mr Tian Chong Hou	53	–	–	–	–	53
Mr Wang Ping	53	–	–	–	–	53
Mr Cheung Ying Kwan	80	–	–	–	–	80
	186	5,028	2,160	14	–	7,388
2019						
Executive directors						
Mr Wu Zhen Shan	–	1,393	720	–	1	2,114
Mr Wu Zhen Ling	–	1,649	720	15	1	2,385
Mr Zhang Zhen Hai	–	1,676	720	–	1	2,397
Independent non-executive directors						
Mr Tian Chong Hou	53	–	–	–	–	53
Mr Wang Ping	53	–	–	–	–	53
Mr Cheung Ying Kwan	79	–	–	–	–	79
	185	4,718	2,160	15	3	7,081

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 (2019: five) individuals with the highest emoluments, three (2019: three) are directors whose emoluments are disclosed in note 9. The emolument in respect of the remaining two (2019: two) individuals is as follows:

	2020	2019
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**4,569**	4,567
Retirement scheme contributions	**30**	29
	4,599	4,596

The emolument of the two (2019: two) individuals with the highest emolument is within the following bands:

	2020	2019
	Number of individuals	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 OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income

	2020			2019		
	Before tax amount RMB'000	Tax expense RMB'000 (Note 7(d))	Net-of-tax amount RMB'000	Before tax amount RMB'000	Tax expense RMB'000 (Note 7(d))	Net-of-tax amount RMB'000
Other financial assets:						
Net movement in the fair value reserve	(3,990)	998	(2,992)	20,820	(5,205)	15,615
Exchange differences on translation into presentation currency	73,929	–	73,929	(29,909)	–	(29,909)
Other comprehensive income	69,939	998	70,937	(9,089)	(5,205)	(14,294)

There was no reclassification adjustment relating to components of other comprehensive income during the year (2019: Nil).

13 PROPERTY, PLANT AND EQUIPMENT AND LEASEHOLD LAND

(a) Reconciliation of carrying amount

	Buildings held and under lease for own use at cost and leasehold improvement 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	Ownership interests in leasehold land held for own use RMB'000	Total RMB'000
Cost:								
At 1 January 2020	1,190,857	55,721	59,499	70,818	251,379	1,628,274	118,171	1,746,445
Additions	22,731	734	1,854	3,650	6,080	35,049	–	35,049
Disposals	(3,200)	(76)	(615)	(3,657)	–	(7,548)	–	(7,548)
At 31 December 2020	1,210,388	56,379	60,738	70,811	257,459	1,655,775	118,171	1,773,946
Accumulated depreciation, amortisation and impairment:								
At 1 January 2020	179,036	20,236	39,671	60,776	–	299,719	23,540	323,259
Charge for the year	40,636	4,542	6,146	5,126	–	56,450	1,764	58,214
Impairment losses (note)	7,869	382	22	–	–	8,273	1,363	9,636
Written back on disposals	(1,040)	(21)	(386)	(3,471)	–	(4,918)	–	(4,918)
At 31 December 2020	226,501	25,139	45,453	62,431	–	359,524	26,667	386,191
Net book value:								
At 31 December 2020	983,887	31,240	15,285	8,380	257,459	1,296,251	91,504	1,387,755
Cost:								
At 31 December 2018	1,041,073	55,353	61,497	71,201	255,695	1,484,819	115,284	1,600,103
Impact on initial application of IFRS 16	9,738	–	–	–	–	9,738	–	9,738
At 1 January 2019	1,050,811	55,353	61,497	71,201	255,695	1,494,557	115,284	1,609,841
Additions	57,152	243	3,811	567	127,790	189,563	558	190,121
Transfer in/(out)	87,115	243	–	–	(89,687)	(2,329)	2,329	–
Transfer to inventories	–	–	–	–	(42,419)	(42,419)	–	(42,419)
Disposals	(4,221)	(118)	(5,809)	(950)	–	(11,098)	–	(11,098)
At 31 December 2019	1,190,857	55,721	59,499	70,818	251,379	1,628,274	118,171	1,746,445
Accumulated depreciation, amortisation and impairment:								
At 1 January 2019	159,619	15,732	35,724	56,727	–	267,802	22,005	289,807
Charge for the year	22,057	4,573	7,208	4,304	–	38,142	1,535	39,677
Written back on disposals	(2,640)	(69)	(3,261)	(255)	–	(6,225)	–	(6,225)
At 31 December 2019	179,036	20,236	39,671	60,776	–	299,719	23,540	323,259
Net book value:								
At 31 December 2019	1,011,821	35,485	19,828	10,042	251,379	1,328,555	94,631	1,423,186

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

(a) Reconciliation of carrying amount *(Continued)*

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 2020, 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 RMB214,000,000 (31 December 2019: RMB246,000,000) based on the value in use calculation, which was below the CGU's carrying amount. The Group referred to the weighted average cost of capital when determining the after-tax discount rate which was 13% (2019: 12%). Accordingly, impairment loss of RMB9,636,000 (2019: Nil) was recognised in the consolidated statement of profit or loss for the year ended 31 December 2020.

The Group's property, plant and equipment with carrying value of RMB489,271,000 (2019: RMB399,391,000 were pledged as securities for the Group's bank loans and other loans (notes 27 and 28).

(b) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	Notes	**31 December 2020 RMB'000**	1 January 2020 RMB'000
Ownership interests in leasehold land held for own use	(i)	**92,867**	94,631
Buildings held and under lease for own use at cost and leasehold improvement	(ii)	**8,939**	13,956
		101,806	108,587

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

(b) Right-of-use assets *(Continued)*

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2020	2019
	RMB'000	RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
– Buildings held and under lease for own use at cost and leasehold improvement	**2,859**	4,112
– Ownership interests in leasehold land held for own use	**1,764**	1,535
	4,623	5,647
Interest on lease liabilities (note 6(a))	**754**	1,037
Expense relating to short-term leases and other leases with remaining lease term ending on or before 31 December	**1,890**	3,316

During the year, there was no additions to right-of-use assets.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 23(c) and 32, respectively.

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

(b) Right-of-use assets *(Continued)*

(i) Ownership interests in leasehold land held for own use

The Group holds several land use rights with registered ownership of 40 years. Lump sum payments were made upfront to acquire these were land-use-right from relevant government authorities, and there are no ongoing payments to be made under the terms of contract for assignment of the land-use-right.

(ii) Buildings leased for own use

The Group has obtained the right to use other properties as its offices through tenancy agreements. The leases typically run for an initial period of 1 to 10 years. Lease payments are usually increased every year to reflect market rentals.

14 INVESTMENT PROPERTIES

	2020	2019
	RMB'000	RMB'000
At 1 January	**568,462**	570,765
Transfer to completed properties held for sale	**(14,267)**	–
Increase/(decrease) in fair value	**1,698**	(2,303)
At 31 December	**555,893**	568,462
Representing:		
Valuation	**555,893**	568,462

(a) Basis of valuation of investment properties

All investment properties of the Group were revalued as at 31 December 2020 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.

14 INVESTMENT PROPERTIES *(Continued)*

(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 2020 RMB'000	**Fair value measurements as at 31 December 2020 categorised into Level 3 RMB'000**	Fair value at 31 December 2019 RMB'000	Fair value measurements as at 31 December 2019 categorised into Level 3 RMB'000
Recurring fair value measurement				
Investment properties:				
– PRC	**555,893**	**555,893**	568,462	568,462

During the year ended 31 December 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2019: 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.

(Expressed in Renminbi unless otherwise indicated)

14 INVESTMENT PROPERTIES *(Continued)*

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

(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% ~ 4.0% (2019: 3.0% ~ 5.0%)
		Average unit market rent per month	(2)	RMB1.3– RMB69.6/sq.m (2019: RMB1.3 – RMB70.5/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.

14 INVESTMENT PROPERTIES *(Continued)*

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

	2020 RMB'000	2019 RMB'000
In PRC		
– Long-term leases	**171,944**	174,149
– Medium-term leases	**383,949**	394,313
	555,893	568,462

Certain portion of the Group's investment properties was pledged against bank loans, details are set out in notes 27.

In addition to investment properties against which the Group's bank loans and other loans were secured at 31 December 2020, investment properties with fair value of RMB23,481,000 (2019: RMB23,509,000) 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 31 December 2019, 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 RMB14,267,000. The directors are of the opinion the Group is entitled to lawfully occupy or use these properties. The Group has obtained ownership certifications for these investment properties during the year ended 31 December 2020.

(e) Investment properties leased out under operating leases

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

Notes to the financial statements

(Expressed in Renminbi unless otherwise indicated)

14 INVESTMENT PROPERTIES *(Continued)*

(e) Investment properties leased out under operating leases *(Continued)*

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

	2020 RMB'000	2019 RMB'000
Within 1 year	**38,241**	27,314
After 1 year but within 5 years	**89,063**	57,630
After 5 years	**138,186**	118,290
	265,490	203,234

15 INVESTMENT IN SUBSIDIARIES

	2020 RMB'000	2019 RMB'000
Unlisted shares, at cost	**160**	160
Amounts due from subsidiaries	**1,441,667**	1,657,216
	1,441,827	1,657,376

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.

(Expressed in Renminbi unless otherwise indicated)

15 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	 Held by a subsidiary	Principal activities	Legal form
Tian Shan International Investment Company Limited	The British Virgin Islands	United States Dollars ("US$") 20,000	100%	–	Investment holding	Limited liability company
Tian Shan Real Estate Development Company Limited ("Tian Shan Real Estate")	Hebei, the PRC	RMB510,000,000	–	100%	Property development	Wholly owned foreign enterprise
Dragon China Engineering Limited	Hong Kong	HK$1	–	100%	Investment holding	Limited liability company
Sanhe Hengji Real Estate Development Company Limited	Hebei, the PRC	RMB20,000,000	–	100%	Property development	Limited liability company
Tianjin Tian Shan Real Estate Development Company Limited	Tianjin, the PRC	RMB153,000,000	–	100%	Property development	Limited liability company
Weihai Tian Shan Real Estate Development Company Limited	Shandong, the PRC	RMB105,000,000	–	100%	Property development	Limited liability company
Tian Shan (Hong Kong) Limited	Hong Kong	US$10,000	–	100%	Investment holding	Limited liability company
Shan Ling Hai He Real Estate Development Company Limited	Hebei, the PRC	RMB50,000,000	–	100%	Property development	Limited liability company
Hebei Tianshan Rongshun Private Equity Funds Management Company Limited	Hebei, the PRC	RMB10,000,000	–	100%	Investment	Limited liability company
Tianjin Tian Shan Mi Li Fang Commerce and Trading Company Limited	Tianjin, the PRC	RMB100,000,000	–	100%	Property development	Limited liability company
Zanhuang Hengji Manufacturing Company Limited	Hebei, the PRC	RMB5,000,000	–	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
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	RMB55,000,000	–	100%	Property development	Limited liability company
Xingtai Xinheng Real Estate Development Company Limited	Hebei, the PRC	RMB9,900,000	–	100%	Property development	Limited liability company

(Expressed in Renminbi unless otherwise indicated)

15 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 Zhicheng Real Estate Development Company Limited	Hebei, the PRC	RMB5,000,000	–	100%	Property development	Limited liability company
Tianshan Wanchuang Company Limited	Hebei, the PRC	RMB100,000,000	–	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	RMB211,860,000	–	100%	Property development	Limited liability company
Hebei Hanhua Real Estate Development Company Limited	Hebei the PRC	RMB50,000,000	–	100%	Inactive	Limited liability company
Ningxia Tianshan Seaworld Travel and Culture Company Limited	Ningxia, the PRC	RMB50,000,000	–	100%	Property development	Limited liability company
Yinchuan Real Estate Development Company	Ningxia, the PRC	RMB50,000,000	–	100%	Property development	Limited liability company
Hebei Neway Finance Leasing Company Limited	Hebei, the PRC	USD10,000,000	–	100%	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
Tianshan Haixing Real Estate Development Company Limited	Hebei, the PRC	RMB20,000,000	–	100%	Property development	Limited liability company
Tianshan Cangzhou 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

(Expressed in Renminbi unless otherwise indicated)

15 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
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
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
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	RMB5,000,000	–	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	RMB5,000,000	–	100%	Business Services	Limited liability company

(Expressed in Renminbi unless otherwise indicated)

15 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
China Federation of Industry Consulting Services Company limited	Hebei, the PRC	RMB20,000,000	–	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
Hebei Tianshan Shengcheng Real Estate Development Company Limited	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	–	95%	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
Tianshan Xihu Holding Compang Limited	Hebei, the PRC	HK$1	–	100%	Property development	Limited liability company
Pingshan Tianshan Chuanggu Enterprise Incubator Company Limited	Hebei, the PRC	RMB10,000,000	–	100%	Business Services	Limited liability company
Hebei Tianshan Municipal Engineering Company Limited	Hebei, the PRC	RMB25,982,000	–	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) During the year ended 31 December 2020, the Group disposed of two subsidiaries to independent third parties, with a total cash consideration of approximately RMB979,000.

15 INVESTMENT IN SUBSIDIARIES *(Continued)*

Notes: *(Continued)*

(iii) Summarised financial information in respect of the Group's principal subsidiaries with significant non-controlling interests are as follows:

	Tianshan Cangzhou Real Estate Development Co. Ltd.	
	2020	2019
	RMB'000	RMB'000
Percentage ownership interest (%)	**60.0%**	60.0%
Current assets	**238,648**	506,355
Non-current assets	**765**	189
Current liability	**155,192**	477,609
Non-current liability	**1,831**	1,831
Carrying amount of non-controlling interests	**32,956**	10,842
Revenue	**76,993**	41,543
Profit and total comprehensive income for the year	**55,286**	23,195
Profit allocated to non-controlling interests	**22,114**	9,278
Cash flows (used in)/generated from operating activities	**(32,638)**	269,727
Cash flows used in investing activities	**(75,595)**	(122,907)
Cash flows generated from/(used in) financing activities	**28,477**	(59,500)

	Hebei Tianshan Shengcheng Real Estate Development Co., Ltd.	
	2020	2019
	RMB'000	RMB'000
Percentage ownership interest (%)	**60.0%**	60.0%
Current assets	**328,141**	410,909
Non-current assets	**752**	112
Current liability	**278,299**	390,790
Non-current liability	**1,046**	1,046
Carrying amount of non-controlling interests	**19,819**	7,674

15 INVESTMENT IN SUBSIDIARIES *(Continued)*

Notes: *(Continued)*

(iii) *(Continued)*

	Hebei Tianshan Shengcheng Real Estate Development Co., Ltd. *(Continued)*	
	2020	2019
	RMB'000	RMB'000
Percentage ownership interest (%)	**60.0%**	60.0%
Revenue	**56,774**	–
Profit/(loss) and total comprehensive income for the year	**30,362**	(2,995)
Profit/(loss) allocated to non-controlling interests	**12,145**	(1,198)
Cash flows from operating activities	**841**	54,258
Cash flows generated from/(used in) investing activities	**805**	(82,504)
Cash flows used in financing activities	**–**	(29,500)

	Hebei Xufan Real Estate Development Co., Ltd.	
	2020	2019
	RMB'000	RMB'000
Percentage ownership interest (%)	**91.0%**	91.0%
Current assets	**1,072,746**	1,365,528
Non-current assets	**10,739**	42
Current liability	**919,539**	1,391,591
Non-current liability	**5,513**	5,512
Carrying amount of non-controlling interests	**14,259**	(2,838)
Revenue	**305,373**	–
Profit/(loss) and total comprehensive income for the year	**189,958**	(18,827)
Profit allocated to non-controlling interests	**17,097**	(1,694)
Cash flows from operating activities	**7,740**	252,940
Cash flows used in investing activities	**(34,874)**	(252,940)
Cash flows generated from/(used in) financing activities	**18,155**	(237)

16 INTERESTS IN A JOINT VENTURE

In 2019, the Group disposed of the interest of Shijiazhuang Dinghui Real Estate Development Company Limited, the only joint venture in which the Group participates, with proceeds of RMB2,450,000. There was no joint venture in the Group at 31 December 2020.

17 OTHER FINANCIAL ASSETS

	31 December 2020 RMB'000	31 December 2019 RMB'000
Equity securities designated at FVOCI (non-recycling)		
– Unlisted equity securities	**289,650**	293,640

Note: The unlisted equity securities are shares in Bank of Hebei and Bank of Langfang, which are financial institutions incorporated in the PRC. These investments are designated at FVOCI, as they are held by the Group for strategic purposes, and the Group does not intend to dispose them in the near future. The Group received dividends on these investments with amount of RMB7,605,000 during the year ended 31 December 2020.

18 INVENTORIES

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

	2020 RMB'000	2019 RMB'000
Properties held for future development for sale	**1,045,387**	3,619,128
Properties under development for sale	**14,854,717**	13,730,625
Completed properties held for sale	**3,698,760**	3,088,076
Others	**1,101**	2,879
	19,599,965	20,440,708

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

	2020 RMB'000	2019 RMB'000
In PRC, held on leases of		
– Over 50 years	**7,254,413**	8,508,066
– Between 10 and 50 years	**2,615,293**	2,794,542
	9,869,706	11,302,608

18 INVENTORIES *(Continued)*

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

	2020 **RMB'000**	2019 RMB'000
Properties held for future development for sale	**1,045,387**	3,619,128
Properties under development for sale	**10,970,883**	8,185,820
	12,016,270	11,804,948

(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:

	2020 **RMB'000**	2019 RMB'000
Carrying amount of properties sold	**4,217,537**	3,604,035
Write-down of properties under development and completed properties held for sale (note)	**238,350**	290,251
	4,455,887	3,894,286

Note: As the profitability of certain property development projects situated in Hebei Province was below the expectation, an impairment of loss on related properties under development and completed properties held for sale with amount of RMB238,350,000 was recognised for the year ended 31 December 2020.

Hebei Changxin Real Estate Development Company Limited ("Hebei Changxin"), an indirect wholly-owned subsidiary of the Company, acquired the land use rights for a parcel of land for urban residential purpose located in the PRC on 9 June 2017. In 2019, Hebei Changxin applied with the original assignor of land to terminate the original land transfer agreement. Both parties entered into a termination agreement for the land on 28 February 2020. In view of the fact that the transfer price agreed in the termination agreement was lower than the book value of such land and the initial development costs, the related impairment provision amounted to RMB172,873,000 was provided in the consolidated statement of profit or loss for the year ended 31 December 2019. Hebei Changxin has received the returned fund amounted to RMB528,000,000 for the land during the year ended 31 December 2020.

(e) Certain portion of the Group's inventories was pledged against bank and other loans, details are set out in notes 27 and 28.

(f) The Group temporarily leased out certain properties. 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 leases are not significant.

19 CONTRACT COSTS AND CONTRACT LIABILITIES

(a) Contract costs

	2020 RMB'000	2019 RMB'000
Arising from sales commission	**97,047**	93,089

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 costs recognised in profit or loss during the year was RMB37,636,000 (2019: RMB31,043,000). There was no impairment in relation to the contract costs during the year ended 31 December 2020 (2019: Nil).

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.

The amount of capitalised contract costs that is expected to be recovered after more than one year is RMB57,735,000 (2019: RMB62,781,000).

(b) Contract liabilities

	At 31 December 2020 RMB'000	At 31 December 2019 RMB'000
Pre-sale deposits	**11,335,115**	11,033,493

The amount of revenue recognised during the year that was included in the contract liabilities at the beginning of the year was RMB5,351,275,000 (2019: RMB4,806,544,000). The amount of pre-sale deposits and instalments received expected to be recognised as income after more than one year is RMB7,397,920,000 (2019: RMB5,903,001,000).

20 CONTRACT ASSETS

	2020	2019
	RMB'000	RMB'000
Contract assets		
Arising from performance under construction contracts	**228,608**	–
Receivables from contracts with customers within the scope of HKFRS 15, which are included in "Trade and other receivables" (note 21)	**–**	–

The Group has entered into a service concession arrangement with Yuanshi Housing and Urban-Rural Development Bureau in Hebei province on a Public-Private Partnership ("PPP") basis in respect of certain road construction, landscape planting and river channel renovation (the "underlying assets") and the maintenance of the underlying assets. Pursuant to the service concession arrangement, the Group is responsible for the construction of the underlying assets and the acquisition of the related facilities and equipment; and has the contractual obligations to maintain the infrastructure at a specified level of serviceability working conditions before handing over the infrastructure to the grantors. The Group will not hold any residual interest in the underlying assets upon expiration of the concession period.

The concession agreement includes payment schedules which require stage payments over the construction period once milestones are reached. These payment schedules prevent the build-up of significant contract assets.

The rights in respect of the construction income under the concession agreement with an aggregate carrying amount of RMB758,219,000 as at 31 December 2020 were pledged to obtain bank borrowings.

The amount of contract assets that is expected to be recovered after more than one year is RMB228,608,000.

21 TRADE AND OTHER RECEIVABLES

	2020 RMB'000	2019 RMB'000
Trade receivables, net of loss allowance (note (a))	**191,054**	284,367
Other receivables (note (b))	**1,237,691**	1,060,235
Loans and receivables	**1,428,745**	1,344,602
Deposits and prepayments (note (c))	**1,962,333**	2,301,334
	3,391,078	3,645,936

All of the trade and other receivables, except deposits and prepayments for leasehold land amounting to RMB1,320,121,000 (2019: RMB1,644,364,000), are expected to be recovered within one year.

(a) Ageing analysis

The ageing analysis of trade receivables, net of loss allowance, is as follows:

	2020 RMB'000	2019 RMB'000
Less than 1 month	**34,887**	113,895
More than 1 month but less than 3 months	**21,343**	20,439
More than 3 months	**134,824**	150,033
	191,054	284,367

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.

The Group provided expected credit losses on individual basis of RMB29,267,000 (2019: RMB Nil) for trade receivables due from certain purchasers which failed to obtain mortgage loans from banks as scheduled during the year ended 31 December 2020. Further details on the Group's credit policy are set out in note 33(b).

21 TRADE AND OTHER RECEIVABLES *(Continued)*

(b) Impairment of other receivables

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 (2019: RMB Nil).

(c) Included in deposits and prepayments were prepayments for leasehold land costs of RMB780,774,000 (2019: RMB939,087,000), and prepayments to Tianshan Construction for construction costs of RMB51,895,000 (2019: RMB44,818,000).

22 RESTRICTED CASH

	2020 **RMB'000**	2019 RMB'000
Guarantee for mortgage loans (note (a))	**344,125**	383,721
Guarantee for loans and borrowings (note 27(b))	**136,669**	21,550
Restricted cash related to pre-sale proceeds received (note (b))	**721,949**	1,078,296
	1,202,743	1,483,567

(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 amounting to RMB721,949,000 (2019: RMB1,078,296,000), at designated bank accounts as guarantee deposits for construction work of related properties as at 31 December 2020. 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.

23 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 RMB374,188,000 (2019: RMB1,424,613,000) are deposited with banks in the PRC. The conversion of these RMB denominated balances into foreign currencies and the remittance of funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the government of the PRC.

(b) Reconciliation of liabilities arising from financing activities

	Bank loans RMB'000 (note 27)	Other loans RMB'000 (note 28)	Limited partners' interest RMB'000 (note 29(b))	Promissory notes RMB'000 (note 30)	Bond payables RMB'000 (note 31)	Lease liabilities RMB'000 (note 32)	Total RMB'000
At 1 January 2020	3,516,086	3,412,767	431,635	299,205	323,485	14,099	7,997,277
Changes from financing							
Proceeds from new bank loans	728,350	–	–	–	–	–	728,350
Proceeds from new other loans	–	1,700,852	–	–	–	–	1,700,852
Proceeds from the issue of bond	–	–	–	–	3,802	–	3,802
Capital returned to limited partners	–	–	(431,635)	–	–	–	(431,635)
Repayment of bank loans	(1,107,025)	–	–	–	–	–	(1,107,025)
Repayment of other loans	–	(2,059,342)	–	–	–	–	(2,059,342)
Repayment of bond	–	–	–	–	(45,186)	–	(45,186)
Disposal of a subsidiary	–	(140,000)	–	–	–	–	(140,000)
Capital element of lease rentals paid	–	–	–	–	–	(2,062)	(2,062)
Interest element of lease rentals paid	–	–	–	–	–	(754)	(754)
Total changes from financing cash flows	(378,675)	(489,490)	(431,635)	–	(41,384)	(2,816)	(1,353,000)
Exchange adjustments	–	(22,984)	–	(19,357)	(18,689)	–	(61,030)
Other changes							
Decrease in lease liabilities from cancelling current leases during the year	–	–	–	–	–	(2,543)	(2,543)
Interest expenses	–	–	–	–	–	754	754
At 31 December 2020	3,137,411	2,891,293	–	279,848	263,412	9,494	6,581,458

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

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

	Bank loans RMB'000 (note 27)	Other loans RMB'000 (note 28)	Limited partners' interest RMB'000 (note 29(b))	Promissory notes RMB'000 (note 30)	Bond payables RMB'000 (note 31)	Lease liabilities RMB'000 (note 32)	Total RMB'000
At 31 December 2018	3,250,379	4,561,390	588,955	118,385	424,094	–	8,943,203
Impact on initial application of IFRS 16	–	–	–	–	–	9,738	9,738
At 1 January 2019	3,250,379	4,561,390	588,955	118,385	424,094	9,738	8,952,941
Changes from financing							
Proceeds from new bank loans	2,176,110	–	–	–	–	–	2,176,110
Proceeds from new other loans	–	1,459,687	–	–	–	–	1,459,687
Proceeds from the issue of bond	–	–	–	–	25,992	–	25,992
Proceeds from the issue of promissory notes	–	–	–	177,421	–	–	177,421
Capital returned to limited partners	–	–	(157,320)	–	–	–	(157,320)
Repayment of bank loans	(1,910,403)	–	–	–	–	–	(1,910,403)
Repayment of other loans	–	(2,614,250)	–	–	–	–	(2,614,250)
Repayment of bond	–	–	–	–	(132,711)	–	(132,711)
Capital element of lease rentals paid	–	–	–	–	–	(3,962)	(3,962)
Interest element of lease rentals paid	–	–	–	–	–	(1,037)	(1,037)
Total changes from financing cash flows	265,707	(1,154,563)	(157,320)	177,421	(106,719)	(4,999)	(980,473)
Exchange adjustments	–	5,940	–	3,399	6,110	–	15,449
Other changes							
Increase in lease liabilities from entering into new leases during the year	–	–	–	–	–	8,323	8,323
Interest expenses	–	–	–	–	–	1,037	1,037
At 31 December 2019	3,516,086	3,412,767	431,635	299,205	323,485	14,099	7,997,277

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

(c) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2020 **RMB'000**	2019 RMB'000
Within operating cash flows	**1,890**	3,316
Within financing cash flows	**2,816**	4,999
	4,706	8,315

These amounts relate to the following:

	2020 **RMB'000**	2019 RMB'000
Lease rentals paid	**4,706**	8,315

24 SHARE CAPITAL

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

	2020		2019	
	No. of shares	HK$'000	No. of shares	HK$'000
Ordinary shares, issued and fully paid:				
At 1 January and 31 December	**1,005,881,955**	**100,588**	1,005,781,955	100,578
RMB equivalent (RMB'000)		**87,195**		87,186

(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.

24 SHARE CAPITAL *(Continued)*

(b) Capital management *(Continued)*

The net debt-to-equity ratios at 31 December 2020 and 2019 were as follows:

	2020 RMB'000	2019 RMB'000
Non-current liabilities		
Bank loans	1,754,710	1,988,450
Other loans	1,312,632	1,189,711
Promissory notes	–	178,870
Bond payables	184,447	235,571
	3,251,789	3,592,602
Current liabilities		
Bank loans	1,382,701	1,527,636
Other loans	1,578,661	2,223,056
Promissory notes	279,848	120,335
Bond payables	78,965	87,914
	3,320,175	3,958,941
Total debt	6,571,964	7,551,543
Less: Cash and cash equivalents	(374,757)	(1,425,193)
Adjusted net debt	6,197,207	6,126,350
Total equity	2,213,403	2,240,289
Adjusted capital	2,213,403	2,240,289
Adjusted net debt-to-capital ratio	2.80	2.73

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

25 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 25(b))	Exchange reserve RMB'000 (note 25(c))	Share-based compensation reserve RMB'000 (note 25(f))	Accumulated loss RMB'000	Total RMB'000
At 1 January 2020		24,626	(45,835)	4,203	(37,546)	(54,552)
Changes in equity for 2019:						
Loss for the year		–	–	–	(102,184)	(102,184)
Exchange difference on translation of financial statements		–	30,916	–	–	30,916
Total comprehensive income for the year		–	30,916	–	(102,184)	(71,268)
Shares issued under share option scheme		150	–	–	–	150
Equity settled share-based payment		–	–	(95)	–	(95)
Transfer between reserves		–	–	(4,108)	4,108	–
		150	–	(4,203)	4,108	55
At 31 December 2020		24,776	(14,919)	–	(135,622)	(125,765)

25 RESERVES AND DIVIDENDS *(Continued)*

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

	Note	Share premium RMB'000 (note 25(b))	Exchange reserve RMB'000 (note 25(c))	Share-based compensation reserve RMB'000 (note 25(f))	(Accumulated loss)/retained earning RMB'000	Total RMB'000
At 1 January 2019		67,372	(41,118)	4,174	16,692	47,120
Changes in equity for 2019:						
Loss for the year		–	–	–	(54,238)	(54,238)
Exchange difference on translation of financial statements		–	(4,717)	–	–	(4,717)
Total comprehensive income for the year		–	(4,717)	–	(54,238)	(58,955)
Equity settled share-based payment		–	–	29	–	29
Dividends approved in respect of the previous year	25(i)(ii)	(42,746)	–	–	–	(42,746)
		(42,746)	–	29	–	(42,717)
At 31 December 2019		24,626	(45,835)	4,203	(37,546)	(54,552)

(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.

25 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 26.

(g) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under IFRS 9 that are held at the end of the reporting period (see note 2(e)).

(h) Distributability of reserves

At 31 December 2020, no reserves of the Company was available for distribution to equity shareholders of the Company (2019: Nil).

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.

25 RESERVES AND DIVIDENDS *(Continued)*

(i) Dividends

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

No final dividend proposed after the end of the reporting period per ordinary share (2019: Nil per ordinary share)

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

	2020	2019
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year (2019: HK5.00 cents (equivalents to RMB4.25 cents) per ordinary share)	–	42,746

26 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.

26 EQUITY SETTLED SHARE-BASED TRANSACTION *(Continued)*

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

	2020		2019	
	Exercise price HK$	**Number of options**	Exercise price HK$	Number of options
Outstanding at 1 January	**0.7**	**5,250,000**	0.7	5,250,000
Exercised during the year	**0.7**	**(100,000)**	0.7	–
Lapsed during the year	**0.7**	**(5,150,000)**	0.7	–
Outstanding at 31 December		**–**		5,250,000
Exercisable at 31 December	**0.7**	**–**	0.7	5,250,000

100,000 shares were exercised in May 2020 with amount of HK$70,000, the average exercise price in 2020 is HK$0.7 (2019: HK$0.7). The pre-IPO option scheme expired on 15 June 2020 and no option was outstanding as at 31 December 2020.

27 BANK LOANS – SECURED

(a) At 31 December 2020, bank loans were repayable as follows:

	2020 RMB'000	2019 RMB'000
Within one year or on demand	**1,382,701**	1,527,636
After one year but within two years	**1,329,486**	268,780
After two years but within five years	**213,584**	1,311,550
After five years	**211,640**	408,120
	1,754,710	1,988,450
	3,137,411	3,516,086

27 BANK LOANS – SECURED *(Continued)*

(b) At 31 December 2020, assets of the Group against which bank loans are secured:

	2020 RMB'000	2019 RMB'000
Properties held for future development for sale	**312,000**	974,376
Properties under development for sale	**2,825,493**	2,956,398
Completed properties held for sale	**490,272**	490,741
Property, plant and equipment	**377,085**	399,391
Investment properties	**86,439**	253,299
Restricted cash	**136,669**	21,550
Contract assets	**228,608**	–
	4,456,566	5,095,755

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

	2020 %	2019 %
Bank loans	**3.85-10.65**	4.75-10.00

28 OTHER LOANS – SECURED

(a) At 31 December 2020, other loans were repayable as follows:

	2020 RMB'000	2019 RMB'000
Within one year or on demand	**1,578,661**	2,223,056
After one year but within two years	**1,312,632**	1,189,711
	2,891,293	3,412,767

28 OTHER LOANS – SECURED *(Continued)*

(b) At 31 December 2020, assets of the Group against which other loans are secured:

	2020 RMB'000	2019 RMB'000
Properties held for future development for sale	**385,496**	745,873
Properties under development for sale	**4,143,959**	1,924,453
Completed properties held for sale	**102,420**	540,293
Property, plant and equipment	**112,186**	–
	4,744,061	3,210,619

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

	2020 %	2019 %
Other loans	**7.50-13.00**	7.50 – 13.35

29 TRADE AND OTHER PAYABLES

	2020 RMB'000	2019 RMB'000
Trade payables (note (a))	**623,138**	476,000
Bills payable (note (a))	**117,289**	791,685
Limited partners' interest (note (b))	**–**	431,635
Amounts due to the ultimate holding company	**105,149**	82,655
Amounts due to related parties (note (c))	**149,064**	130,157
Other payables and accrued charges (notes (d) and (e))	**3,688,347**	3,664,384
Financial liabilities measured at amortised cost	**4,682,987**	5,576,516
Receipts in advance	**2,112,578**	2,879,191
	6,795,565	8,455,707

29 TRADE AND OTHER PAYABLES *(Continued)*

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

	2020 **RMB'000**	2019 RMB'000
Within 1 month	**205,687**	706,007
1 month to 3 months	**67,414**	11,548
Over 3 months but within 6 months	**467,326**	550,130
	740,427	1,267,685

(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 10.5% 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. The Group returned all the capital to limited partners during the year ended 31 December 2020.

(c) Amounts due to related parties are unsecured, interest-free and repayable on demand.

(d) At 31 December 2020, included in other payables and accrued charges of the Group, retention payables of RMB747,246,000 (2019: RMB695,860,000) were expected to be settled after more than one year.

(e) At 31 December 2020, included in other payables and accrued charges, accrued construction costs of RMB311,147,000 (2019: RMB323,842,000) were payable to Tianshan Construction.

30 PROMISSORY NOTES

	2020 RMB'000	2019 RMB'000
Within one year or on demand		
– HK$135 million promissory note (note (ii))	**112,550**	120,335
– HK$200 million promissory note (note (i))	**167,298**	–
	279,848	120,335
After one year but within three years		
– HK$200 million promissory note (note (i))	**–**	178,870
	279,848	299,205

Notes:

(i) On 29 March 2019, the Company issued a promissory note with principal amount of HK$200,000,000 to a third party. The promissory note is interest-bearing at 13% per annum and the interest is payable every six months in arrears. The maturity date of the note is 28 March 2021. The promissory note is secured jointly and severally by guarantees of one of the directors, Mr Wu Zhen Shan, and Neway Enterprises Limited.

(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 14% per annum and the interest is payable every six months in arrears. The maturity date of the note is 16 July 2021. The promissory note is secured jointly and severally by guarantees of one of the directors, Mr Wu Zhen Shan, and Neway Enterprises Limited.

31 BOND PAYABLES

During the year ended 31 December 2020, the Group issued bonds with an aggregate principal amount of RMB3,802,000 (2019: RMB25,992,000). The bonds bear interest at 5% – 8% (2019: 5% – 8%) per annum with a maturity date from 1 year to 8 years (2019: 1 year to 8 years) from the issue dates.

At 31 December 2020, the bonds were repayable as follows:

	2020 RMB'000	2019 RMB'000
Within one year	**78,965**	87,914
After one year but within two years	**53,954**	40,603
After two years but within five years	**130,493**	185,130
After five years	**–**	9,838
	184,447	235,571
	263,412	323,485

32 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods and at the date of transition to IFRS 16:

	31 December 2020		31 December 2019	
	Present value of the minimum lease payments RMB'000	**Total minimum lease payments RMB'000**	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	**2,080**	**2,702**	3,474	5,681
After 1 year but within 2 years	**2,254**	**2,702**	3,191	4,125
After 2 years but within 5 years	**3,328**	**3,951**	4,791	6,054
After 5 years	**1,832**	**1,905**	2,643	2,857
	7,414	**8,558**	10,625	13,036
	9,494	**11,260**	14,099	18,717
Less: total future interest expenses		**(1,766)**		(4,618)
Present value of lease liabilities		**9,494**		14,099

33 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 27, 28, 29, 30 and 31. 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 RMB2.2 million (2019: RMB1.2 million).

33 FINANCIAL INSTRUMENTS *(Continued)*

(b) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables and contract assets. 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 35, 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 35.

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

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

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

33 FINANCIAL INSTRUMENTS *(Continued)*

(b) Credit risk *(Continued)*

Except for the trade receivables of RMB29,267,000 due from certain purchasers which failed to obtain mortgage loans from banks as scheduled, the management believed that no expected credit allowance was necessary in respect of remaining trade receivable balances, as these balances were still considered fully recoverable as at 31 December 2020.

For the contract assets arising from the PPP project, the management considered that the credit risk was limited because the counterparty of the concession agreement was local government for which there was no recent history of default.

(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.

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:

		2020				
		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	3,137,411	3,730,773	1,613,004	1,446,152	329,497	342,120
Other loans	2,891,293	3,262,057	1,871,275	1,390,782	–	–
Trade and other payables measured at amortised cost	4,682,987	4,682,987	3,935,741	747,246	–	–
Lease Liabilities	9,494	11,260	2,702	2,702	3,951	1,905
Promissory notes	279,848	290,500	290,500	–	–	–
Bond payables	263,412	294,542	93,741	62,170	138,631	–
	11,264,445	12,272,119	7,806,963	3,649,052	472,079	344,025

33 FINANCIAL INSTRUMENTS *(Continued)*

(c) Liquidity risk *(Continued)*

		2019 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	3,516,086	4,339,511	1,804,307	411,635	1,476,962	646,607
Other loans	3,412,767	3,697,301	2,457,127	1,240,174	–	–
Trade and other payables measured at amortised cost	5,576,516	5,638,908	4,943,048	695,860	–	–
Lease Liabilities (note)	14,099	18,717	5,681	4,125	6,054	2,857
Promissory notes	299,205	333,904	149,492	184,412	–	–
Bond payables	323,485	368,279	105,091	53,624	199,882	9,682
	13,142,158	14,396,620	9,464,746	2,589,830	1,682,898	659,146

(d) Fair value

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the 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

33 FINANCIAL INSTRUMENTS *(Continued)*

(d) Fair value *(Continued)*

(i) Financial assets and liabilities measured at fair value (Continued)

Fair value hierarchy (Continued)

The unlisted equity securities held by the Group were valued as at 31 December 2020 by a independent firm of surveyors, who has among their staff, with recent experience and qualification in the category of the financial instruments being valued. The valuation is categorised into Level 3 of the fair value hierarchy. A valuation report is prepared by the firm of surveyors at each interim and annual reporting date, and is reviewed and approved by the chief financial officer.

Recurring fair value measurements	**2020** **RMB'000**	2019 RMB'000
Assets:		
Other financial assets		
–Unlisted equity securities (note 17)	**289,650**	293,640

Information about Level 3 fair value measurements

	Valuation techniques	**Significant unobservable input**	**Range 2020**
Unlisted equity securities	Market comparison approach	Discount for lack of marketability	13.7%

The fair value of unlisted equity instruments is determined using the price/book value ratio of comparable listed banks adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 31 December 2020, it is estimated that with all other variables held constant, a decrease/increase in discount for lack of marketability by 10% would have increased/decrease the Group's other comprehensive income by RMB33,563,000 (2019: RMB33,368,000).

33 FINANCIAL INSTRUMENTS *(Continued)*

(d) Fair value *(Continued)*

(i) Financial assets and liabilities measured at fair value (Continued)

Fair value hierarchy (Continued)

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

	2020 RMB'000	2019 RMB'000
Unlisted equity securities:		
At 1 January	**293,640**	–
Payment for purchase	**–**	272,820
Net unrealised gains or losses recognised in other comprehensive income during the year	**(3,990)**	20,820
At 31 December	**289,650**	293,640

Any gain or loss arising from the remeasurement of the Group's unlisted equity securities held for strategic purposes are recognised in the fair value reserve (non-recycling) in other comprehensive income. Upon disposal of the equity securities, the amount accumulated in other comprehensive income is transferred directly to retained profits.

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at amortised cost were not materially different from their fair values as at 31 December 2019 and 2020.

34 COMMITMENTS

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

	2020 RMB'000	2019 RMB'000
Authorised but not contracted for	**9,314,706**	11,668,615
Contracted but not provided for	**9,362,797**	7,724,873
	18,677,503	19,393,488

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

35 CONTINGENT LIABILITIES

	2020 RMB'000	2019 RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (note (i))	9,532,344	7,755,695
Guarantee provided to a bank in respect of facility granted to a related party (note (ii))	60,000	90,000
	9,592,344	7,845,695

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 2020 are RMB9,532,344,000 (2019: RMB7,755,695,000).

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

(ii) The Company and its subsidiary, Tian Shan Real Estate, jointly entered into an agreement with Tianshan Construction, pursuant to which the Company agreed to provide a repayment guarantee whereas Tian Shan Real Estate agreed to provide a repayment guarantee and charge over its investment properties as set out in note 14(c), in favour of a banking facility for the aggregate maximum amount of RMB67,000,000 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 2020, the aggregate amount drawn under the banking facility by Tianshan Construction amounted to RMB60,000,000 (2019: RMB90,000,000). The guarantee amount represents the potential maximum exposure of the Group in accordance with the above guarantees.

36 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

	2020 **RMB'000**	2019 RMB'000
Construction cost (note (i))	**597,407**	978,981
Lease expense (note (ii))	**952**	952
Guarantee fee income (note (iii))	**(1,544)**	(3,375)
Guarantees provided by a director of the Company for the Group's bank and other loans at the end of the reporting period	**4,177,850**	4,719,092

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 14(c).

(iv) The Group received property management services in relation to the unsold properties from Shijiazhuang Tian Shan Property Management Company Limited, a company wholly owned by the controlling shareholders of the Group, with no consideration.

(v) The Group was granted a license to use the 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.

36 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(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.

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:

	2020 **RMB'000**	2019 RMB'000
Salaries, wages and other benefits	**21,031**	19,800
Contributions to defined contribution retirement plan	**106**	93
	21,137	19,893

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 36(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.

37 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.

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.

37 ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(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.

(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.

37 ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

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

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.

38 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2020 RMB'000	2019 RMB'000
Non-current asset			
Investment in subsidiaries	15	**1,441,827**	1,657,376
Buildings held under leased for own use		**5,207**	5,207
		1,447,034	1,662,583
Current assets			
Receivables		**1,902**	2,290
Cash and cash equivalents		**2,970**	3,547
		4,872	5,837
Current liabilities			
Other loans		**–**	366,683
Payables		**608,435**	639,510
Promissory notes	30	**279,848**	120,335
Bond payables	31	**78,965**	87,914
Lease liabilities		**1,491**	1,261
		968,739	1,215,703
Net current liabilities		**(963,867)**	(1,209,866)
Total assets less current liability		**483,167**	452,717
Non-current liabilities			
Other loans		**334,597**	–
Promissory notes	30	**–**	178,870
Bond payables	31	**184,447**	235,571
Lease liabilities		**2,693**	4,142
		521,737	418,583
NET (LIABILITIES)/ASSETS		**(38,570)**	34,134
CAPITAL AND RESERVES			
Share capital	24	**87,195**	87,186
Reserves	25(a)	**(125,765)**	(53,052)
TOTAL (DEFICIT)/EQUITY		**(38,570)**	34,134

39 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

As at 31 December 2020, 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.

40 SUBSEQUENT EVENTS

In early January 2021, there was an outbreak of COVID-19 again in Hebei Province, where the Group's headquarters and most of its property projects are located. The lockdown of major part of Hebei Province due to the outbreak had a significant impact to the Group's operations in the period. When the outbreak became under control in mid-February, the Group's property projects resumed normal operations subsequently.

In this connection, management expects that the Group will have a weak performance in the residential and commercial properties market in Hebei Province in early 2021. In addition, the financial results of the Group's water theme parks may be negatively impacted in 2021. Given the dynamic nature of these circumstances, the magnitude and duration of its impact on the Group's consolidated financial position, financial performance and cash flows could not be reasonably estimated at this stage and will be reflected in the Group's 2021 interim and annual financial statements.

(Expressed in Renminbi unless otherwise indicated)

41 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2020

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and a new standard, IFRS 17, Insurance contracts, which are not yet effective for the year ended 31 December 2020 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for Accounting periods beginning on or after
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest Rate Benchmark Reform – Phase 2*	1 January 2021
Amendments to IFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to IAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to IAS 37, *Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022
Annual Improvements to IFRSs 2018-2020 Cycle	1 January 2022
Amendments to IAS 1, *Classification of liabilities as current or non-current*	1 January 2023
Amendments to IFRS 10 and IAS 28, *Sale or contribution of sales between an investor and its associate or joint venture*	To be determined
Amendments to IFRS 4, *Extension of the temporary exemption from applying IFRS 9*	To be determined

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far the Group does not anticipate that the application of these amendments will have significant impact on the Group's consolidated financial statements.

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	43,795	59,314	Superstructure	100%	December 2022
2	Tianjin·Tian Shan Waterside View	Tian Shan Road, Xiaozhan Town, Jinnan District, Tianjin City, China	Residential	339,468	333,362	Superstructure	100%	December 2023
3	Tian Shan·Longhu Wan	The South Coast of Panlong Lake, Yuanshi County, Shijiazhuang City, Hebei Province, China	Residential	65,333	–	Foundation	100%	December 2023
4	No. [2020] 006 Land	To the west of Menglong Street, to the east of Qingbiao Street, to the south of Luojiazhuang Road, to the north of Cheng'an Road, Zhengding New District, Shijiazhuang City, Hebei Province, China	Residential	29,673	–	Foundation	100%	December 2024
5	Yinchuan·Tianxi Bay	To the north of Xingzhou Street, the east of Lindai, the south of Xixia Eight Road, Xixia District, Ningxia Hui Autonomous Region, China	Residential	36,236	–	Foundation	100%	December 2024
6	Yinchuan·Xing Qing Tian Shan Auspicious Lake	To the east of Planing Road and to the south of Xingyuan Road, Jinfeng District, Ningxia Hui Autonomous Region, China	Residential	179,212	129,687	Superstructure	100%	December 2022
7	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, Ningxia Hui Autonomous Region, China	Residential	134,081	147,910	Superstructure	100%	December 2023
8	Yinchuan Tian Shan Guan Lan Yuan	To the west of Jingguang Road, Jinfeng District, Ningxia Hui Autonomous Region, China	Residential	109,227	182,084	Superstructure	100%	December 2022
9	Xingtai·Tian Shan Auspicious Lake	To the west of Xinhua Southern Road and to the north of Longquan Street, Xintai City, Hebei Province, China	Residential/ Commercial	36,970	144,496	Superstructure	100%	December 2022

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
10	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 Province, China	Commercial	34,391	108,646	Superstructure	100%	December 2021
11	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 Province, China	Residential	46,666	131,268	Superstructure	55%	December 2021
12	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 2022
13	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 2021
14	Jin Lin Yuan	To the Hi-tech industry Zone, Shijiazhuang City, Hebei Province, China	Residential	4,958	14,406	Superstructure	100%	December 2021
15	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	230,109	Superstructure	100%	December 2022
16	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	121,392	Superstructure	100%	December 2021
17	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	55,499	Superstructure	70%	December 2022
18	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%	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
19	Yangzhou·Rui Hu Hua Fu	To the east of Xin Ganquan Road and to the south of Planning Road, Hanjiang District, Yangzhou City, Jiangsu Province, China	Residential	208,987	231,662	Superstructure	100%	December 2025
20	Xingtai Tian Shan Jiu Feng	To the east of Kaiyuan Road, the north of Quanan Main Street, the south of GuihuaPing'an Road and the south of Niuwei River, Xingtai City, Hebei Province, China	Residential	53,838	79,992	Superstructure	100%	December 2025
21	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	Residential	91,720	173,825	Superstructure	100%	December 2023
22	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
23	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
24	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	513,569	Superstructure	100%	December 2023
25	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	25,188	Superstructure	100%	December 2022
26	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	63,798	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
27	Hebei International Talent Port	To the east of Xincheng Main Street, the north of Hongwen Road, Zhengding New Area, Shijiazhuang City, Hebei Province, China	Commercial	47,777	–	Foundation	100%	December 2022
28	Zhao County Tian Shan Chuangkezhizao Park	To the west of Anji Avenue, to the north of Niuchang Road, the east of Guihua Road, Zhao County, Shijiazhuang City, Hebei Province, China	Commercial	15,270	–	Foundation	100%	December 2022
29	Wan Chuang·Smart City	Feixiang commercial development zone, Handan City, Hebei Province, China	Commercial	14,422	10,662	Superstructure	100%	December 2021
30	Tianjin·Tian Shan Industrial Park	No.35,Tianxiang Road, Liqizhuang Street, Xiqing District, Tianjin City, China	Industrial	95,228	–	Foundation	100%	December 2022
31	Pingshan Industrial Park	Yanbao Village, Pingshan County, Hebei Province, China	Industrial	42,512	–	Foundation	100%	December 2021
32	Xi'an Industry	To the east of Shuangzhao Road, to the west of Baorong Road, to the south of Juchang Road, to the north of Qinhe Road, Zhao County, Xi'an City, Shanxi Province, China	Industrial	166,928	–	Foundation	100%	December 2021
33	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 2021
34	Tian Shan International Innovation Industrial Park	Datong Village, Gaocheng District, Shijiazhuang City, Hebei Province, China	Industrial	55,385	–	Foundation	100%	December 2023
35	Tian Shan Waterpark·Huanghe Pearl	To the north of Jinghe Road and to the west of Binhe Road, Xingqing District, Ningxia Hui Autonomous Region, China	Comprehensive entertainment	450,569	22,541	Superstructure	100%	December 2025
Total				**2,986,196**	**3,305,852**			

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 Industrial 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 Industrial 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	Sanhe·Tian Shan International Enterprises Base	Yanjiao Economics Technical Development Zone, Sanhe City, Hebei Province, China	Apartment	18,210	100%	Medium term
7	Sanhe·Tian Shan International Enterprises Base	Yanjiao Economics Technical Development Zone, Sanhe City, Hebei Province, China	Commercial	6,269	100%	Medium term
8	Sanhe·Tian Shan International Enterprises Base	Yanjiao Economics Technical Development Zone, Sanhe City, Hebei Province, China	Commercial	6,341	100%	Medium term
9	Tianjin·Tian Shan Waterside View	Xiaozhan Town, Jinnan District, Tianjin City, China	Commercial	21,574	100%	Medium term
Total				**136,087**		

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	10,004	–	100%	Long term
2	Tianjin·Tian Shan Waterside View	Xiaozhan Town, Jinnan District, Tianjin City, China	Residential	48,506	–	100%	Long term
3	Tianjin·Tian Shan Waterside View	Xiaozhan Town, Jinnan District, Tianjin City, China	Commercial	30,784	–	100%	Medium term
4	Chengde·Tian Shan Waterside View	Huoyaoku Kou, Cuiqiao Road, Shuangqiao District, Chengde City, Hebei Province, China	Residential/ Commercial	8,225	–	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	648	–	100%	Long term
6	Ningjin·Tian Shan Waterside View	Intersection of Tianbao Street and Xinxing Road, Ningjin City, Hebei Province, China	Residential	4,053	–	100%	Long term
7	Tian Shan·Longhu Wan	The south bank of Panlonghu, Yuanshi County, Shijiazhuang City, Hebei Province, China	Residential	46,308	–	100%	Long term
8	Luancheng Wanchuang Industrial Park	To the west of Xicheng Avenue, to the north of Xinyuan Road, Luancheng District, Shijiazhuang City, Hebei Province, China	Industrial	13,189	–	100%	Medium term
9	Weihai·Tian Shan Contemporary Noble Territory	Wendeng Economics Development Zone, Shandong Province, China	Residential/ Commercial	2,452	–	100%	Long term
10	Weihai·Tian Shan Waterside View	Wendeng City, Shandong Province, China	Residential/ Commercial	5,852	–	100%	Long term
11	Tian Shan ·Auspicious Lake	Intersection of Xiangjiang Road and Kunlun Street, Shijiazhuang City, Hebei Province, China	Residential	2,613	–	100%	Long term
12	YinchuanXingqing Tian Shan Auspicious Lake	To the east of Guihua Road and the south of Xingyuan Road, Xingqing District, Ningxia Hui Autonomous Region, China	Residential	5,774	857	100%	Long term
13	Yingchuan Tian Shan Ambassador House	To the east of Jinfeng No. 10 Street, the south of Jinfeng No. 16 Road, the west of Jinfeng No. 11 Street and the north of Jinfeng No. 17 Road, Jinfengg District, Ningxia Hui Autonomous Region, China	Residential	14,552	–	100%	Long term
14	Yingchuan·Tian Shan Auspicious Lake	To the east of Lindai at Qingshui South Street, the south of Nantang Lane, Jinfeng District, Ningxia Hui Autonomous Region, China	Residential	11,770	434	100%	Long term
15	Yanshan Tian Shan Auspicious Lake	To the south of Xuyang Road, the east of Jianshe West Street, the west of Jianshe East Street, Yanshan County, Canzhou City, Hebei Province, China	Residential	645	–	100%	Long term
16	Tian Shan·Jiu Feng	Tanan Lu Kou, Jiantong Street, Shijiazhuang City, Hebei Province, China	Residential	–	674	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
17	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	3,236	–	100%	Long term
18	Jiu Long Fu Di	To the south of Xinghua Road, the west of Guihuazhan South Street, the east of Guihua Road Gaocheng District, Shijiazhuang City, Hebei Province, China	Residential	143	–	100%	Long term
19	Zhengding·Tian Shan Auspicious Lake	Zhengding New District, Shijiazhuang City, Hebei Province, China	Residential	1,913	19	100%	Long term
20	Tian Shan Guan Lan Yuan	To the south of Chen'an Road, the east of Baipu Street, Zhengding New Area, Shijiazhuang City, Hebei Province, China	Residential	136	181	100%	Long term
21	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	33,081	–	100%	Medium term
22	Tian Shan Chuanye City	To the south of Changjiang Road and to the west of Kunlun Street, Hi-tech Industry Zone, Shijiazhuang City, Hebei Province, China	Commercial	7,550	–	100%	Medium term
23	Jin Di Yue Fu	To the east of One Industry Street, to the south of Yong'an Road, the west of Anji Avenue, Zhao County, Shijiazhuang City, Hebei Province, China	Residential	1,402	–	70%	Long term
24	Zanhuan Industrial	Wumashan Industrial Zone, Zanhuang County, Shijiazhuan City, Hebei Province, China	Industrial	7,060	–	100%	Medium term
25	Yanshi Industrial Park	Nanbai Lou, Yuanshi County, Shijiazhuang City, Hebei Province, China	Industrial	3,820	–	100%	Medium term
26	Sanhe·Tian Shan International Enterprises Base	Yanjiao Economic Technical Development Zone, Sanhe City, Hebei Province, China	Industrial	8,000	–	100%	Medium term
27	Tian Shan· Science and Technology Industrial Park	No.319 Xiangjiang Road,Hi-tech Industry Development Zone, Shijiazhuang City, Hebei Province, China	Industrial	11,326	–	100%	Medium term
28	Tian Shan·Chuanggu Building	No. 123 Songjiang Road, Economic Technical Development Zone, Shijiazhuang City, Hebei Province, China	Industrial	36,158	–	100%	Medium term
29	Tian Shan·Guanlan Park	To the south of Cheng'an Road, to the east of Baopu Street, Zhengding New District, Shijiazhuang City, Hebei Province, China	Residential	136	181	100%	Long term
30	Tian Shan·Yilan Community	To the east of Qilian Street, to the west of Wanghe Property, to the south of College Road, to the north of public lands of Liucun Village, Hi-tech industry Zone, Shijiazhuang City, Hebei Province, China	Residential	294	10	100%	Long term
Total				**319,630**	**2,356**		

CONSOLIDATED INCOME STATEMENT

	Year ended 31 December				
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000	**2020** **RMB'000**
Revenue	3,816,530	4,982,704	4,616,035	4,990,511	**5,394,276**
Cost of sales	(2,954,306)	(3,813,330)	(3,333,904)	(3,947,432)	**(4,498,546)**
Gross profit	862,224	1,169,374	1,282,131	1,043,079	**895,730**
Other net income	18,481	28,858	74,960	70,349	**48,111**
Selling and marketing expenses	(258,416)	(322,849)	(31,824)	(385,244)	**(311,267)**
Administrative expenses	(283,580)	(329,427)	(434,425)	(367,064)	**(370,545)**
Profit from operations	338,709	545,956	570,842	361,120	**262,029**
Finance income	40,732	27,151	98,257	31,449	**21,707**
Finance expenses	(74,453)	(91,142)	(167,545)	(108,636)	**(64,294)**
Net finance expenses	(33,721)	(63,991)	(69,288)	(77,187)	**(42,587)**
Profit before change in fair value of investment properties and income tax	304,988	481,965	501,554	283,933	**219,442**
Increase/(decrease) in fair value of investment properties	9,421	3,559	19,459	(2,303)	**1,698**
Profit before taxation	314,409	485,524	521,013	281,630	**221,140**
Income tax	(194,977)	(382,317)	(370,742)	(393,576)	**(313,943)**
Profit/(loss) for the year	119,432	103,207	150,271	(111,946)	**(92,803)**
Attributable to:					
Equity shareholders of the Company	119,432	106,790	169,717	(105,780)	**(160,354)**
Non-controlling interests	–	(3,583)	(19,446)	(6,166)	**67,551**
Profit/(loss) for the year	119,432	103,207	150,271	(111,946)	**(92,803)**
Earnings/(loss) per share (RMB cents)					
– Basic	11.87	10.62	16.87	(10.52)	**(15.94)**
– Diluted	11.82	10.58	16.81	(10.52)	**(15.94)**

Financial Summary

CONSOLIDATED ASSETS AND LIABILITIES

	31 December				
	2016	2017	2018	2019	**2020**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Total non-current assets	1,250,854	1,349,676	1,962,458	2,402,579	**2,391,796**
Total current assets	16,528,658	21,627,691	26,323,123	27,572,559	**25,313,025**
Total assets	17,779,512	22,977,367	28,285,581	29,975,138	**27,704,821**
Total non-current liabilities	3,343,531	5,235,972	4,498,027	3,852,897	**3,528,581**
Total current liabilities	12,263,072	15,448,982	21,372,358	23,881,952	**21,962,837**
Total liabilities	15,606,603	20,684,954	25,870,385	27,734,849	**25,491,418**
Net assets	2,172,909	2,292,413	2,415,196	2,240,289	**2,213,403**