



® 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

Interim Report 2011



CORPORATE INFORMATION

Directors

Executive Directors

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

Independent Non-Executive Directors

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

Company Secretary

Mr. CHEUNG Siu Yiu, FCPA, FCCA

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 (*Chairman*)
Mr. WU Zhen Ling
Mr. TIAN Chong Hou
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

Room 3006, Level 30, One Exchange Square
8 Connaught Place
Central
Hong Kong

Registered Office in the Cayman Islands

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

Auditors

KPMG
Certified Public Accountants

Compliance Advisor

China Everbright Capital Limited

Principal Share Register and Transfer Office in the Cayman Islands

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

Hong Kong Branch Share Register and Transfer Office

Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

The board of directors (the “Board”) of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2011 together with the comparative figures for the corresponding period in 2010. The unaudited interim financial report set out on pages 13 to 33 was reviewed by the audit committee and the independent auditors of the Company.

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2011	2010	Change %
	RMB'000	RMB'000	
	(Unaudited)	(Unaudited)	
Turnover	82,481	537,298	(84.6)
Gross profit	37,387	142,235	(73.7)
(Loss)/profit for the period	(34,117)	44,207	N/A
Basic (loss)/earnings per share (RMB cents)	(3.41)	6.43	N/A
Contracted sales during the period	760,538	474,557	60.3

BUSINESS REVIEW AND PROSPECTS

As at 30 June 2011, the Group had 15 property projects under development, namely *Tian Shan Science and Technology Industrial Park, Ningjin Tian Shan Wonderful Waterside View, Chengde Tian Shan Wonderful Waters View, Sanhe Tian Shan International Enterprise Base, Contemporary Noble Territory, Tianjin Tian Shan Wonderful Waterside View (Phases I and II), New Great Earldom, Tian Shan Long Hu Wan (Phases I, II and III), Weihai Tian Shan Waterside View (Phase I), Tian Shan Shijiazhuang Mechanical Industry Park, Weihai Tian Shan Contemporary Noble Territory, and Weihai Tian Shan International Enterprise Base*, with total gross floor area under development of approximately 1.2 million square meters (“sq.m.”).

Since most of the Group’s properties under development were pre-sold before its completion and most of the current property development projects are still in the development stage as scheduled, the recognised sales during the period was dropped to RMB82.5 million from RMB537.3 million as compared with the same period of last

year. The total contracted sales amount for the current period was RMB760.5 million (six months ended 30 June 2010: RMB474.6 million) which is a good indication that the Group is continued its growth in the recent years.

As mentioned in the annual report for the year ended 31 December 2010, the Group would bring in “leisure” and “tourism” elements to its residential and commercial property projects to enhance the property value. Of which, the waterpark (the “Tianjin Waterpark”) of *Tianjin Tian Shan Wonderful Waterside View* is in the development stage and is expected to complete in early 2012. Tianjin Waterpark is planned to be opened to the residents of *Tianjin Tian Shan Wonderful Waterside View* and the public with payment of admission fees. With the presence of such high-grade ancillary entertainment facilities, it is expected that the sales/pre-sale of *Tianjin Tian Shan Wonderful Waterside View (Phases I and II)* will be boosted further in the second half of 2011 and coming years.

In addition to the residential (with ancillary commercial and leisure and tourism facilities) and industrial property projects, the Group intends to further diversify its property development portfolio to include commercial buildings, shopping malls, hotel facilities, etc. and to ensure a more healthy composition of property development portfolio in the long run.

The Group had on 22 June 2011 announced a property joint venture development project (the “Project”) with Taiwan Durban Development Co., Limited, (“Durban”) a company incorporated in Taiwan with limited liability, in respect of demolition and construction of re-settlement properties on a land parcel with the size of approximately 593,336 square meters (the “Land”) located at Liu Village, High-technology Industry Development Zone, Shijiazhuang, PRC. A portion of the Land (the “Auction Land”) will be sold through tender/auction/listing-for-sales at Shijiazhuang Land and Real Estate Exchange Centre. Given the strong economic growth of Shijiazhuang and the Land is in the proximity to a high-technology industry development zone and highways, which will be the central business district of Shijiazhuang Municipal in future planning, the Group or the joint venture company with Durban intends to participate in the tender/auction/listing-for-sales of the Auction Land. The Directors consider that the engagement in the Project, which in turn enables the Group to participate in the tender/auction/listing-for-sales of the Auction Land, will broaden the Group’s development of prime commercial buildings with apartments and potential revenue base of the Group and will be beneficial to the Company and the Shareholders as a whole in the long run. Further details of the Project is set out in the Company’s circular dated 26 August 2011.

FINANCIAL REVIEW

The Group's turnover decreased by approximately 84.6% to approximately RMB82.5 million from RMB537.3 million as compared with the same period of last year. This was primarily due to the decreased number of property projects completed and delivered to the customers. During the period, the Group's turnover is principally derived from the sales and delivery of residential and industrial property projects, namely *Contemporary Noble Territory*, *New Great Earldom* and *Sanhe Tian Shan International Enterprise Base*. The decrease in turnover was mainly attributable to decrease in GFA delivered during the period under review.

The cost of sales decreased by approximately 88.6% to approximately RMB45.1 million from RMB395.1 million as compared with the six month period ended 30 June 2010. The decrease was mainly commensurate with the decrease in the turnover during the period under review.

As a result of the foregoing, the amount of the gross profit decreased significantly by 73.7% to approximately RMB37.4 million from RMB142.2 million in the corresponding period of last year. The gross profit margin for the current period was increased to approximately 45.3% as compared with 26.5% for the same period of the preceding year. The increase in gross profit margin was mainly due to certain ancillary commercial properties of *Contemporary Noble Territory* and *New Great Earldom* were sold at relatively higher prices than those residential properties delivered and recognized in the same period of last year.

The Group's other income decreased to approximately RMB3.1 million from RMB6.1 million for the same period of preceding year. The decrease was mainly due to a PRC local government subsidy of RMB5.0 million received during the same period of last year while no such subsidy was received in the current period.

The Group's selling and marketing expenses decreased by approximately 11.3% to RMB22.4 million for the current period from RMB25.3 million for the same period of last year. The decrease was primarily due to the decrease in sales commission, which was in line with the decreased in recognised sales revenue during the period. The impact was partly offset by increase in advertising and promotion activities during the current period mainly for *Tianjin Tian Shan Waterside View (Phases I and II)*, *Tianjin Waterpark* and *Weihai Tian Shan Waterside View*.

The Group's administrative expenses increased by approximately 51.5% to RMB56.0 million from RMB37.0 million. The increase was primarily due to increase in staff cost and the general administrative expenses as a result of the increase in number of new property projects commenced in late 2010 and early 2011, namely *Weihai Tian Shan Waterside View*, *Weihai Tian Shan*, *Tianjin Tian Shan Waterside View (Phase II)*, *Tianjin Waterpark*, and *Weihai Tian Shan International Enterprise Base*.

The Group's income tax expense decreased significantly to approximately RMB2.8 million from RMB42.2 million. The decrease was primarily due to the decrease in the Group's turnover during the current period.

As a result of the above, the Group recorded a net loss of approximately RMB34.1 million for the current period as compared with the net profit of approximately RMB44.2 million for the same period of last year.

Liquidity and Financial Resources

As at 30 June 2011, the Group had cash and cash equivalents of approximately RMB198.4 million (31 December 2010: RMB376.2 million). The cash and cash equivalents are primarily denominated in Renminbi.

As at 30 June 2011, the Group had total bank and other loans in aggregate of approximately RMB983.6 million (31 December 2010: RMB665.3 million) and total equity attributable to shareholders of RMB1,094.3 million (31 December 2010: RMB1,128.6 million). The gearing ratio (calculated as net debt divided by total equity) as of 30 June 2011 was 0.72 (31 December 2010: 0.26).

Employees' Remuneration and Benefits

As at 30 June 2011, the Group employed approximately 1,263 employees (31 December 2010: 1,233 employees). The Group offered competitive salary package, social insurance, pension scheme to its employees. A share option scheme has also been adopted for employees of the Group.

The Group will periodically review and adjust the salary level of its employees to ensure that the offered salary packages are competitive. In addition, training courses and seminars are provided for the employees at different level to further their knowledge.

Foreign Exchange and Currency Risk

As at 30 June 2011, the Group's businesses were principally conducted in Renminbi. Therefore, the Group did not expose to significant foreign currency exchange risks and the Group did not employ any financial instruments for hedging purposes.

Renminbi 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.

Substantial Acquisition and Disposal

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

Capital Expenditure

During the period under review, the Group incurred capital expenditure in the amount of approximately RMB640.7 million comprising primarily land and development costs of our property projects.

Charge on Assets and Contingent Liabilities

As at 30 June 2011, the Group had restricted cash of RMB42.6 million (31 December 2010: RMB43.0 million) deposited with certain banks as guarantee deposits against certain mortgage loan facilities granted by the banks to purchasers of the Group's properties. In addition, the Group's properties for sale, property, plant and equipment and investment properties of approximately RMB2,554.2 million (31 December 2010: RMB1,442.3 million) were secured against the bank and other loans of the Group.

The Group acted as a guarantor to the mortgage bank loans granted to certain purchasers of the Group's properties for mortgage bank loans of approximately RMB1,916.3 million.

In addition, the Group has pledged a parcel of land as security for a bank loan facility of RMB16.3 million granted to Hebei Tianshan Industrial Group Construction Engineering Company Limited, a connected person of the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The guarantee will be released upon the repayment of the loan by Hebei Tianshan Industrial Group Construction Engineering Company Limited in January 2012.

SPECIAL DIVIDEND AND INTERIM DIVIDEND

The Board resolved to distribute a special dividend of HK1.5 cents per share (six months ended 30 June 2010: Nil). The special dividend will be paid in cash on or around Wednesday, 28 September 2011 to shareholders whose names appear on the register of members of the Company at the close of business on Friday, 16 September 2011.

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

The Company confirms that, having made specific enquiry of all the directors of the Company (the "Directors"), the Directors have complied with the required standards as set out in the Model Code throughout the period under review.

CORPORATE GOVERNANCE

In the opinion of the Board, the Company has complied with the provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2011.

AUDIT COMMITTEE

The audit committee of the Company comprises three independent non-executive Directors, namely Mr. Tian Chong Hou, Mr. Wang Ping and Mr. Cheung Ying Kwan. The principal duties of the audit committee include the review of the Company's financial reporting procedure, internal controls and financial results of the Group. The unaudited condensed consolidated interim financial report has been reviewed by the audit committee.

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 of 30 June 2011, 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 (“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 were as follows:

1. Interests in the Company

(a) Shares

Name of Director	Nature of interest	No. of shares	Percentage of issued share capital of the Company
WU Zhen Shan	Interest of a controlled corporation	750,000,000 (note 1) Long Position	75.00%
WU Zhen Ling	Interest of a controlled corporation	750,000,000 (note 1) Long Position	75.00%
ZHANG Zhen Hai	Interest of a controlled corporation	750,000,000 (note 1) Long Position	75.00%
WU Zhen He	Interest of a controlled corporation	750,000,000 (note 1) Long Position	75.00%

Note 1: 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 WU Zhen Shan, 25% by WU Zhen Ling, 25% by ZHANG Zhen Hai and 25% by WU Zhen He and all of them being directors of Neway Enterprises. Since these four Directors exercise or control the exercise of entire voting right at general meetings of Neway Enterprises, each of them is deemed to be interested in the shares held by Neway Enterprises by virtue of Part XV of the SFO.

(b) Options

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

Notes:

1. The options are granted to XU Lan Ying, the spouse of WU Zhen Shan, under the pre-IPO share option scheme adopted by the Company on 16 June 2010 (the "Pre-IPO Share Option Scheme").
2. The options are granted to FAN Yi Mei, the spouse of WU Zhen Ling, under the Pre-IPO Share Option Scheme.
3. The options are granted to WU Lan Zhi, the spouse of ZHANG Zhen Hai, under the Pre-IPO Share Option Scheme.
4. The options are granted to GU Jing Gai, the spouse of WU Zhen He, under the Pre-IPO Share Option Scheme.

2. Interest in associated corporations

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

Save as disclosed above, as at 30 June 2011, 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 30 June 2011, the following interests of 10% 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:

Name of shareholder of the Company	Nature of interest	Number of shares held	Percentage of the Company's issued share capital
Neway Enterprises	Beneficial	750,000,000	75.00%
Hebei International Investments Limited ("Hebei International")	Beneficial	99,998,000 (note i)	9.99%
Hebei Province Construction & Investment Group Co., Ltd. ("Hebei Province Construction")	Interest of a controlled corporation	99,998,000 (note i)	9.99%

Note i: Hebei International is wholly-owned by Hebei Province Construction. By virtue of the SFO, Hebei Province Construction was deemed to be interested in the 99,998,000 shares of the Company held by Hebei International.

Save as disclosed above, as at 30 June 2011, no person, other than the directors of the Company, whose interests are set out in the paragraph headed “Interests and short positions of the director, and the chief executives 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 were granted. The options can be exercised for a period of 10 years from the date of the grant. Further details of the terms of the Pre-IPO Share Option Scheme are disclosed in the prospectus of the Company dated 30 June 2010.

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

Name or category of participant	At 1 January 2011	Grant during the period	Exercised during the period	Forfeited during the period	At 30 June 2011	Date of grant	Exercise period of the share options (note f)	Exercise price of share options (HK\$ per share)
Connected persons								
WU Lan Zhi (note a)	191,000	—	—	—	191,000	16.06.2010	16.01.2011 to 15.06.2020	0.70
XU Lan Ying (note b)	191,000	—	—	—	191,000	16.06.2010	16.01.2011 to 15.06.2020	0.70
FAN Yi Mei (note c)	191,000	—	—	—	191,000	16.06.2010	16.01.2011 to 15.06.2020	0.70
GU Jing Gai (note d)	191,000	—	—	—	191,000	16.06.2010	16.01.2011 to 15.06.2020	0.70
WU Lan Ping (note e)	191,000	—	—	—	191,000	16.06.2010	16.01.2011 to 15.06.2020	0.70
	955,000	—	—	—	955,000			
Other employees and grantees								
In aggregate	4,945,000	—	—	—	4,945,000	16.06.2010	16.01.2011 to 15.06.2020	0.70
Total	5,900,000	—	—	—	5,900,000			

Notes:

- (a) WU Lan Zhi is the elder sister of WU Zhen Shan, WU Zhen Ling and WU Zhen He and the spouse of ZHANG Zhen Hai. The interest was also disclosed as an interest of ZHANG Zhen Hai in the paragraph headed “Interests and short positions of the directors and the chief executives in shares, underlying shares, and debentures of the Company and its associated corporations” above.
- (b) XU Lan Ying is the spouse of WU Zhen Shan. The interest was also disclosed as an interest of WU Zhen Shan in the paragraph headed “Interests and short positions of the directors and the chief executives in shares, underlying shares, and debentures of the Company and its associated corporations” above.
- (c) FAN Yi Mei is the spouse of WU Zhen Ling. The interest was also disclosed as an interest of WU Zhen Ling in the paragraph headed “Interests and short positions of the directors and the chief executives in shares, underlying shares, and debentures of the Company and its associated corporations” above.
- (d) GU Jing Gai is the spouse of WU Zhen He. The interest was also disclosed as an interest of WU Zhen He in the paragraph headed “Interests and short positions of the directors and the chief executives in shares, underlying shares, and debentures of the Company and its associated corporations” above.
- (e) WU Lan Ping is the younger sister of WU Zhen Shan, WU Zhen Ling and WU Zhen He.
- (f) Each grantee is entitled to exercise up to 10% of the share options granted to him/her each year since the date of grant. Options which become exercisable in the relevant year are not exercised can be exercised in any of the subsequent years in whole or in part.

SHARE OPTION SCHEME

No share options were granted, exercised or cancelled by the Company under the share option scheme during the period under review and there were no outstanding share options under the share option scheme as at 30 June 2011.

By order of the Board

Tian Shan Development (Holding) Limited

Wu Zhen Shan

Chairman

Hong Kong

30 August 2011

UNAUDITED CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2011

(Expressed in Renminbi)

		Six months ended 30 June	
	Note	2011 RMB'000	2010 RMB'000
Turnover	3	82,481	537,298
Cost of sales		(45,094)	(395,063)
Gross profit		37,387	142,235
Other income		3,110	6,122
Selling and marketing expenses		(22,398)	(25,261)
Administrative expenses		(56,041)	(36,980)
(Loss)/profit from operations		(37,942)	86,116
Finance income		694	393
Finance expenses		(4)	(100)
Net financing income	4(a)	690	293
(Loss)/profit before change in fair value of investment properties and income tax		(37,252)	86,409
Increase in fair value of investment properties		5,974	—
(Loss)/profit before taxation	4	(31,278)	86,409
Income tax	5	(2,839)	(42,202)
(Loss)/profit for the period		(34,117)	44,207
Basic (loss)/earnings per share (RMB cents)	7	(3.41)	6.43

The notes on pages 20 to 33 form part of this interim financial report.

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2011

(Expressed in Renminbi)

		Six months ended 30 June	
	Note	2011 RMB'000	2010 RMB'000
(Loss)/profit for the period		(34,117)	44,207
Other comprehensive income for the period	8		
Exchange differences on translation of financial statements of overseas subsidiaries		(804)	967
Total comprehensive income for the period		(34,921)	45,174

The notes on pages 20 to 33 form part of this interim financial report.

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2011

(Expressed in Renminbi)

	Note	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	146,068	23,869
Investment properties	10	172,680	157,323
Deferred tax assets		55,386	37,341
		374,134	218,533
Current assets			
Properties for sale	11	3,090,102	2,628,568
Trade and other receivables	12	840,008	349,638
Prepaid tax		12,471	—
Restricted cash	13	42,592	42,957
Cash and cash equivalents		198,429	376,224
		4,183,602	3,397,387
TOTAL ASSETS		4,557,736	3,615,920
EQUITY			
Share capital	14	86,731	86,731
Reserves		1,007,538	1,041,827
SHAREHOLDERS' EQUITY		1,094,269	1,128,558
LIABILITIES			
Non-current liabilities			
Bank loans — secured	15	277,800	269,900
Other loans — secured	16	52,000	152,080
Deferred tax liabilities		33,504	29,233
		363,304	451,213

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

at 30 June 2011

(Expressed in Renminbi)

	Note	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Current liabilities			
Bank loans — secured	15	281,700	93,300
Other loans — secured	16	372,080	150,000
Trade and other payables	17	2,358,937	1,669,110
Current taxation		87,446	123,739
		3,100,163	2,036,149
TOTAL LIABILITIES		3,463,467	2,487,362
TOTAL EQUITY AND LIABILITIES		4,557,736	3,615,920
Net current assets		1,083,439	1,361,238
Total assets less current liabilities		1,457,573	1,579,771

The notes on pages 20 to 33 form part of this interim financial report.

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2011

(Expressed in Renminbi)

	Attributable to equity holders of the Group							Total
	Share capital RMB'000 (note 14)	Share premium RMB'000	Exchange reserve RMB'000	Other capital reserve RMB'000	PRC statutory reserve RMB'000	Share-based compensation reserve RMB'000	Retained profits RMB'000	
At 1 January 2010	160	—	47,366	110,070	95,956	—	314,477	568,029
Profit for the period	—	—	—	—	—	—	44,207	44,207
Other comprehensive income	—	—	967	—	—	—	—	967
Total comprehensive income	—	—	967	—	—	—	44,207	45,174
Transfer to statutory reserve	—	—	—	—	9,147	—	(9,147)	—
At 30 June 2010	160	—	48,333	110,070	105,103	—	349,537	613,203

	Attributable to equity holders of the Group							Total
	Share capital RMB'000 (note 14)	Share premium RMB'000	Exchange reserve RMB'000	Other capital reserve RMB'000	PRC statutory reserve RMB'000	Share-based compensation reserve RMB'000	Retained profits RMB'000	
At 1 July 2010	160	—	48,333	110,070	105,103	—	349,537	613,203
Profit for the period	—	—	—	—	—	—	155,284	155,284
Other comprehensive income	—	—	815	—	—	—	—	815
Total comprehensive income	—	—	815	—	—	—	155,284	156,099
Capitalisation issue	59,480	(59,480)	—	—	—	—	—	—
Mandatory conversion of senior notes	5,414	70,671	—	—	—	—	—	76,085
Issue of new shares, net of listing expenses	21,677	260,443	—	—	—	—	—	282,120
Equity settled share-based payment	—	—	—	—	—	1,051	—	1,051
Transfer to statutory reserve	—	—	—	—	13,869	—	(13,869)	—
At 31 December 2010	86,731	271,634	49,148	110,070	118,972	1,051	490,952	1,128,558

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

for the six months ended 30 June 2011

(Expressed in Renminbi)

	Attributable to equity holders of the Group							Total RMB'000
	Share capital RMB'000 (note 14)	Share premium RMB'000	Exchange reserve RMB'000	Other capital reserve RMB'000	PRC statutory reserve RMB'000	Share-based compensation reserve RMB'000	Retained profits RMB'000	
At 1 January 2011	86,731	271,634	49,148	110,070	118,972	1,051	490,952	1,128,558
Loss for the period	—	—	—	—	—	—	(34,117)	(34,117)
Other comprehensive income	—	—	(804)	—	—	—	—	(804)
Total comprehensive income	—	—	(804)	—	—	—	(34,117)	(34,921)
Equity settled share-based payment	—	—	—	—	—	632	—	632
At 30 June 2011	86,731	271,634	48,344	110,070	118,972	1,683	456,835	1,094,269

The notes on pages 20 to 33 form part of this interim financial report.

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2011

(Expressed in Renminbi)

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
Cash (used in)/generated from operations	(358,422)	134,006
Income tax paid	(65,377)	(48,364)
Net cash (used in)/generated from operating activities	(423,799)	85,642
Net cash used in investing activities	(42,849)	(172)
Net cash generated from/(used in) financing activities	289,651	(15,717)
Net (decrease)/increase in cash and cash equivalents	(176,997)	69,753
Cash and cash equivalents at 1 January	376,224	178,376
Effect of foreign exchange rate changes	(798)	(201)
Cash and cash equivalents at 30 June	198,429	247,928

The notes on pages 20 to 33 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with International Accounting Standard ("IAS") 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("IASB"). It was authorised for issued on 30 August 2011.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2010 annual financial statements.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2010 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in conformity with International Financial Reporting Standards ("IFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. KPMG's independent review report to the board of directors is included on page 34.

The financial information relating to the financial year ended 31 December 2010 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2010 are available from the company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 28 March 2011.

1 BASIS OF PREPARATION *(Continued)*

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

- IAS 24 (revised 2009), *Related party disclosures*
- Improvements to IFRSs (2010)
- IFRIC 19, *Extinguishing financial liabilities with equity instruments*

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

IFRIC 19 has not yet had a material impact on the Group's financial statements as these changes will first be effective as and when the Group enters a relevant transaction (for example, a debt for equity swap).

The remaining developments related primarily to clarification of certain disclosure requirements applicable to the Group's financial statements. These developments have had no material impact on the contents of this interim financial report.

2 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 in the interim financial report.

No geographic information is shown as the turnover and profit from operation of the Group is derived from activities in the People's Republic of China ("the PRC").

The Group does not have a single customer with whom transactions have exceeded 10% of the Group's turnover for the six months ended 30 June 2011.

3 TURNOVER

The principal activity of the Group is property development. Turnover of the Group for the period is analysed as follows:

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
Income from sales of properties	76,530	527,534
Revenue from construction contracts	5,951	9,764
	82,481	537,298

Revenue from construction contracts represents income arising from development of industrial properties in accordance with designs provided by customers.

4 (LOSS)/PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
(a) Net financing income		
Interest income	(688)	(387)
Exchange gain	(6)	(6)
Finance income	(694)	(393)
Interest expense and other borrowing costs	28,650	28,611
Less: Interest and borrowing costs capitalised	(28,646)	(28,511)
Finance expenses	4	100
Net financing income	(690)	(293)
(b) Other items		
Depreciation and amortisation	2,232	2,174
Reversal of provision for impairment losses on other receivables	(710)	—

5 INCOME TAX

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
Current tax		
PRC Corporate Income Tax	12,923	20,365
Land Appreciation Tax	3,690	19,714
	16,613	40,079
Deferred tax		
Revaluation of investment properties	1,397	—
Pre-sale of properties	(10,362)	2,123
Other temporary differences	(4,809)	—
	(13,774)	2,123
	2,839	42,202

- (a) 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 and the Cayman Islands.
- (b) No Hong Kong Profits Tax has been provided for as the Group's Hong Kong operations sustained losses for taxation purposes.
- (c) **PRC Corporate Income Tax ("CIT")**

Certain subsidiaries of the Group were subject to CIT at deemed profit which represents 13% (six months ended 30 June 2010: 13%) of their revenue in accordance with authorised tax valuation method (核定徵收) approved by local tax bureau pursuant to the applicable PRC tax regulations. The tax rate was 25% (six months ended 30 June 2010: 25%) on the deemed profit.

For other PRC subsidiaries of the Group, which were subject to the actual taxation method (查賬徵收), CIT were charged at a rate of 25% (six months ended 30 June 2010: 25%) on the estimated assessable profit for the period.

5 INCOME TAX (Continued)

(d) 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.

In addition, certain subsidiaries of the Group were subject to LAT which is calculated based on 1% to 3% (six months ended 30 June 2010: 1% to 3%) of their revenue in accordance with the authorised tax valuation method approved by respective local tax bureau.

(e) Withholding tax

A withholding tax at 10%, unless reduced by a treaty or agreement, for dividends distributed by a PRC-resident enterprise to its immediate holding company outside PRC for earnings generated beginning on 1 January 2008. During the six months ended 30 June 2011, PRC-resident enterprises of the Group have not declared dividend and did not earn any profit. In this regard, neither current nor deferred tax in relation to withholding tax was recognised in profit or loss.

6 DIVIDENDS

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
Special dividend declared and paid after the interim period of HK1.5 cents per share (2010: Nil)	12,300	—

Pursuant to a board resolution passed on 30 August 2011, a special dividend of HK1.5 cents per share was declared from the share premium of the Company to the ordinary shareholders.

The board of directors does not recommend the payment of an interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: RMB Nil).

7 BASIC (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity shareholder of the Company of RMB34,117,000 (six months ended 30 June 2010: profit of RMB44,207,000) and weighted average number of ordinary shares outstanding of 1,000,000,000 (2010: 687,560,000) ordinary shares in issue during the interim period.

The Company's share options as at 30 June 2011 and 2010 and the Company's warrants as at 30 June 2010 did not give rise to any dilution effect to the (loss)/earnings per share.

8 OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
Exchange differences on translation of financial statements of overseas subsidiaries	(804)	967

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

9 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2011, the Group's additions in property, plant and equipment amounted to RMB122,417,000 (six months ended 30 June 2010: RMB984,000), including properties for sale with carrying amount of RMB81,445,000 (six months ended 30 June 2010: RMB Nil) transferred to property, plant and equipment during the period. Items of property, plant and equipment with a net book value of RMB218,000 were disposed of during the six months ended 30 June 2011 (six months ended 30 June 2010: RMB539,000), resulting in a gain on disposal of RMB157,000 (six months ended 30 June 2010: RMB238,000).

10 INVESTMENT PROPERTIES

During the six months ended 30 June 2011, properties for sale with fair value of RMB13,800,000 (six months ended 2010: RMB Nil) was transferred to investment properties. All investment properties of the Group were revalued as at 30 June 2011 at the open market value. The valuations were carried out by an independent firm of surveyors, Jones Lang LaSalle Sallmans 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.

11 PROPERTIES FOR SALE

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Properties held for future development for sale	569,214	773,634
Properties under development for sale	2,435,801	1,753,394
Completed properties held for sale	85,087	101,540
	3,090,102	2,628,568

In addition to properties for sale secured against the Group's bank and other loans as set out in notes 15 and 16, at 30 June 2011, properties for sale with a carrying value of RMB11,948,000 was secured against a banking facility of RMB16,300,000 of Hebei Tian Shan Industrial Group Construction Engineering Company Limited ("Tian Shan Construction"), a related company of the Group.

12 TRADE AND OTHER RECEIVABLES

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Trade receivables (note (a))	10,804	25,994
Deposits, prepayments and other receivables (note (b))	829,204	322,924
Gross amount due from customers for contract work	—	720
	840,008	349,638

12 TRADE AND OTHER RECEIVABLES *(Continued)*

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

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Current or less than 1 month overdue	10,784	25,354
3 months to 1 year overdue	20	640
	10,804	25,994

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

- (b) Included in deposits, prepayments and other receivables at 30 June 2011 were prepayments for leasehold land of RMB296,718,000 (31 December 2010: RMB198,874,000). In addition, during the six months ended 30 June 2011, the Group participated in the redevelopment of an old village in Shijiazhuang. At 30 June 2011, an amount of RMB300 million (31 December 2010: RMB Nil) was paid and included in other receivables of the Group.

13 RESTRICTED CASH

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

14 SHARE CAPITAL

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

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Authorised:		
10,000,000,000 (2010: 10,000,000,000) ordinary shares of HK\$0.1 each	1,000,000	1,000,000
Issued and fully paid:		
1,000,000,000 ordinary shares of HK\$0.1 each	100,000	100,000
RMB equivalent (RMB'000)	86,731	86,731

15 BANK LOANS — SECURED

(a) At 30 June 2011, bank loans were repayable as follows:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Within one year or on demand	281,700	93,300
After one year but within two years	50,000	109,900
After two year but within five years	227,800	160,000
	277,800	269,900
	559,500	363,200

15 BANK LOANS — SECURED *(Continued)*

- (b) At 30 June 2011, assets of the Group secured against bank loans are analysed as follows:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Properties for sale	1,751,336	924,493
Property, plant and equipment	118,057	—
Investment properties	158,880	157,323
	2,028,273	1,081,816

16 OTHER LOANS — SECURED

- (a) At 30 June 2011, other loans were repayable as follows:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Within one year or on demand	372,080	150,000
After one year but within two years	52,000	152,080
	424,080	302,080

- (b) At 30 June 2011, assets of the Group secured against bank loans are analysed as follows:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Properties for sale	525,951	360,483

17 TRADE AND OTHER PAYABLES

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Trade payables (note (a))	43,814	26,402
Receipts in advance	1,742,674	1,064,617
Other payables and accruals (note (b))	521,788	545,075
Amounts due to related parties	47,683	29,926
Gross amount due to customers for contract work	2,978	3,090
	2,358,937	1,669,110

- (a) Included in trade and other payables were trade payables with the following ageing analysis:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Due within 1 month or on demand	43,814	26,402

- (b) Included in other payables and accruals were accrued construction costs to Tian Shan Construction amounted to RMB11,244,000 (31 December 2010: RMB38,945,000).

18 EQUITY SETTLED SHARE-BASED TRANSACTION

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.

The number of outstanding options at 30 June 2011 was 5,900,000 (31 December 2010: 5,900,000). No options were exercised, granted or lapsed during the six months ended 30 June 2011.

19 COMMITMENTS

Capital commitments outstanding at 30 June 2011 not provided for in the interim financial report are set out as follows:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Authorised but not contracted for	5,537,669	5,088,558
Contracted for	2,727,348	1,811,481
	8,265,017	6,900,039

Capital commitments mainly related to land and development costs for the Group's properties under development and commitment on the redevelopment of an old village in Shijiazhuang as set out in note 12(b).

20 CONTINGENT LIABILITIES

Other than the guarantee provided by the Group to Tian Shan Construction as set out in note 11, 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 to repay 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 date of grant of the relevant mortgage loans and ends after the purchasers obtain the individual property ownership certificates of the properties purchased. The maximum amount of guarantees given to banks for mortgage facilities granted to the purchasers of the Group's properties at 30 June 2011 is set out as follows:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	1,916,300	1,916,300

20 CONTINGENT LIABILITIES (Continued)

The directors consider that it is not probable that the Group will sustain a loss under these guarantees as during the period 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 their fair values are considered to be minimal by the directors. The directors also consider that the fair 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.

21 MATERIAL RELATED PARTY TRANSACTIONS

Other than those disclosed in notes 11 and 17 to the interim financial report, the Group had the following significant transactions and balances with related parties during the six months ended 30 June 2011:

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
Construction cost (note (i))	201,571	183,441
Rental expense (note (ii))	193	193
Remuneration to key management personnel (note (iii))	1,383	1,638
Guarantee fee income (note (iv))	570	—

Notes:

- (i) The balance represents costs in relation to the construction services rendered by Tian Shan Doors and Windows Installation Company Limited and Tian Shan Construction, both are companies wholly owned by the directors of the Group.
- (ii) The balance represents rental expenses paid to Tian Shan Construction for office and staff quarter occupied by the Group.
- (iii) The directors are of the opinion that the key management personnel of the Group are the executive directors of the Company during the period.
- (iv) The balance represents the guarantee fee received from Tian Shan Construction in respect of properties for sales of the Group secured against a banking facility of Tian Shan Construction as set out in note 11.

21 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

Notes: *(Continued)*

- (v) During the six months ended 30 June 2011 and 2010, the Group received property management services in relation to the unsold properties from Shijiazhuang Tian Shan Property Management Company Limited, a related company of the Group, with nil consideration.
- (vi) 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 as licensor and Tianshan Real Estate Development Company Limited, a related company of the Group as licensee at nil consideration.

22 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE PERIOD BEGINNING 1 JANUARY 2011

Up to the date of issue of interim financial report, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for accounting period beginning 1 January 2011 and which have not been adopted in the interim financial report.

The Group has made an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application but has so far concluded that these amendments, new standards and new interpretations would not have a significant impact on the Group's results of operations and financial position.



**Review report to the board of directors of
Tian Shan Development (Holding) Limited**

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 13 to 33 which comprises the consolidated statement of financial position of Tian Shan Development (Holding) Limited as of 30 June 2011 and the related consolidated income statement, statement of comprehensive income and statement of changes in equity and condensed consolidated statement of cash flows for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion 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.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2011 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

KPMG

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

30 August 2011