



**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  
**2013**



## 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. TIAN Chong Hou (*Chairman*)

Mr. WU Zhen Shan

Mr. WU Zhen Ling

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](http://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*

### 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 2013 together with the comparative figures for the corresponding period in 2012. The unaudited interim financial report set out on pages 12 to 36 has been reviewed by the audit committee and the independent auditors of the Company.

## FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)	Change % +/(–)
Turnover	<b>227,643</b>	210,467	<b>8.2%</b>
Gross profit	<b>64,698</b>	58,585	<b>10.4%</b>
Loss for the period	<b>(68,881)</b>	(27,140)	<b>153.8%</b>
Contracted sales during the period	<b>940,929</b>	435,793	<b>115.9%</b>
Special dividend per share (HK cent)	<b>1.0</b>	1.0	–

## BUSINESS REVIEW AND PROSPECTS

### Property development and investment

As at 30 June 2013, the Group had 13 property projects under development and available for sale primarily in Shijiazhuang, Tianjin, Chengde and Shangdong with total planned gross floor area of approximately 3.3 million square meters (“sq.m.”).

The total contracted sales amount for the current period was RMB940.9 million (six months ended 30 June 2012: RMB435.8 million) which is increased by 115.9% as compared over the same period last year. The increase in contracted sales was primarily contributed by the pre-sale of Auspicious Lake, Tianjin Tian Shan Wonderful Waterside View (Phases I and II), and Yuanshi Waterside View.

During the period under review, the Group’s waterpark (the “Tianjin Waterpark” or “米立方”) with a site area of 86,510 sq.m. situated in *Tianjin Tian Shan Wonderful Waterside View* has completed its trial run and officially commenced its operation in late July 2013. The Tianjin Waterpark, a new land mark of Xiaozhan Town, Jinan District, Tianjin, is running satisfactorily and reached approximately 10,000 visits per day since its grand opening in late July 2013. With the estimated strong cash flows from the operation of Tianjin Waterpark, the Directors consider that the Group has achieved more balanced cash flow management from operations by not only depending on the properties selling.



The Group is committed to continue its successful track record in the development of quality residential and industrial property projects in Bohai Economic Rim and in the coming future, will explore the potential of property development in other provinces in the PRC.

## FINANCIAL REVIEW

The Group's turnover slightly increased by approximately 8.2% to approximately RMB227.6 million from RMB210.5 million as compared with the same period of last year. During the period, the Group's turnover is principally derived from the sales and delivery of residential property projects, namely Tianjin Tian Shan Wonderful Waterside View (Phases I and II), Chengde Tian Shan Wonderful Waters View, and Yuanshi Waterside View.

The cost of sales increased by approximately 7.3% to approximately RMB162.9 million from RMB151.9 million as compared with the six month period ended 30 June 2012. The increase was mainly commensurate with the increase in the turnover during the period under review.


As a result of the foregoing, the amount of the gross profit increased by 10.4% to approximately RMB64.7 million from RMB58.6 million in the corresponding period of last year. The gross profit margin for the current period was slightly increased to approximately 28.4% as compared with 27.8% for the same period of the preceding year.

The Group's other income was primarily the rental income earned from the lease of investment properties and other miscellaneous income.

The Group's selling and marketing expenses increased by approximately 100.0% to RMB55.9 million for the current period from RMB27.9 million for the same period of last year. The increase was primarily due to the increase in advertising and promotion expenses for new properties projects as well as the promotion for Tianjin Waterpark which was launched its operation in late July 2013. In addition, the sales staff costs also increased due to more headcounts and the overall increase in salary level.

The Group's administrative expenses also increased by approximately 35.6% to RMB80.0 million from RMB59.0 million. In the same period last year, there was a recovery of a bad and doubtful debt of RMB12.3 million recorded and accordingly lowered the overall administrative expenses. There was no such item recorded in the current period. Other than the above, the administrative expenses were generally increased because of more headcounts of staff and overall office expenses.

The Group's income tax expense increased to approximately RMB8.7 million from RMB8.1 million. The increase was primarily due to the increase in the Group's turnover during the current period.



As a result of the above, the Group recorded a net loss of approximately RMB68.9 million for the current period as compared with the net loss of approximately RMB27.1 million for the same period of last year.

## **Liquidity and Financial Resources**

As at 30 June 2013, the Group had cash and cash equivalents of approximately RMB654.1 million (31 December 2012: RMB618.9 million). The cash and cash equivalents are primarily denominated in Renminbi.

As at 30 June 2013, the Group had total bank and other loans in aggregate of approximately RMB1,689.5 million (31 December 2012: RMB1,715.4 million) and total equity attributable to shareholders of RMB1,426.0 million (31 December 2012: RMB1,506.3 million). The gearing ratio (calculated as net debt divided by total equity) as of 30 June 2013 was 0.73 (31 December 2012: 0.73).

## **Employees' Remuneration and Benefits**

As at 30 June 2013, the Group employed a total of 1,253 employees (31 December 2012: 1,129 employees). The compensation package of the employees includes basic salary and bonus which depends on the employee's actual achievement against target. In general, the Group offered competitive salary package, social insurance, pension scheme to its employees based on the current market salary levels. A share option scheme has also been adopted for employees of the Group.

## **Foreign Exchange and Currency Risk**

The Group's businesses are principally conducted in Renminbi, therefore, the Group does not expose to significant foreign currency exchange risks as of 30 June 2013 and the Group does not employ any financial instruments for hedging purposes.

In addition, 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 RMB682.6 million comprising primarily the Group's addition in property, plant and equipment, and the land and development costs of the Group's property projects.

## Charge on Assets and Contingent Liabilities

As at 30 June 2013, the Group had restricted cash of RMB68.8 million (31 December 2012: RMB47.5 million) deposited with certain banks as guarantee deposits against certain mortgage loan facilities granted by the banks to purchasers of the Group's properties. In addition, the Group's properties held for future development for sale, properties under development for sale, completed properties held for sale, property, plant and equipment and investment properties in aggregate of approximately RMB2,393.3 million (31 December 2012: RMB2,559.0 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 RMB2,314.3 million (31 December 2012: RMB2,314.3 million).

As of 30 June 2013, the Group has pledged completed properties held for sale thereon as partial security for a bank loan of RMB20.0 million granted to Hebei Tianshan Industrial Group Construction Engineering Company Limited ("Tianshan Construction"), 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"). In addition, the Group also provided a corporate guarantee and a security over certain investment properties in favour of a bank in the PRC in respect of banking facility of RMB53.0 million granted to Tianshan Construction.

## SPECIAL DIVIDEND AND INTERIM DIVIDEND

The Board resolved to distribute a special dividend of HK1.00 cent (six months ended 30 June 2012: HK1.00 cent) per share. The special dividend will be paid in cash on or around Wednesday, 23 October 2013 to shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 16 October 2013.

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: 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 (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2013.

## **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 at 30 June 2013, 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 were as follows:

### 1. Interests in the Company

#### (a) Shares

Name of Director of the Company	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 of the Company (the "Shares") are beneficially held by Neway Enterprises Limited ("Neway Enterprises"). Neway Enterprises is a company incorporated in the British Virgin Islands and is owned as to 25% by Mr. WU Zhen Shan, 25% by Mr. WU Zhen Ling, 25% by Mr. ZHANG Zhen Hai and 25% by Mr. WU Zhen He and all of them being directors of Neway Enterprises. Since these four Directors exercise or control the exercise 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 2013, 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 2013, the following interests of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

### Long positions:

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

Save as disclosed above, as at 30 June 2013, no person, other than the directors of the Company, whose interests are set out in the section "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 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 period:

Name or category of participant	At 1 January 2013	Grant during the period	Exercised during the period	Forfeited during the period	At 30 June 2013	Date of grant	Exercise period of the share options  (note f)	Exercise price of share options  (HK\$ per share)
<b>Connected persons</b>								
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			
<b>Other employees and grantees</b>								
In aggregate	4,755,000	–	–	–	4,755,000	16.06.2010	16.01.2011 to 15.06.2020	0.70
Total	5,710,000	–	–	–	5,710,000			



Notes:

- (a) WU Lan Zhi is the elder sister of WU Zhen Shan, WU Zhen Ling and WU Zhen He and the spouse of ZHANG Zhen Hai. The interest was also disclosed as an interest of ZHANG Zhen Hai in the section "Interests and short positions of the Directors and the chief 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 section "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 section "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 section "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 which has become effective on 15 July 2010 (the "Share Options Scheme") during the period under review and there were no outstanding share options under the Share Option Scheme as at 30 June 2013.

By order of the Board  
**Tian Shan Development (Holding) Limited**  
**Wu Zhen Shan**  
*Chairman*

Hong Kong  
23 August 2013

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2013 – unaudited  
(Expressed in Renminbi)

		Six months ended 30 June	
	Note	2013 RMB'000	2012 RMB'000
<b>Turnover</b>	4	<b>227,643</b>	210,467
Cost of sales		<b>(162,945)</b>	(151,882)
<b>Gross profit</b>		<b>64,698</b>	58,585
Other revenue		<b>9,756</b>	10,495
Selling and marketing expenses		<b>(55,850)</b>	(27,927)
Administrative expenses		<b>(79,951)</b>	(58,963)
<b>Loss from operations</b>		<b>(61,347)</b>	(17,810)
Finance income		<b>2,037</b>	826
Finance expenses		<b>(864)</b>	(2,106)
<b>Net finance income/(expenses)</b>	5(a)	<b>1,173</b>	(1,280)
<b>Loss before taxation</b>	5	<b>(60,174)</b>	(19,090)
Income tax	6	<b>(8,707)</b>	(8,050)
<b>Loss for the period</b>		<b>(68,881)</b>	(27,140)
<b>Loss per share (RMB cents)</b>	8		
Basic		<b>(6.89)</b>	(2.71)
Diluted		<b>(6.89)</b>	(2.71)

The notes on pages 19 to 36 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 7.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2013 – unaudited

(Expressed in Renminbi)

		Six months ended 30 June	
	Note	2013 RMB'000	2012 RMB'000
<b>Loss for the period</b>		<b>(68,881)</b>	(27,140)
<b>Other comprehensive income for the period:</b>			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign subsidiaries		272	5
<b>Total comprehensive income for the period</b>		<b>(68,609)</b>	(27,135)

The notes on pages 19 to 36 form part of this interim financial report.

## CONSOLIDATED BALANCE SHEET

at 30 June 2013 – unaudited

(Expressed in Renminbi)

	Note	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	9	418,133	335,211
Investment properties	10	433,253	433,253
Deferred tax assets		34,889	24,594
		<b>886,275</b>	793,058
<b>Current assets</b>			
Inventories	11	3,980,254	3,550,312
Trade and other receivables	12	1,105,554	931,613
Prepaid tax		31,552	16,653
Restricted cash	13	68,848	47,492
Cash and cash equivalents		654,089	618,883
		<b>5,840,297</b>	5,164,953
<b>Current liabilities</b>			
Bank loans – secured	15	445,617	539,050
Other loans – secured	16	588,850	454,555
Trade and other payables	17	3,444,024	2,528,100
Current taxation		102,157	141,947
		<b>4,580,648</b>	3,663,652
<b>Net current assets</b>		<b>1,259,649</b>	1,501,301
<b>Total assets less current liabilities</b>		<b>2,145,924</b>	2,294,359





## CONSOLIDATED BALANCE SHEET (CONTINUED)

at 30 June 2013 – unaudited

(Expressed in Renminbi)

	Note	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
<b>Non-current liabilities</b>			
Bank loans – secured	15	<b>325,000</b>	175,500
Other loans – secured	16	<b>330,000</b>	546,295
Deferred tax liabilities		<b>64,891</b>	66,259
		<b>719,891</b>	788,054
<b>NET ASSETS</b>			
		<b>1,426,033</b>	1,506,305
<b>CAPITAL AND RESERVES</b>			
Share capital	14	<b>86,731</b>	86,731
Reserves		<b>1,339,302</b>	1,419,574
<b>TOTAL EQUITY</b>		<b>1,426,033</b>	1,506,305

The notes on pages 19 to 36 form part of this interim financial report.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2013 – unaudited

(Expressed in Renminbi)

Note	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	
<b>At 1 January 2012</b>	86,731	259,358	48,259	110,070	147,001	2,087	680,959	1,334,465
<b>Changes in equity for the six months ended 30 June 2012:</b>								
Loss for the period	-	-	-	-	-	-	(27,140)	(27,140)
Other comprehensive income	-	-	5	-	-	-	-	5
Total comprehensive income	-	-	5	-	-	-	(27,140)	(27,135)
Equity settled share-based payment	-	-	-	-	-	403	-	403
Dividends approved in respect of the previous year	7(b)	(28,473)	-	-	-	-	-	(28,473)
<b>At 30 June 2012</b>	86,731	230,885	48,264	110,070	147,001	2,490	653,819	1,279,260

Note	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	
<b>At 1 July 2012</b>	86,731	230,885	48,264	110,070	147,001	2,490	653,819	1,279,260
<b>Changes in equity for the six months ended 31 December 2012:</b>								
Profit for the period	-	-	-	-	-	-	235,173	235,173
Other comprehensive income	-	-	(228)	-	-	-	-	(228)
Total comprehensive income	-	-	(228)	-	-	-	235,173	234,945
Transfer to statutory reserve	-	-	-	-	27,883	-	(27,883)	-
Equity settled share-based payment	-	-	-	-	-	226	33	259
Special dividend declared in respect of the current year	7(a)	(8,159)	-	-	-	-	-	(8,159)
<b>At 31 December 2012</b>	86,731	222,726	48,036	110,070	174,884	2,716	861,142	1,506,305

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

for the six months ended 30 June 2013 – unaudited

(Expressed in Renminbi)

Note	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 2013	86,731	222,726	48,036	110,070	174,884	2,716	861,142	1,506,305
<b>Changes in equity for the six months ended 30 June 2013:</b>								
Loss for the period	-	-	-	-	-	-	(68,881)	(68,881)
Other comprehensive income	-	-	272	-	-	-	-	272
Total comprehensive income	-	-	272	-	-	-	(68,881)	(68,609)
Equity settled share-based payment	-	-	-	-	-	289	-	289
Dividends approved in respect of the previous year	7(b)	(11,952)	-	-	-	-	-	(11,952)
At 30 June 2013	86,731	210,774	48,308	110,070	174,884	3,005	792,261	1,426,033

The notes on pages 19 to 36 form part of this interim financial report.

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2013 – unaudited

(Expressed in Renminbi)

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
<b>Cash generated from/(used in) operations</b>	<b>117,214</b>	(131,859)
Income tax paid	(75,059)	(57,106)
<b>Net cash generated from/(used in) operating activities</b>	<b>42,155</b>	(188,965)
<b>Net cash used in investing activities</b>	<b>(87,489)</b>	(56,599)
<b>Net cash generated from financing activities</b>	<b>80,319</b>	407,632
<b>Net increase in cash and cash equivalents</b>	<b>34,985</b>	162,068
<b>Cash and cash equivalents at 1 January</b>	<b>618,883</b>	180,469
<b>Effect of foreign exchange rate changes</b>	<b>221</b>	17
<b>Cash and cash equivalents at 30 June</b>	<b>654,089</b>	342,554

The notes on pages 19 to 36 form part of this interim financial report.



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

for the six months ended 30 June 2013

(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 of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("IASB"). It was authorised for issue on 23 August 2013.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2012 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2013 annual financial statements. Details of these changes in accounting policies are set out in note 2.

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 2012 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance 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 pages 37 and 38.

The financial information relating to the financial year ended 31 December 2012 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 2012 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 2013.



## 2 CHANGES IN ACCOUNTING POLICIES

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

- Amendments to IAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*
- IFRS 10, *Consolidated financial statements*
- IFRS 12, *Disclosure of interests in other entities*

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

### **Amendments to IAS 1, Presentation of financial statements – Presentation of items of other comprehensive income**

The amendments to IAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in this interim financial report has been modified accordingly.

### **IFRS 10, Consolidated financial statements**

IFRS 10 replaces the requirements in IAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and SIC 12 *Consolidation – Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure and the ability to use its power to affect the amount of those returns. As a result of the adoption of IFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

### **IFRS 12, Disclosure of interests in other entities**

IFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by IFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the group has not made additional disclosures in this interim financial report as a result of adopting IFRS 12.

### 3 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").

### 4 TURNOVER

The principal activity of the Group is property development.

Turnover represents income from sales of properties. The amount of this category of revenue recognised in turnover during the period is as follows:

Six months ended 30 June		
	2013 RMB'000	2012 RMB'000
Sales of properties	227,643	210,467



## 5 LOSS BEFORE TAXATION

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

		Six months ended 30 June
		2012
		RMB'000
		2013
		RMB'000
<b>(a) Net finance (income)/expenses</b>		
Interest income	(2,031)	(826)
Exchange gain	(6)	–
Finance income	(2,037)	(826)
Interest expense and other borrowing costs	90,326	52,796
Less: interest and borrowing costs capitalised	(89,462)	(50,690)
Finance expenses	864	2,106
Net finance (income)/expenses	(1,173)	1,280
<b>(b) Other items</b>		
Depreciation of fixed assets	6,738	3,965
Amortisation of leasehold land	–	1
Reversal of provision for impairment losses on other receivables	–	(12,290)

## 6 INCOME TAX

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
<b>Current tax</b>		
PRC Corporate Income Tax	14,672	10,666
Land Appreciation Tax	5,698	5,011
	<b>20,370</b>	15,677
<b>Deferred tax</b>		
Pre-sale of properties	(10,108)	(5,056)
Other temporary differences	(1,555)	(2,571)
	<b>(11,663)</b>	(7,627)
	<b>8,707</b>	8,050

- (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 have no estimated assessable profits during the year.
- (c) **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.

Certain subsidiaries of the Group were subject to CIT calculated based on the deemed profit which represents 13% to 15% (six months ended 30 June 2012: 13% to 15%) of their revenue in accordance with the authorised taxation 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 2012: 25%) on the deemed profit. Other PRC subsidiaries of the Group, which were subject to the actual taxation method (查賬徵收), were charged CIT at a rate of 25% (six months ended 30 June 2012: 25%) on estimated assessable profit for the period.

## 6 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.

Certain subsidiaries of the Group were subject to LAT which is calculated based on 1% to 5% (six months ended 30 June 2012: 1% to 5%) of their revenue in accordance with the authorised tax valuation method approved by respective local tax bureau.

### (e) Withholding tax

Withholding taxes are levied on the non PRC-resident entities in respect of dividend distribution arising from profit of PRC subsidiaries earned after 1 January 2008 at a rate of 10%. No deferred tax liabilities were recognised (2012: Nil) for the undistributed earnings of the Group's PRC subsidiaries for the six months ended 30 June 2013 since it is not probable that they will be distributed to their immediate holding company outside PRC in the foreseeable future.

## 7 DIVIDENDS

### (a) Dividends payable to equity shareholders of the Company attributable to the previous year

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Special dividend declared after the interim period of HK1.00 cent (equivalent to RMB0.80 cent) per ordinary share (six months ended 30 June 2012: HK1.00 cent (equivalent to RMB0.82 cent) per ordinary share)	8,000	8,159

Pursuant to a board resolution passed, after the balance sheet date, on 23 August 2013, a special dividend of HK1.00 cent (2012: HK1.00 cent) per ordinary share was declared. The special dividend had not been recognised as a liability at the balance sheet date.

## 7 DIVIDENDS *(Continued)*

### (b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the interim period

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the interim period, of HK1.50 cents (equivalent to RMB1.20 cents) per ordinary share (six months ended 30 June 2012: HK3.50 cents (equivalent to RMB2.84 cents) per ordinary share)	11,952	28,473

The board of directors does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2013 (six months ended 30 June 2012: RMB Nil).

## 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 RMB68,881,000 (six months ended 30 June 2012: RMB27,140,000) and the weighted average of 1,000,000,000 ordinary shares (six months ended 30 June 2012: 1,000,000,000 ordinary shares) in issue during the interim period.

### (b) Diluted loss per share

The diluted loss per share is the same as basic loss per share for the six months ended 30 June 2013 and 2012 as the potential ordinary shares are anti-dilutive during that period.

## 9 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2013, the Group's additions in property, plant and equipment amounted to RMB89,697,000 (six months ended 30 June 2012: RMB58,137,000). Items of property, plant and equipment with a net book value of RMB37,000 were disposed of during the six months ended 30 June 2013 (six months ended 30 June 2012: RMB1,039,000), resulting in a gain on disposal of RMB83,000 (six months ended 30 June 2012: loss of RMB327,000).

## 10 INVESTMENT PROPERTIES

The directors consider the carrying values of investment properties approximate to their respective fair values as at 30 June 2013.

Certain investment properties carried at fair value as at 30 June 2013 have been pledged to secure borrowings of the Group as follows:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Other loans (note 16)	94,032	94,032
Banking facility of a related party (note 20(ii))	98,013	98,013
Fair value of investment properties pledged	192,045	192,045

## 11 INVENTORIES

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Properties held for future development for sale	245,202	236,073
Properties under development for sale	2,693,745	2,232,423
Completed properties held for sale	1,041,307	1,081,816
	3,980,254	3,550,312

Certain inventories carried at cost as at 30 June 2013 have been pledged to secure borrowings of the Group as follows:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Bank loans	539,358	917,754
Other loans	1,432,459	1,301,450
Bank loan of a related party (note 20(iii))	12,535	—
Carrying value of inventories pledged	1,984,352	2,219,204

## 12 TRADE AND OTHER RECEIVABLES

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Trade receivables (note (a))	25,516	64,380
Deposits, prepayments and other receivables (note (b))	1,080,038	867,233
	1,105,554	931,613

- (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 2013 RMB'000	At 31 December 2012 RMB'000
Current or less than 1 month overdue	13,502	61,452
3 months to 1 year overdue	12,014	2,928
	25,516	64,380

Trade receivables are due within 0 – 30 days from date of billing.

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

- (b) Included in deposits, prepayments and other receivables were prepayment for leasehold land costs of RMB267,254,000 (31 December 2012: RMB253,797,000).

At 30 June 2013, an amount of RMB377,550,000 (31 December 2012: RMB345,000,000) was paid as deposits for redevelopment of a village in Shijiazhuang 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 2013 HK\$'000	At 31 December 2012 HK\$'000
<b>Authorised:</b>		
10,000,000,000 ordinary shares of HK\$0.1 each (2012: 10,000,000,000 ordinary shares of HK\$0.1 each)	<b>1,000,000</b>	1,000,000
<b>Issued and fully paid:</b>		
1,000,000,000 ordinary shares of HK\$0.1 each (2012: 1,000,000,000 ordinary shares of HK\$0.1 each)	<b>100,000</b>	100,000
RMB equivalent (RMB'000)	<b>86,731</b>	86,731

## 15 BANK LOANS – SECURED

(a) At 30 June 2013, bank loans were repayable as follows:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Within one year or on demand	<b>445,617</b>	539,050
After one year but within two years	<b>50,000</b>	45,500
After two year but within five years	<b>275,000</b>	130,000
	<b>325,000</b>	175,500
	<b>770,617</b>	714,550



## 15 BANK LOANS – SECURED (Continued)

- (b) Certain bank loans of Group are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the bank loans would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 30 June 2013, none of the covenants relating to bank loans had been breached (31 December 2012: RMB Nil).
- (c) At 30 June 2013, carrying values of assets of the Group pledged for bank loans are analysed as follows:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Properties held for future development for sale	127,493	127,493
Properties under development for sale	219,082	376,801
Completed properties held for sale	192,783	413,460
	<b>539,358</b>	917,754
Property, plant and equipment	327,445	245,804
Restricted cash	37,480	22,400
	<b>904,283</b>	1,185,958

## 16 OTHER LOANS – SECURED

- (a) At 30 June 2013, other loans were repayable as follows:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Within one year or on demand	588,850	454,555
After one year but within two years	330,000	546,295
	<b>918,850</b>	1,000,850

## 16 OTHER LOANS – SECURED *(Continued)*

- (b) At 30 June 2013, carrying values of assets of the Group pledged for other loans are analysed as follows:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Properties held for future development for sale	15,633	43,716
Properties under development for sale	1,285,183	1,115,732
Completed properties held for sale	131,643	142,002
	<b>1,432,459</b>	1,301,450
Investment properties	94,032	94,032
	<b>1,526,491</b>	1,395,482

In addition to assets of the Group pledged for other loans as set above, certain properties with total carrying value of RMB114,426,000 (31 December 2012: RMB114,426,000) were provided by Hebei Tianshan Industrial Group Construction Engineering Company Limited ("Tianshan Construction"), a company wholly-owned by the controlling shareholders of the Group, as security for a banking facility of RMB360,000,000 (31 December 2012: RMB360,000,000) of the Group. No guarantee fee is paid to Tianshan Construction for such provision of security.

## 17 TRADE AND OTHER PAYABLES

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Trade payables (note (a))	86,767	83,898
Receipts in advance (note (b))	1,932,764	1,288,673
Other payables and accruals (note (c))	1,142,980	1,089,726
Amounts due to the ultimate holding company (note (d))	14,028	12,944
Amounts due to related parties (note (d))	33,489	32,859
Limited partners' interest (note (e))	233,996	–
Designated loans (note (f))	–	20,000
	<b>3,444,024</b>	2,528,100

## 17 TRADE AND OTHER PAYABLES (Continued)

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

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Due within 1 month or on demand	86,767	83,898

- (b) Included in receipts in advance were deferred income which were expected to be recognised in profit or loss after more than one year amounted to RMB67,983,000 (31 December 2012: RMB65,195,000).
- (c) Included in other payables and accruals were accrued construction costs to Tianshan Construction amounted to RMB189,056,000 (31 December 2012: RMB158,716,000).
- (d) Amounts due to the ultimate holding company, Neway Enterprises Limited, and related parties are unsecured, interest-free and repayable on demand.
- (e) Limited partners' interests were contributions from limited partners of Shijiazhuang Rong Chuang Investment Centre, Shijiazhuang Shun Rong Investment Centre, Shijiazhuang Hi-tech District Rui Bao Investment Centre and Shijiazhuang Hi-tech District Rui Xuan Investment Centre amounted to RMB226,800,000. Based on the partnership agreements, the Group has the contractual obligation to pay interest expenses to those limited partners at rates ranging from 14.5% to 17.0% per annum. The interest expenses are payable annually in arrears. The contributions have been recognised initially at fair value and interest expenses thereon are recognised on an accrual basis in profit or loss as part of the finance costs.
- (f) Designated loan at 31 December 2012 was secured by the Group's properties under development for sale with carrying amount of RMB79,558,000, interest-free and repayable within one year. The loan has been repaid in full during the interim period ended 30 June 2013.

## 18 EQUITY SETTLED SHARE-BASED TRANSACTION

On 16 June 2010, the Company conditionally granted certain pre-IPO share options to connected persons, consultations, 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 outstanding options at 30 June 2013 was 5,710,000 (31 December 2012: 5,710,000). No options were exercised, granted or lapsed during the six months ended 30 June 2013.

## 19 COMMITMENTS

Capital commitments outstanding at 30 June 2013 not provided for in the interim financial report are set out as follows:

	<b>At 30 June 2013 RMB'000</b>	<b>At 31 December 2012 RMB'000</b>
Authorised but not contracted for	<b>5,310,698</b>	5,758,707
Contracted but not provided for	<b>2,256,569</b>	2,217,681
	<b>7,567,267</b>	7,976,388

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

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (note (i))	<b>2,314,300</b>	2,314,300
Guarantee provided to a bank in respect of facility granted to a related party (note (ii))	<b>68,400</b>	68,400
Guarantee provided to a bank in respect of a bank loan granted to a related party (note (iii))	<b>22,900</b>	–
	<b>2,405,600</b>	2,382,700

### Notes:

- (i) The Group provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default in the mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to banks. The Group's guarantee period commences from the dates of grants of the relevant mortgage loans and ends after the purchasers obtain the individual property ownership certificates of the properties purchased. The maximum amounts of guarantees given to banks for mortgage facilities granted to the purchasers of the Group's properties at 30 June 2013 are RMB2,314,300,000.

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



## 20 CONTINGENT LIABILITIES *(Continued)*

Notes: *(Continued)*

- (ii) The Company and its subsidiary, Tian Shan Real Estate Development Limited ("Tian Shan Real Estate"), jointly entered into an agreement with Tianshan Construction, a company wholly-owned by the controlling shareholders of the Group, 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 10, in favour of a banking facility of RMB53,000,000 to Tianshan Construction. Under the guarantee, the Company and Tian Shan Real Estate shall unconditionally guarantee to pay the indebtedness in total of RMB68,400,000 (2012: RMB68,400,000), 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 30 June 2013, the aggregate amount drawn under the banking facility by Tianshan Construction amounted to RMB53,000,000. The guarantee amount represents the potential maximum exposure of the Group in accordance with the above guarantees.

- (iii) Tian Shan Real Estate entered into a Financial Assistance Agreement with Tianshan Construction, pursuant to which Tian Shan Real Estate agreed to provide a repayment guarantee and charge over its completed properties for sale as set out in note 11, in favour of a short term bank loan of RMB20,000,000 to Tianshan Construction. Under the guarantee, Tian Shan Real Estate shall unconditionally guarantee to pay the indebtedness in total of RMB22,900,000, including: (i) the principal amount of the bank loan; (ii) includes any accrued interest thereon, any penalty interests, any compound interest, (iii) any default in payment and compensation and (iv) any costs and expenses for enforcing the guarantee.

The maximum amount guaranteed under the Financial Assistance Agreement to secure the payment obligation of Tian Shan Construction is RMB22,900,000.

## 21 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the balances and transactions disclosed elsewhere in the interim financial report, the Group had the following significant transactions with related parties:

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Construction costs (note (i))	<b>64,305</b>	88,013
Rental expenses (note (ii))	<b>193</b>	193
Remuneration to key management personnel (note (iii))	<b>1,440</b>	1,456
Guarantee fee income (note (iv))	<b>(1,306)</b>	(231)

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 terms granted to the Group.
- (ii) The amount represents rental expenses paid to Tianshan Construction for office and staff quarter occupied by the Group.
- (iii) Remuneration to key management personnel of RMB1,440,000 (six months ended 30 June 2012: RMB1,456,000) represents salaries and fringe benefits paid to the directors of the Company.
- (iv) The amount represents the guarantee fee received from Tianshan Construction in respect of properties for sales and investment properties of the Group secured against a banking facility and a bank loan to Tianshan Construction as set out in notes 10 and 11.
- (v) 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.
- (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, 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.





## 22 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE PERIOD BEGINNING 1 JANUARY 2013

Up to the date of issue of this 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 2013 and which have not been adopted in the interim financial report. These include the following which may be relevant to the Group.

	<b>Effective for accounting periods beginning on or after</b>
Amendments to IAS 32, <i>Financial instruments: Presentation</i> – <i>Offsetting financial assets and financial liabilities</i>	1 January 2014
IFRS 9, <i>Financial instruments</i>	1 January 2015

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it had concluded that the adoption of them is unlikely to 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 12 to 36 which comprises the consolidated balance sheet of Tian Shan Development (Holding) Limited as of 30 June 2013 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity and condensed consolidated cash flows statement 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 2013 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

23 August 2013



## 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. TIAN Chong Hou (*Chairman*)

Mr. WU Zhen Shan

Mr. WU Zhen Ling

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](http://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*

### 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 2013 together with the comparative figures for the corresponding period in 2012. The unaudited interim financial report set out on pages 12 to 36 has been reviewed by the audit committee and the independent auditors of the Company.

## FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)	Change % +/(–)
Turnover	<b>227,643</b>	210,467	<b>8.2%</b>
Gross profit	<b>64,698</b>	58,585	<b>10.4%</b>
Loss for the period	<b>(68,881)</b>	(27,140)	<b>153.8%</b>
Contracted sales during the period	<b>940,929</b>	435,793	<b>115.9%</b>
Special dividend per share (HK cent)	<b>1.0</b>	1.0	–

## BUSINESS REVIEW AND PROSPECTS

### Property development and investment

As at 30 June 2013, the Group had 13 property projects under development and available for sale primarily in Shijiazhuang, Tianjin, Chengde and Shangdong with total planned gross floor area of approximately 3.3 million square meters (“sq.m.”).

The total contracted sales amount for the current period was RMB940.9 million (six months ended 30 June 2012: RMB435.8 million) which is increased by 115.9% as compared over the same period last year. The increase in contracted sales was primarily contributed by the pre-sale of Auspicious Lake, Tianjin Tian Shan Wonderful Waterside View (Phases I and II), and Yuanshi Waterside View.

During the period under review, the Group’s waterpark (the “Tianjin Waterpark” or “米立方”) with a site area of 86,510 sq.m. situated in *Tianjin Tian Shan Wonderful Waterside View* has completed its trial run and officially commenced its operation in late July 2013. The Tianjin Waterpark, a new land mark of Xiaozhan Town, Jinan District, Tianjin, is running satisfactorily and reached approximately 10,000 visits per day since its grand opening in late July 2013. With the estimated strong cash flows from the operation of Tianjin Waterpark, the Directors consider that the Group has achieved more balanced cash flow management from operations by not only depending on the properties selling.



The Group is committed to continue its successful track record in the development of quality residential and industrial property projects in Bohai Economic Rim and in the coming future, will explore the potential of property development in other provinces in the PRC.

## FINANCIAL REVIEW

The Group's turnover slightly increased by approximately 8.2% to approximately RMB227.6 million from RMB210.5 million as compared with the same period of last year. During the period, the Group's turnover is principally derived from the sales and delivery of residential property projects, namely Tianjin Tian Shan Wonderful Waterside View (Phases I and II), Chengde Tian Shan Wonderful Waters View, and Yuanshi Waterside View.

The cost of sales increased by approximately 7.3% to approximately RMB162.9 million from RMB151.9 million as compared with the six month period ended 30 June 2012. The increase was mainly commensurate with the increase in the turnover during the period under review.


As a result of the foregoing, the amount of the gross profit increased by 10.4% to approximately RMB64.7 million from RMB58.6 million in the corresponding period of last year. The gross profit margin for the current period was slightly increased to approximately 28.4% as compared with 27.8% for the same period of the preceding year.

The Group's other income was primarily the rental income earned from the lease of investment properties and other miscellaneous income.

The Group's selling and marketing expenses increased by approximately 100.0% to RMB55.9 million for the current period from RMB27.9 million for the same period of last year. The increase was primarily due to the increase in advertising and promotion expenses for new properties projects as well as the promotion for Tianjin Waterpark which was launched its operation in late July 2013. In addition, the sales staff costs also increased due to more headcounts and the overall increase in salary level.

The Group's administrative expenses also increased by approximately 35.6% to RMB80.0 million from RMB59.0 million. In the same period last year, there was a recovery of a bad and doubtful debt of RMB12.3 million recorded and accordingly lowered the overall administrative expenses. There was no such item recorded in the current period. Other than the above, the administrative expenses were generally increased because of more headcounts of staff and overall office expenses.

The Group's income tax expense increased to approximately RMB8.7 million from RMB8.1 million. The increase was primarily due to the increase in the Group's turnover during the current period.



As a result of the above, the Group recorded a net loss of approximately RMB68.9 million for the current period as compared with the net loss of approximately RMB27.1 million for the same period of last year.

## **Liquidity and Financial Resources**

As at 30 June 2013, the Group had cash and cash equivalents of approximately RMB654.1 million (31 December 2012: RMB618.9 million). The cash and cash equivalents are primarily denominated in Renminbi.

As at 30 June 2013, the Group had total bank and other loans in aggregate of approximately RMB1,689.5 million (31 December 2012: RMB1,715.4 million) and total equity attributable to shareholders of RMB1,426.0 million (31 December 2012: RMB1,506.3 million). The gearing ratio (calculated as net debt divided by total equity) as of 30 June 2013 was 0.73 (31 December 2012: 0.73).

## **Employees' Remuneration and Benefits**

As at 30 June 2013, the Group employed a total of 1,253 employees (31 December 2012: 1,129 employees). The compensation package of the employees includes basic salary and bonus which depends on the employee's actual achievement against target. In general, the Group offered competitive salary package, social insurance, pension scheme to its employees based on the current market salary levels. A share option scheme has also been adopted for employees of the Group.

## **Foreign Exchange and Currency Risk**

The Group's businesses are principally conducted in Renminbi, therefore, the Group does not expose to significant foreign currency exchange risks as of 30 June 2013 and the Group does not employ any financial instruments for hedging purposes.

In addition, 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 RMB682.6 million comprising primarily the Group's addition in property, plant and equipment, and the land and development costs of the Group's property projects.

## Charge on Assets and Contingent Liabilities

As at 30 June 2013, the Group had restricted cash of RMB68.8 million (31 December 2012: RMB47.5 million) deposited with certain banks as guarantee deposits against certain mortgage loan facilities granted by the banks to purchasers of the Group's properties. In addition, the Group's properties held for future development for sale, properties under development for sale, completed properties held for sale, property, plant and equipment and investment properties in aggregate of approximately RMB2,393.3 million (31 December 2012: RMB2,559.0 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 RMB2,314.3 million (31 December 2012: RMB2,314.3 million).

As of 30 June 2013, the Group has pledged completed properties held for sale thereon as partial security for a bank loan of RMB20.0 million granted to Hebei Tianshan Industrial Group Construction Engineering Company Limited ("Tianshan Construction"), 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"). In addition, the Group also provided a corporate guarantee and a security over certain investment properties in favour of a bank in the PRC in respect of banking facility of RMB53.0 million granted to Tianshan Construction.

## SPECIAL DIVIDEND AND INTERIM DIVIDEND

The Board resolved to distribute a special dividend of HK1.00 cent (six months ended 30 June 2012: HK1.00 cent) per share. The special dividend will be paid in cash on or around Wednesday, 23 October 2013 to shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 16 October 2013.

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: 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 (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2013.

## **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 at 30 June 2013, 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 were as follows:

### 1. Interests in the Company

#### (a) Shares

Name of Director of the Company	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 of the Company (the "Shares") are beneficially held by Neway Enterprises Limited ("Neway Enterprises"). Neway Enterprises is a company incorporated in the British Virgin Islands and is owned as to 25% by Mr. WU Zhen Shan, 25% by Mr. WU Zhen Ling, 25% by Mr. ZHANG Zhen Hai and 25% by Mr. WU Zhen He and all of them being directors of Neway Enterprises. Since these four Directors exercise or control the exercise 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 2013, 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 2013, the following interests of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

### Long positions:

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

Save as disclosed above, as at 30 June 2013, no person, other than the directors of the Company, whose interests are set out in the section "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 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 period:

Name or category of participant	At 1 January 2013	Grant during the period	Exercised during the period	Forfeited during the period	At 30 June 2013	Date of grant	Exercise period of the share options  (note f)	Exercise price of share options  (HK\$ per share)
<b>Connected persons</b>								
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			
<b>Other employees and grantees</b>								
In aggregate	4,755,000	–	–	–	4,755,000	16.06.2010	16.01.2011 to 15.06.2020	0.70
Total	5,710,000	–	–	–	5,710,000			



Notes:

- (a) WU Lan Zhi is the elder sister of WU Zhen Shan, WU Zhen Ling and WU Zhen He and the spouse of ZHANG Zhen Hai. The interest was also disclosed as an interest of ZHANG Zhen Hai in the section "Interests and short positions of the Directors and the chief 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 section "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 section "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 section "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 which has become effective on 15 July 2010 (the "Share Options Scheme") during the period under review and there were no outstanding share options under the Share Option Scheme as at 30 June 2013.

By order of the Board  
**Tian Shan Development (Holding) Limited**  
**Wu Zhen Shan**  
*Chairman*

Hong Kong  
23 August 2013

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2013 – unaudited  
(Expressed in Renminbi)

		Six months ended 30 June	
	Note	2013 RMB'000	2012 RMB'000
<b>Turnover</b>	4	<b>227,643</b>	210,467
Cost of sales		<b>(162,945)</b>	(151,882)
<b>Gross profit</b>		<b>64,698</b>	58,585
Other revenue		<b>9,756</b>	10,495
Selling and marketing expenses		<b>(55,850)</b>	(27,927)
Administrative expenses		<b>(79,951)</b>	(58,963)
<b>Loss from operations</b>		<b>(61,347)</b>	(17,810)
Finance income		<b>2,037</b>	826
Finance expenses		<b>(864)</b>	(2,106)
<b>Net finance income/(expenses)</b>	5(a)	<b>1,173</b>	(1,280)
<b>Loss before taxation</b>	5	<b>(60,174)</b>	(19,090)
Income tax	6	<b>(8,707)</b>	(8,050)
<b>Loss for the period</b>		<b>(68,881)</b>	(27,140)
<b>Loss per share (RMB cents)</b>	8		
Basic		<b>(6.89)</b>	(2.71)
Diluted		<b>(6.89)</b>	(2.71)

The notes on pages 19 to 36 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 7.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2013 – unaudited

(Expressed in Renminbi)

		Six months ended 30 June	
	Note	2013 RMB'000	2012 RMB'000
<b>Loss for the period</b>		<b>(68,881)</b>	(27,140)
<b>Other comprehensive income for the period:</b>			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign subsidiaries		272	5
<b>Total comprehensive income for the period</b>		<b>(68,609)</b>	(27,135)

The notes on pages 19 to 36 form part of this interim financial report.



## CONSOLIDATED BALANCE SHEET

at 30 June 2013 – unaudited

(Expressed in Renminbi)

	Note	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	9	418,133	335,211
Investment properties	10	433,253	433,253
Deferred tax assets		34,889	24,594
		<b>886,275</b>	793,058
<b>Current assets</b>			
Inventories	11	3,980,254	3,550,312
Trade and other receivables	12	1,105,554	931,613
Prepaid tax		31,552	16,653
Restricted cash	13	68,848	47,492
Cash and cash equivalents		654,089	618,883
		<b>5,840,297</b>	5,164,953
<b>Current liabilities</b>			
Bank loans – secured	15	445,617	539,050
Other loans – secured	16	588,850	454,555
Trade and other payables	17	3,444,024	2,528,100
Current taxation		102,157	141,947
		<b>4,580,648</b>	3,663,652
<b>Net current assets</b>		<b>1,259,649</b>	1,501,301
<b>Total assets less current liabilities</b>		<b>2,145,924</b>	2,294,359



## CONSOLIDATED BALANCE SHEET (CONTINUED)

at 30 June 2013 – unaudited

(Expressed in Renminbi)

	Note	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
<b>Non-current liabilities</b>			
Bank loans – secured	15	<b>325,000</b>	175,500
Other loans – secured	16	<b>330,000</b>	546,295
Deferred tax liabilities		<b>64,891</b>	66,259
		<b>719,891</b>	788,054
<b>NET ASSETS</b>		<b>1,426,033</b>	1,506,305
<b>CAPITAL AND RESERVES</b>			
Share capital	14	<b>86,731</b>	86,731
Reserves		<b>1,339,302</b>	1,419,574
<b>TOTAL EQUITY</b>		<b>1,426,033</b>	1,506,305

The notes on pages 19 to 36 form part of this interim financial report.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2013 – unaudited

(Expressed in Renminbi)

Note	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	
<b>At 1 January 2012</b>	86,731	259,358	48,259	110,070	147,001	2,087	680,959	1,334,465
<b>Changes in equity for the six months ended 30 June 2012:</b>								
Loss for the period	-	-	-	-	-	-	(27,140)	(27,140)
Other comprehensive income	-	-	5	-	-	-	-	5
Total comprehensive income	-	-	5	-	-	-	(27,140)	(27,135)
Equity settled share-based payment	-	-	-	-	-	403	-	403
Dividends approved in respect of the previous year	7(b)	(28,473)	-	-	-	-	-	(28,473)
<b>At 30 June 2012</b>	86,731	230,885	48,264	110,070	147,001	2,490	653,819	1,279,260

Note	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	
<b>At 1 July 2012</b>	86,731	230,885	48,264	110,070	147,001	2,490	653,819	1,279,260
<b>Changes in equity for the six months ended 31 December 2012:</b>								
Profit for the period	-	-	-	-	-	-	235,173	235,173
Other comprehensive income	-	-	(228)	-	-	-	-	(228)
Total comprehensive income	-	-	(228)	-	-	-	235,173	234,945
Transfer to statutory reserve	-	-	-	-	27,883	-	(27,883)	-
Equity settled share-based payment	-	-	-	-	-	226	33	259
Special dividend declared in respect of the current year	7(a)	(8,159)	-	-	-	-	-	(8,159)
<b>At 31 December 2012</b>	86,731	222,726	48,036	110,070	174,884	2,716	861,142	1,506,305

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

for the six months ended 30 June 2013 – unaudited

(Expressed in Renminbi)

Note	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 2013	86,731	222,726	48,036	110,070	174,884	2,716	861,142	1,506,305
<b>Changes in equity for the six months ended 30 June 2013:</b>								
Loss for the period	-	-	-	-	-	-	(68,881)	(68,881)
Other comprehensive income	-	-	272	-	-	-	-	272
Total comprehensive income	-	-	272	-	-	-	(68,881)	(68,609)
Equity settled share-based payment	-	-	-	-	-	289	-	289
Dividends approved in respect of the previous year	7(b)	(11,952)	-	-	-	-	-	(11,952)
At 30 June 2013	86,731	210,774	48,308	110,070	174,884	3,005	792,261	1,426,033

The notes on pages 19 to 36 form part of this interim financial report.

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2013 – unaudited

(Expressed in Renminbi)

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
<b>Cash generated from/(used in) operations</b>	<b>117,214</b>	(131,859)
Income tax paid	(75,059)	(57,106)
<b>Net cash generated from/(used in) operating activities</b>	<b>42,155</b>	(188,965)
<b>Net cash used in investing activities</b>	<b>(87,489)</b>	(56,599)
<b>Net cash generated from financing activities</b>	<b>80,319</b>	407,632
<b>Net increase in cash and cash equivalents</b>	<b>34,985</b>	162,068
<b>Cash and cash equivalents at 1 January</b>	<b>618,883</b>	180,469
<b>Effect of foreign exchange rate changes</b>	<b>221</b>	17
<b>Cash and cash equivalents at 30 June</b>	<b>654,089</b>	342,554

The notes on pages 19 to 36 form part of this interim financial report.



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

for the six months ended 30 June 2013

(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 of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("IASB"). It was authorised for issue on 23 August 2013.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2012 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2013 annual financial statements. Details of these changes in accounting policies are set out in note 2.

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 2012 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance 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 pages 37 and 38.

The financial information relating to the financial year ended 31 December 2012 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 2012 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 2013.



## 2 CHANGES IN ACCOUNTING POLICIES

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

- Amendments to IAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*
- IFRS 10, *Consolidated financial statements*
- IFRS 12, *Disclosure of interests in other entities*

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

### **Amendments to IAS 1, Presentation of financial statements – Presentation of items of other comprehensive income**

The amendments to IAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in this interim financial report has been modified accordingly.

### **IFRS 10, Consolidated financial statements**

IFRS 10 replaces the requirements in IAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and SIC 12 *Consolidation – Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure and the ability to use its power to affect the amount of those returns. As a result of the adoption of IFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

### **IFRS 12, Disclosure of interests in other entities**

IFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by IFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the group has not made additional disclosures in this interim financial report as a result of adopting IFRS 12.

### 3 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").

### 4 TURNOVER

The principal activity of the Group is property development.

Turnover represents income from sales of properties. The amount of this category of revenue recognised in turnover during the period is as follows:

Six months ended 30 June		
	2013 RMB'000	2012 RMB'000
Sales of properties	227,643	210,467



## 5 LOSS BEFORE TAXATION

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

		Six months ended 30 June
		2012
		RMB'000
		2013
		RMB'000
<b>(a) Net finance (income)/expenses</b>		
Interest income	(2,031)	(826)
Exchange gain	(6)	–
Finance income	(2,037)	(826)
Interest expense and other borrowing costs	90,326	52,796
Less: interest and borrowing costs capitalised	(89,462)	(50,690)
Finance expenses	864	2,106
Net finance (income)/expenses	(1,173)	1,280
<b>(b) Other items</b>		
Depreciation of fixed assets	6,738	3,965
Amortisation of leasehold land	–	1
Reversal of provision for impairment losses on other receivables	–	(12,290)

## 6 INCOME TAX

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
<b>Current tax</b>		
PRC Corporate Income Tax	14,672	10,666
Land Appreciation Tax	5,698	5,011
	<b>20,370</b>	15,677
<b>Deferred tax</b>		
Pre-sale of properties	(10,108)	(5,056)
Other temporary differences	(1,555)	(2,571)
	<b>(11,663)</b>	(7,627)
	<b>8,707</b>	8,050

- (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 have no estimated assessable profits during the year.
- (c) **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.

Certain subsidiaries of the Group were subject to CIT calculated based on the deemed profit which represents 13% to 15% (six months ended 30 June 2012: 13% to 15%) of their revenue in accordance with the authorised taxation 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 2012: 25%) on the deemed profit. Other PRC subsidiaries of the Group, which were subject to the actual taxation method (查賬徵收), were charged CIT at a rate of 25% (six months ended 30 June 2012: 25%) on estimated assessable profit for the period.

## 6 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.

Certain subsidiaries of the Group were subject to LAT which is calculated based on 1% to 5% (six months ended 30 June 2012: 1% to 5%) of their revenue in accordance with the authorised tax valuation method approved by respective local tax bureau.

### (e) Withholding tax

Withholding taxes are levied on the non PRC-resident entities in respect of dividend distribution arising from profit of PRC subsidiaries earned after 1 January 2008 at a rate of 10%. No deferred tax liabilities were recognised (2012: Nil) for the undistributed earnings of the Group's PRC subsidiaries for the six months ended 30 June 2013 since it is not probable that they will be distributed to their immediate holding company outside PRC in the foreseeable future.

## 7 DIVIDENDS

### (a) Dividends payable to equity shareholders of the Company attributable to the previous year

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Special dividend declared after the interim period of HK1.00 cent (equivalent to RMB0.80 cent) per ordinary share (six months ended 30 June 2012: HK1.00 cent (equivalent to RMB0.82 cent) per ordinary share)	8,000	8,159

Pursuant to a board resolution passed, after the balance sheet date, on 23 August 2013, a special dividend of HK1.00 cent (2012: HK1.00 cent) per ordinary share was declared. The special dividend had not been recognised as a liability at the balance sheet date.

## 7 DIVIDENDS *(Continued)*

### (b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the interim period

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the interim period, of HK1.50 cents (equivalent to RMB1.20 cents) per ordinary share (six months ended 30 June 2012: HK3.50 cents (equivalent to RMB2.84 cents) per ordinary share)	11,952	28,473

The board of directors does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2013 (six months ended 30 June 2012: RMB Nil).

## 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 RMB68,881,000 (six months ended 30 June 2012: RMB27,140,000) and the weighted average of 1,000,000,000 ordinary shares (six months ended 30 June 2012: 1,000,000,000 ordinary shares) in issue during the interim period.

### (b) Diluted loss per share

The diluted loss per share is the same as basic loss per share for the six months ended 30 June 2013 and 2012 as the potential ordinary shares are anti-dilutive during that period.

## 9 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2013, the Group's additions in property, plant and equipment amounted to RMB89,697,000 (six months ended 30 June 2012: RMB58,137,000). Items of property, plant and equipment with a net book value of RMB37,000 were disposed of during the six months ended 30 June 2013 (six months ended 30 June 2012: RMB1,039,000), resulting in a gain on disposal of RMB83,000 (six months ended 30 June 2012: loss of RMB327,000).

## 10 INVESTMENT PROPERTIES

The directors consider the carrying values of investment properties approximate to their respective fair values as at 30 June 2013.

Certain investment properties carried at fair value as at 30 June 2013 have been pledged to secure borrowings of the Group as follows:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Other loans (note 16)	94,032	94,032
Banking facility of a related party (note 20(ii))	98,013	98,013
Fair value of investment properties pledged	192,045	192,045

## 11 INVENTORIES

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Properties held for future development for sale	245,202	236,073
Properties under development for sale	2,693,745	2,232,423
Completed properties held for sale	1,041,307	1,081,816
	3,980,254	3,550,312

Certain inventories carried at cost as at 30 June 2013 have been pledged to secure borrowings of the Group as follows:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Bank loans	539,358	917,754
Other loans	1,432,459	1,301,450
Bank loan of a related party (note 20(iii))	12,535	—
Carrying value of inventories pledged	1,984,352	2,219,204

## 12 TRADE AND OTHER RECEIVABLES

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Trade receivables (note (a))	25,516	64,380
Deposits, prepayments and other receivables (note (b))	1,080,038	867,233
	1,105,554	931,613

- (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 2013 RMB'000	At 31 December 2012 RMB'000
Current or less than 1 month overdue	13,502	61,452
3 months to 1 year overdue	12,014	2,928
	25,516	64,380

Trade receivables are due within 0 – 30 days from date of billing.

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

- (b) Included in deposits, prepayments and other receivables were prepayment for leasehold land costs of RMB267,254,000 (31 December 2012: RMB253,797,000).

At 30 June 2013, an amount of RMB377,550,000 (31 December 2012: RMB345,000,000) was paid as deposits for redevelopment of a village in Shijiazhuang 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 2013 HK\$'000	At 31 December 2012 HK\$'000
<b>Authorised:</b>		
10,000,000,000 ordinary shares of HK\$0.1 each (2012: 10,000,000,000 ordinary shares of HK\$0.1 each)	<b>1,000,000</b>	1,000,000
<b>Issued and fully paid:</b>		
1,000,000,000 ordinary shares of HK\$0.1 each (2012: 1,000,000,000 ordinary shares of HK\$0.1 each)	<b>100,000</b>	100,000
RMB equivalent (RMB'000)	<b>86,731</b>	86,731

## 15 BANK LOANS – SECURED

(a) At 30 June 2013, bank loans were repayable as follows:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Within one year or on demand	<b>445,617</b>	539,050
After one year but within two years	<b>50,000</b>	45,500
After two year but within five years	<b>275,000</b>	130,000
	<b>325,000</b>	175,500
	<b>770,617</b>	714,550

## 15 BANK LOANS – SECURED (Continued)

- (b) Certain bank loans of Group are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the bank loans would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 30 June 2013, none of the covenants relating to bank loans had been breached (31 December 2012: RMB Nil).
- (c) At 30 June 2013, carrying values of assets of the Group pledged for bank loans are analysed as follows:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Properties held for future development for sale	127,493	127,493
Properties under development for sale	219,082	376,801
Completed properties held for sale	192,783	413,460
	<b>539,358</b>	917,754
Property, plant and equipment	327,445	245,804
Restricted cash	37,480	22,400
	<b>904,283</b>	1,185,958

## 16 OTHER LOANS – SECURED

- (a) At 30 June 2013, other loans were repayable as follows:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Within one year or on demand	588,850	454,555
After one year but within two years	330,000	546,295
	<b>918,850</b>	1,000,850



## 16 OTHER LOANS – SECURED *(Continued)*

- (b) At 30 June 2013, carrying values of assets of the Group pledged for other loans are analysed as follows:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Properties held for future development for sale	15,633	43,716
Properties under development for sale	1,285,183	1,115,732
Completed properties held for sale	131,643	142,002
	<b>1,432,459</b>	1,301,450
Investment properties	94,032	94,032
	<b>1,526,491</b>	1,395,482

In addition to assets of the Group pledged for other loans as set above, certain properties with total carrying value of RMB114,426,000 (31 December 2012: RMB114,426,000) were provided by Hebei Tianshan Industrial Group Construction Engineering Company Limited ("Tianshan Construction"), a company wholly-owned by the controlling shareholders of the Group, as security for a banking facility of RMB360,000,000 (31 December 2012: RMB360,000,000) of the Group. No guarantee fee is paid to Tianshan Construction for such provision of security.

## 17 TRADE AND OTHER PAYABLES

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Trade payables (note (a))	86,767	83,898
Receipts in advance (note (b))	1,932,764	1,288,673
Other payables and accruals (note (c))	1,142,980	1,089,726
Amounts due to the ultimate holding company (note (d))	14,028	12,944
Amounts due to related parties (note (d))	33,489	32,859
Limited partners' interest (note (e))	233,996	–
Designated loans (note (f))	–	20,000
	<b>3,444,024</b>	2,528,100

## 17 TRADE AND OTHER PAYABLES (Continued)

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

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Due within 1 month or on demand	86,767	83,898

- (b) Included in receipts in advance were deferred income which were expected to be recognised in profit or loss after more than one year amounted to RMB67,983,000 (31 December 2012: RMB65,195,000).
- (c) Included in other payables and accruals were accrued construction costs to Tianshan Construction amounted to RMB189,056,000 (31 December 2012: RMB158,716,000).
- (d) Amounts due to the ultimate holding company, Neway Enterprises Limited, and related parties are unsecured, interest-free and repayable on demand.
- (e) Limited partners' interests were contributions from limited partners of Shijiazhuang Rong Chuang Investment Centre, Shijiazhuang Shun Rong Investment Centre, Shijiazhuang Hi-tech District Rui Bao Investment Centre and Shijiazhuang Hi-tech District Rui Xuan Investment Centre amounted to RMB226,800,000. Based on the partnership agreements, the Group has the contractual obligation to pay interest expenses to those limited partners at rates ranging from 14.5% to 17.0% per annum. The interest expenses are payable annually in arrears. The contributions have been recognised initially at fair value and interest expenses thereon are recognised on an accrual basis in profit or loss as part of the finance costs.
- (f) Designated loan at 31 December 2012 was secured by the Group's properties under development for sale with carrying amount of RMB79,558,000, interest-free and repayable within one year. The loan has been repaid in full during the interim period ended 30 June 2013.

## 18 EQUITY SETTLED SHARE-BASED TRANSACTION

On 16 June 2010, the Company conditionally granted certain pre-IPO share options to connected persons, consultations, 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 outstanding options at 30 June 2013 was 5,710,000 (31 December 2012: 5,710,000). No options were exercised, granted or lapsed during the six months ended 30 June 2013.

## 19 COMMITMENTS

Capital commitments outstanding at 30 June 2013 not provided for in the interim financial report are set out as follows:

	<b>At 30 June 2013 RMB'000</b>	At 31 December 2012 RMB'000
Authorised but not contracted for	<b>5,310,698</b>	5,758,707
Contracted but not provided for	<b>2,256,569</b>	2,217,681
	<b>7,567,267</b>	7,976,388

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

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (note (i))	2,314,300	2,314,300
Guarantee provided to a bank in respect of facility granted to a related party (note (ii))	68,400	68,400
Guarantee provided to a bank in respect of a bank loan granted to a related party (note (iii))	22,900	—
	<b>2,405,600</b>	2,382,700

Notes:

- (i) The Group provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default in the mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to banks. The Group's guarantee period commences from the dates of grants of the relevant mortgage loans and ends after the purchasers obtain the individual property ownership certificates of the properties purchased. The maximum amounts of guarantees given to banks for mortgage facilities granted to the purchasers of the Group's properties at 30 June 2013 are RMB2,314,300,000.

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



## 20 CONTINGENT LIABILITIES *(Continued)*

Notes: *(Continued)*

- (ii) The Company and its subsidiary, Tian Shan Real Estate Development Limited ("Tian Shan Real Estate"), jointly entered into an agreement with Tianshan Construction, a company wholly-owned by the controlling shareholders of the Group, 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 10, in favour of a banking facility of RMB53,000,000 to Tianshan Construction. Under the guarantee, the Company and Tian Shan Real Estate shall unconditionally guarantee to pay the indebtedness in total of RMB68,400,000 (2012: RMB68,400,000), 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 30 June 2013, the aggregate amount drawn under the banking facility by Tianshan Construction amounted to RMB53,000,000. The guarantee amount represents the potential maximum exposure of the Group in accordance with the above guarantees.

- (iii) Tian Shan Real Estate entered into a Financial Assistance Agreement with Tianshan Construction, pursuant to which Tian Shan Real Estate agreed to provide a repayment guarantee and charge over its completed properties for sale as set out in note 11, in favour of a short term bank loan of RMB20,000,000 to Tianshan Construction. Under the guarantee, Tian Shan Real Estate shall unconditionally guarantee to pay the indebtedness in total of RMB22,900,000, including: (i) the principal amount of the bank loan; (ii) includes any accrued interest thereon, any penalty interests, any compound interest, (iii) any default in payment and compensation and (iv) any costs and expenses for enforcing the guarantee.

The maximum amount guaranteed under the Financial Assistance Agreement to secure the payment obligation of Tian Shan Construction is RMB22,900,000.


## 21 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the balances and transactions disclosed elsewhere in the interim financial report, the Group had the following significant transactions with related parties:

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Construction costs (note (i))	<b>64,305</b>	88,013
Rental expenses (note (ii))	<b>193</b>	193
Remuneration to key management personnel (note (iii))	<b>1,440</b>	1,456
Guarantee fee income (note (iv))	<b>(1,306)</b>	(231)

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 terms granted to the Group.
- (ii) The amount represents rental expenses paid to Tianshan Construction for office and staff quarter occupied by the Group.
- (iii) Remuneration to key management personnel of RMB1,440,000 (six months ended 30 June 2012: RMB1,456,000) represents salaries and fringe benefits paid to the directors of the Company.
- (iv) The amount represents the guarantee fee received from Tianshan Construction in respect of properties for sales and investment properties of the Group secured against a banking facility and a bank loan to Tianshan Construction as set out in notes 10 and 11.
- (v) 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.
- (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, 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.



## 22 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE PERIOD BEGINNING 1 JANUARY 2013

Up to the date of issue of this 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 2013 and which have not been adopted in the interim financial report. These include the following which may be relevant to the Group.

	<b>Effective for accounting periods beginning on or after</b>
Amendments to IAS 32, <i>Financial instruments: Presentation</i> – <i>Offsetting financial assets and financial liabilities</i>	1 January 2014
IFRS 9, <i>Financial instruments</i>	1 January 2015

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it had concluded that the adoption of them is unlikely to 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 12 to 36 which comprises the consolidated balance sheet of Tian Shan Development (Holding) Limited as of 30 June 2013 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity and condensed consolidated cash flows statement 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 2013 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

23 August 2013



## 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. TIAN Chong Hou (*Chairman*)

Mr. WU Zhen Shan

Mr. WU Zhen Ling

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](http://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*

### 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 2013 together with the comparative figures for the corresponding period in 2012. The unaudited interim financial report set out on pages 12 to 36 has been reviewed by the audit committee and the independent auditors of the Company.

## FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)	Change % +/(–)
Turnover	<b>227,643</b>	210,467	<b>8.2%</b>
Gross profit	<b>64,698</b>	58,585	<b>10.4%</b>
Loss for the period	<b>(68,881)</b>	(27,140)	<b>153.8%</b>
Contracted sales during the period	<b>940,929</b>	435,793	<b>115.9%</b>
Special dividend per share (HK cent)	<b>1.0</b>	1.0	–

## BUSINESS REVIEW AND PROSPECTS

### Property development and investment

As at 30 June 2013, the Group had 13 property projects under development and available for sale primarily in Shijiazhuang, Tianjin, Chengde and Shangdong with total planned gross floor area of approximately 3.3 million square meters (“sq.m.”).

The total contracted sales amount for the current period was RMB940.9 million (six months ended 30 June 2012: RMB435.8 million) which is increased by 115.9% as compared over the same period last year. The increase in contracted sales was primarily contributed by the pre-sale of Auspicious Lake, Tianjin Tian Shan Wonderful Waterside View (Phases I and II), and Yuanshi Waterside View.

During the period under review, the Group’s waterpark (the “Tianjin Waterpark” or “米立方”) with a site area of 86,510 sq.m. situated in *Tianjin Tian Shan Wonderful Waterside View* has completed its trial run and officially commenced its operation in late July 2013. The Tianjin Waterpark, a new land mark of Xiaozhan Town, Jinan District, Tianjin, is running satisfactorily and reached approximately 10,000 visits per day since its grand opening in late July 2013. With the estimated strong cash flows from the operation of Tianjin Waterpark, the Directors consider that the Group has achieved more balanced cash flow management from operations by not only depending on the properties selling.



The Group is committed to continue its successful track record in the development of quality residential and industrial property projects in Bohai Economic Rim and in the coming future, will explore the potential of property development in other provinces in the PRC.

## FINANCIAL REVIEW

The Group's turnover slightly increased by approximately 8.2% to approximately RMB227.6 million from RMB210.5 million as compared with the same period of last year. During the period, the Group's turnover is principally derived from the sales and delivery of residential property projects, namely Tianjin Tian Shan Wonderful Waterside View (Phases I and II), Chengde Tian Shan Wonderful Waters View, and Yuanshi Waterside View.

The cost of sales increased by approximately 7.3% to approximately RMB162.9 million from RMB151.9 million as compared with the six month period ended 30 June 2012. The increase was mainly commensurate with the increase in the turnover during the period under review.


As a result of the foregoing, the amount of the gross profit increased by 10.4% to approximately RMB64.7 million from RMB58.6 million in the corresponding period of last year. The gross profit margin for the current period was slightly increased to approximately 28.4% as compared with 27.8% for the same period of the preceding year.

The Group's other income was primarily the rental income earned from the lease of investment properties and other miscellaneous income.

The Group's selling and marketing expenses increased by approximately 100.0% to RMB55.9 million for the current period from RMB27.9 million for the same period of last year. The increase was primarily due to the increase in advertising and promotion expenses for new properties projects as well as the promotion for Tianjin Waterpark which was launched its operation in late July 2013. In addition, the sales staff costs also increased due to more headcounts and the overall increase in salary level.

The Group's administrative expenses also increased by approximately 35.6% to RMB80.0 million from RMB59.0 million. In the same period last year, there was a recovery of a bad and doubtful debt of RMB12.3 million recorded and accordingly lowered the overall administrative expenses. There was no such item recorded in the current period. Other than the above, the administrative expenses were generally increased because of more headcounts of staff and overall office expenses.

The Group's income tax expense increased to approximately RMB8.7 million from RMB8.1 million. The increase was primarily due to the increase in the Group's turnover during the current period.



As a result of the above, the Group recorded a net loss of approximately RMB68.9 million for the current period as compared with the net loss of approximately RMB27.1 million for the same period of last year.

## **Liquidity and Financial Resources**

As at 30 June 2013, the Group had cash and cash equivalents of approximately RMB654.1 million (31 December 2012: RMB618.9 million). The cash and cash equivalents are primarily denominated in Renminbi.

As at 30 June 2013, the Group had total bank and other loans in aggregate of approximately RMB1,689.5 million (31 December 2012: RMB1,715.4 million) and total equity attributable to shareholders of RMB1,426.0 million (31 December 2012: RMB1,506.3 million). The gearing ratio (calculated as net debt divided by total equity) as of 30 June 2013 was 0.73 (31 December 2012: 0.73).

## **Employees' Remuneration and Benefits**

As at 30 June 2013, the Group employed a total of 1,253 employees (31 December 2012: 1,129 employees). The compensation package of the employees includes basic salary and bonus which depends on the employee's actual achievement against target. In general, the Group offered competitive salary package, social insurance, pension scheme to its employees based on the current market salary levels. A share option scheme has also been adopted for employees of the Group.

## **Foreign Exchange and Currency Risk**

The Group's businesses are principally conducted in Renminbi, therefore, the Group does not expose to significant foreign currency exchange risks as of 30 June 2013 and the Group does not employ any financial instruments for hedging purposes.

In addition, 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 RMB682.6 million comprising primarily the Group's addition in property, plant and equipment, and the land and development costs of the Group's property projects.

## Charge on Assets and Contingent Liabilities

As at 30 June 2013, the Group had restricted cash of RMB68.8 million (31 December 2012: RMB47.5 million) deposited with certain banks as guarantee deposits against certain mortgage loan facilities granted by the banks to purchasers of the Group's properties. In addition, the Group's properties held for future development for sale, properties under development for sale, completed properties held for sale, property, plant and equipment and investment properties in aggregate of approximately RMB2,393.3 million (31 December 2012: RMB2,559.0 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 RMB2,314.3 million (31 December 2012: RMB2,314.3 million).

As of 30 June 2013, the Group has pledged completed properties held for sale thereon as partial security for a bank loan of RMB20.0 million granted to Hebei Tianshan Industrial Group Construction Engineering Company Limited ("Tianshan Construction"), 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"). In addition, the Group also provided a corporate guarantee and a security over certain investment properties in favour of a bank in the PRC in respect of banking facility of RMB53.0 million granted to Tianshan Construction.

## SPECIAL DIVIDEND AND INTERIM DIVIDEND

The Board resolved to distribute a special dividend of HK1.00 cent (six months ended 30 June 2012: HK1.00 cent) per share. The special dividend will be paid in cash on or around Wednesday, 23 October 2013 to shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 16 October 2013.

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: 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 (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2013.

## **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 at 30 June 2013, 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 were as follows:

### 1. Interests in the Company

#### (a) Shares

Name of Director of the Company	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 of the Company (the "Shares") are beneficially held by Neway Enterprises Limited ("Neway Enterprises"). Neway Enterprises is a company incorporated in the British Virgin Islands and is owned as to 25% by Mr. WU Zhen Shan, 25% by Mr. WU Zhen Ling, 25% by Mr. ZHANG Zhen Hai and 25% by Mr. WU Zhen He and all of them being directors of Neway Enterprises. Since these four Directors exercise or control the exercise 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 2013, 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 2013, the following interests of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

### Long positions:

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

Save as disclosed above, as at 30 June 2013, no person, other than the directors of the Company, whose interests are set out in the section "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 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 period:

Name or category of participant	At 1 January 2013	Grant during the period	Exercised during the period	Forfeited during the period	At 30 June 2013	Date of grant	Exercise period of the share options  (note f)	Exercise price of share options  (HK\$ per share)
<b>Connected persons</b>								
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			
<b>Other employees and grantees</b>								
In aggregate	4,755,000	–	–	–	4,755,000	16.06.2010	16.01.2011 to 15.06.2020	0.70
Total	5,710,000	–	–	–	5,710,000			



Notes:

- (a) WU Lan Zhi is the elder sister of WU Zhen Shan, WU Zhen Ling and WU Zhen He and the spouse of ZHANG Zhen Hai. The interest was also disclosed as an interest of ZHANG Zhen Hai in the section "Interests and short positions of the Directors and the chief 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 section "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 section "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 section "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 which has become effective on 15 July 2010 (the "Share Options Scheme") during the period under review and there were no outstanding share options under the Share Option Scheme as at 30 June 2013.

By order of the Board  
**Tian Shan Development (Holding) Limited**  
**Wu Zhen Shan**  
*Chairman*

Hong Kong  
23 August 2013

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2013 – unaudited  
(Expressed in Renminbi)

		Six months ended 30 June	
	Note	2013 RMB'000	2012 RMB'000
<b>Turnover</b>	4	<b>227,643</b>	210,467
Cost of sales		<b>(162,945)</b>	(151,882)
<b>Gross profit</b>		<b>64,698</b>	58,585
Other revenue		<b>9,756</b>	10,495
Selling and marketing expenses		<b>(55,850)</b>	(27,927)
Administrative expenses		<b>(79,951)</b>	(58,963)
<b>Loss from operations</b>		<b>(61,347)</b>	(17,810)
Finance income		<b>2,037</b>	826
Finance expenses		<b>(864)</b>	(2,106)
<b>Net finance income/(expenses)</b>	5(a)	<b>1,173</b>	(1,280)
<b>Loss before taxation</b>	5	<b>(60,174)</b>	(19,090)
Income tax	6	<b>(8,707)</b>	(8,050)
<b>Loss for the period</b>		<b>(68,881)</b>	(27,140)
<b>Loss per share (RMB cents)</b>	8		
Basic		<b>(6.89)</b>	(2.71)
Diluted		<b>(6.89)</b>	(2.71)

The notes on pages 19 to 36 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 7.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2013 – unaudited

(Expressed in Renminbi)

		Six months ended 30 June	
	Note	2013 RMB'000	2012 RMB'000
<b>Loss for the period</b>		<b>(68,881)</b>	(27,140)
<b>Other comprehensive income for the period:</b>			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign subsidiaries		272	5
<b>Total comprehensive income for the period</b>		<b>(68,609)</b>	(27,135)

The notes on pages 19 to 36 form part of this interim financial report.

## CONSOLIDATED BALANCE SHEET

at 30 June 2013 – unaudited

(Expressed in Renminbi)

	Note	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	9	418,133	335,211
Investment properties	10	433,253	433,253
Deferred tax assets		34,889	24,594
		<b>886,275</b>	793,058
<b>Current assets</b>			
Inventories	11	3,980,254	3,550,312
Trade and other receivables	12	1,105,554	931,613
Prepaid tax		31,552	16,653
Restricted cash	13	68,848	47,492
Cash and cash equivalents		654,089	618,883
		<b>5,840,297</b>	5,164,953
<b>Current liabilities</b>			
Bank loans – secured	15	445,617	539,050
Other loans – secured	16	588,850	454,555
Trade and other payables	17	3,444,024	2,528,100
Current taxation		102,157	141,947
		<b>4,580,648</b>	3,663,652
<b>Net current assets</b>		<b>1,259,649</b>	1,501,301
<b>Total assets less current liabilities</b>		<b>2,145,924</b>	2,294,359



## CONSOLIDATED BALANCE SHEET (CONTINUED)

at 30 June 2013 – unaudited

(Expressed in Renminbi)

	Note	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
<b>Non-current liabilities</b>			
Bank loans – secured	15	<b>325,000</b>	175,500
Other loans – secured	16	<b>330,000</b>	546,295
Deferred tax liabilities		<b>64,891</b>	66,259
		<b>719,891</b>	788,054
<b>NET ASSETS</b>		<b>1,426,033</b>	1,506,305
<b>CAPITAL AND RESERVES</b>			
Share capital	14	<b>86,731</b>	86,731
Reserves		<b>1,339,302</b>	1,419,574
<b>TOTAL EQUITY</b>		<b>1,426,033</b>	1,506,305

The notes on pages 19 to 36 form part of this interim financial report.



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2013 – unaudited

(Expressed in Renminbi)

Note	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	
<b>At 1 January 2012</b>	86,731	259,358	48,259	110,070	147,001	2,087	680,959	1,334,465
<b>Changes in equity for the six months ended 30 June 2012:</b>								
Loss for the period	-	-	-	-	-	-	(27,140)	(27,140)
Other comprehensive income	-	-	5	-	-	-	-	5
Total comprehensive income	-	-	5	-	-	-	(27,140)	(27,135)
Equity settled share-based payment	-	-	-	-	-	403	-	403
Dividends approved in respect of the previous year	7(b)	(28,473)	-	-	-	-	-	(28,473)
<b>At 30 June 2012</b>	86,731	230,885	48,264	110,070	147,001	2,490	653,819	1,279,260

Note	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	
<b>At 1 July 2012</b>	86,731	230,885	48,264	110,070	147,001	2,490	653,819	1,279,260
<b>Changes in equity for the six months ended 31 December 2012:</b>								
Profit for the period	-	-	-	-	-	-	235,173	235,173
Other comprehensive income	-	-	(228)	-	-	-	-	(228)
Total comprehensive income	-	-	(228)	-	-	-	235,173	234,945
Transfer to statutory reserve	-	-	-	-	27,883	-	(27,883)	-
Equity settled share-based payment	-	-	-	-	-	226	33	259
Special dividend declared in respect of the current year	7(a)	(8,159)	-	-	-	-	-	(8,159)
<b>At 31 December 2012</b>	86,731	222,726	48,036	110,070	174,884	2,716	861,142	1,506,305

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

for the six months ended 30 June 2013 – unaudited

(Expressed in Renminbi)

Note	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 2013	86,731	222,726	48,036	110,070	174,884	2,716	861,142	1,506,305
<b>Changes in equity for the six months ended 30 June 2013:</b>								
Loss for the period	-	-	-	-	-	-	(68,881)	(68,881)
Other comprehensive income	-	-	272	-	-	-	-	272
Total comprehensive income	-	-	272	-	-	-	(68,881)	(68,609)
Equity settled share-based payment	-	-	-	-	-	289	-	289
Dividends approved in respect of the previous year	7(b)	(11,952)	-	-	-	-	-	(11,952)
At 30 June 2013	86,731	210,774	48,308	110,070	174,884	3,005	792,261	1,426,033

The notes on pages 19 to 36 form part of this interim financial report.

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2013 – unaudited

(Expressed in Renminbi)

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
<b>Cash generated from/(used in) operations</b>	<b>117,214</b>	(131,859)
Income tax paid	(75,059)	(57,106)
<b>Net cash generated from/(used in) operating activities</b>	<b>42,155</b>	(188,965)
<b>Net cash used in investing activities</b>	<b>(87,489)</b>	(56,599)
<b>Net cash generated from financing activities</b>	<b>80,319</b>	407,632
<b>Net increase in cash and cash equivalents</b>	<b>34,985</b>	162,068
<b>Cash and cash equivalents at 1 January</b>	<b>618,883</b>	180,469
<b>Effect of foreign exchange rate changes</b>	<b>221</b>	17
<b>Cash and cash equivalents at 30 June</b>	<b>654,089</b>	342,554

The notes on pages 19 to 36 form part of this interim financial report.



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

for the six months ended 30 June 2013

(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 of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("IASB"). It was authorised for issue on 23 August 2013.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2012 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2013 annual financial statements. Details of these changes in accounting policies are set out in note 2.

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 2012 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance 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 pages 37 and 38.

The financial information relating to the financial year ended 31 December 2012 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 2012 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 2013.



## 2 CHANGES IN ACCOUNTING POLICIES

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

- Amendments to IAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*
- IFRS 10, *Consolidated financial statements*
- IFRS 12, *Disclosure of interests in other entities*

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

### **Amendments to IAS 1, Presentation of financial statements – Presentation of items of other comprehensive income**

The amendments to IAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in this interim financial report has been modified accordingly.

### **IFRS 10, Consolidated financial statements**

IFRS 10 replaces the requirements in IAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and SIC 12 *Consolidation – Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure and the ability to use its power to affect the amount of those returns. As a result of the adoption of IFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

### **IFRS 12, Disclosure of interests in other entities**

IFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by IFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the group has not made additional disclosures in this interim financial report as a result of adopting IFRS 12.

### 3 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").

### 4 TURNOVER

The principal activity of the Group is property development.

Turnover represents income from sales of properties. The amount of this category of revenue recognised in turnover during the period is as follows:

Six months ended 30 June		
	2013 RMB'000	2012 RMB'000
Sales of properties	227,643	210,467

## 5 LOSS BEFORE TAXATION

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

		Six months ended 30 June
		2012
		RMB'000
		2013
		RMB'000
<b>(a) Net finance (income)/expenses</b>		
Interest income	(2,031)	(826)
Exchange gain	(6)	–
Finance income	(2,037)	(826)
Interest expense and other borrowing costs	90,326	52,796
Less: interest and borrowing costs capitalised	(89,462)	(50,690)
Finance expenses	864	2,106
Net finance (income)/expenses	(1,173)	1,280
<b>(b) Other items</b>		
Depreciation of fixed assets	6,738	3,965
Amortisation of leasehold land	–	1
Reversal of provision for impairment losses on other receivables	–	(12,290)

## 6 INCOME TAX

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
<b>Current tax</b>		
PRC Corporate Income Tax	14,672	10,666
Land Appreciation Tax	5,698	5,011
	<b>20,370</b>	15,677
<b>Deferred tax</b>		
Pre-sale of properties	(10,108)	(5,056)
Other temporary differences	(1,555)	(2,571)
	<b>(11,663)</b>	(7,627)
	<b>8,707</b>	8,050

- (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 have no estimated assessable profits during the year.
- (c) **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.

Certain subsidiaries of the Group were subject to CIT calculated based on the deemed profit which represents 13% to 15% (six months ended 30 June 2012: 13% to 15%) of their revenue in accordance with the authorised taxation 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 2012: 25%) on the deemed profit. Other PRC subsidiaries of the Group, which were subject to the actual taxation method (查賬徵收), were charged CIT at a rate of 25% (six months ended 30 June 2012: 25%) on estimated assessable profit for the period.



## 6 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.

Certain subsidiaries of the Group were subject to LAT which is calculated based on 1% to 5% (six months ended 30 June 2012: 1% to 5%) of their revenue in accordance with the authorised tax valuation method approved by respective local tax bureau.

### (e) Withholding tax

Withholding taxes are levied on the non PRC-resident entities in respect of dividend distribution arising from profit of PRC subsidiaries earned after 1 January 2008 at a rate of 10%. No deferred tax liabilities were recognised (2012: Nil) for the undistributed earnings of the Group's PRC subsidiaries for the six months ended 30 June 2013 since it is not probable that they will be distributed to their immediate holding company outside PRC in the foreseeable future.

## 7 DIVIDENDS

### (a) Dividends payable to equity shareholders of the Company attributable to the previous year

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Special dividend declared after the interim period of HK1.00 cent (equivalent to RMB0.80 cent) per ordinary share (six months ended 30 June 2012: HK1.00 cent (equivalent to RMB0.82 cent) per ordinary share)	8,000	8,159

Pursuant to a board resolution passed, after the balance sheet date, on 23 August 2013, a special dividend of HK1.00 cent (2012: HK1.00 cent) per ordinary share was declared. The special dividend had not been recognised as a liability at the balance sheet date.

## 7 DIVIDENDS *(Continued)*

### (b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the interim period

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the interim period, of HK1.50 cents (equivalent to RMB1.20 cents) per ordinary share (six months ended 30 June 2012: HK3.50 cents (equivalent to RMB2.84 cents) per ordinary share)	11,952	28,473

The board of directors does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2013 (six months ended 30 June 2012: RMB Nil).

## 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 RMB68,881,000 (six months ended 30 June 2012: RMB27,140,000) and the weighted average of 1,000,000,000 ordinary shares (six months ended 30 June 2012: 1,000,000,000 ordinary shares) in issue during the interim period.

### (b) Diluted loss per share

The diluted loss per share is the same as basic loss per share for the six months ended 30 June 2013 and 2012 as the potential ordinary shares are anti-dilutive during that period.

## 9 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2013, the Group's additions in property, plant and equipment amounted to RMB89,697,000 (six months ended 30 June 2012: RMB58,137,000). Items of property, plant and equipment with a net book value of RMB37,000 were disposed of during the six months ended 30 June 2013 (six months ended 30 June 2012: RMB1,039,000), resulting in a gain on disposal of RMB83,000 (six months ended 30 June 2012: loss of RMB327,000).

## 10 INVESTMENT PROPERTIES

The directors consider the carrying values of investment properties approximate to their respective fair values as at 30 June 2013.

Certain investment properties carried at fair value as at 30 June 2013 have been pledged to secure borrowings of the Group as follows:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Other loans (note 16)	94,032	94,032
Banking facility of a related party (note 20(ii))	98,013	98,013
Fair value of investment properties pledged	192,045	192,045

## 11 INVENTORIES

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Properties held for future development for sale	245,202	236,073
Properties under development for sale	2,693,745	2,232,423
Completed properties held for sale	1,041,307	1,081,816
	3,980,254	3,550,312

Certain inventories carried at cost as at 30 June 2013 have been pledged to secure borrowings of the Group as follows:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Bank loans	539,358	917,754
Other loans	1,432,459	1,301,450
Bank loan of a related party (note 20(iii))	12,535	—
Carrying value of inventories pledged	1,984,352	2,219,204

## 12 TRADE AND OTHER RECEIVABLES

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Trade receivables (note (a))	25,516	64,380
Deposits, prepayments and other receivables (note (b))	1,080,038	867,233
	1,105,554	931,613

- (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 2013 RMB'000	At 31 December 2012 RMB'000
Current or less than 1 month overdue	13,502	61,452
3 months to 1 year overdue	12,014	2,928
	25,516	64,380

Trade receivables are due within 0 – 30 days from date of billing.

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

- (b) Included in deposits, prepayments and other receivables were prepayment for leasehold land costs of RMB267,254,000 (31 December 2012: RMB253,797,000).

At 30 June 2013, an amount of RMB377,550,000 (31 December 2012: RMB345,000,000) was paid as deposits for redevelopment of a village in Shijiazhuang 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 2013 HK\$'000	At 31 December 2012 HK\$'000
<b>Authorised:</b>		
10,000,000,000 ordinary shares of HK\$0.1 each (2012: 10,000,000,000 ordinary shares of HK\$0.1 each)	<b>1,000,000</b>	1,000,000
<b>Issued and fully paid:</b>		
1,000,000,000 ordinary shares of HK\$0.1 each (2012: 1,000,000,000 ordinary shares of HK\$0.1 each)	<b>100,000</b>	100,000
RMB equivalent (RMB'000)	<b>86,731</b>	86,731

## 15 BANK LOANS – SECURED

(a) At 30 June 2013, bank loans were repayable as follows:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Within one year or on demand	<b>445,617</b>	539,050
After one year but within two years	<b>50,000</b>	45,500
After two year but within five years	<b>275,000</b>	130,000
	<b>325,000</b>	175,500
	<b>770,617</b>	714,550

## 15 BANK LOANS – SECURED (Continued)

- (b) Certain bank loans of Group are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the bank loans would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 30 June 2013, none of the covenants relating to bank loans had been breached (31 December 2012: RMB Nil).
- (c) At 30 June 2013, carrying values of assets of the Group pledged for bank loans are analysed as follows:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Properties held for future development for sale	127,493	127,493
Properties under development for sale	219,082	376,801
Completed properties held for sale	192,783	413,460
	<b>539,358</b>	917,754
Property, plant and equipment	327,445	245,804
Restricted cash	37,480	22,400
	<b>904,283</b>	1,185,958

## 16 OTHER LOANS – SECURED

- (a) At 30 June 2013, other loans were repayable as follows:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Within one year or on demand	588,850	454,555
After one year but within two years	330,000	546,295
	<b>918,850</b>	1,000,850

## 16 OTHER LOANS – SECURED *(Continued)*

- (b) At 30 June 2013, carrying values of assets of the Group pledged for other loans are analysed as follows:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Properties held for future development for sale	15,633	43,716
Properties under development for sale	1,285,183	1,115,732
Completed properties held for sale	131,643	142,002
	<b>1,432,459</b>	1,301,450
Investment properties	94,032	94,032
	<b>1,526,491</b>	1,395,482

In addition to assets of the Group pledged for other loans as set above, certain properties with total carrying value of RMB114,426,000 (31 December 2012: RMB114,426,000) were provided by Hebei Tianshan Industrial Group Construction Engineering Company Limited ("Tianshan Construction"), a company wholly-owned by the controlling shareholders of the Group, as security for a banking facility of RMB360,000,000 (31 December 2012: RMB360,000,000) of the Group. No guarantee fee is paid to Tianshan Construction for such provision of security.

## 17 TRADE AND OTHER PAYABLES

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Trade payables (note (a))	86,767	83,898
Receipts in advance (note (b))	1,932,764	1,288,673
Other payables and accruals (note (c))	1,142,980	1,089,726
Amounts due to the ultimate holding company (note (d))	14,028	12,944
Amounts due to related parties (note (d))	33,489	32,859
Limited partners' interest (note (e))	233,996	–
Designated loans (note (f))	–	20,000
	<b>3,444,024</b>	2,528,100

## 17 TRADE AND OTHER PAYABLES (Continued)

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

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Due within 1 month or on demand	86,767	83,898

- (b) Included in receipts in advance were deferred income which were expected to be recognised in profit or loss after more than one year amounted to RMB67,983,000 (31 December 2012: RMB65,195,000).
- (c) Included in other payables and accruals were accrued construction costs to Tianshan Construction amounted to RMB189,056,000 (31 December 2012: RMB158,716,000).
- (d) Amounts due to the ultimate holding company, Neway Enterprises Limited, and related parties are unsecured, interest-free and repayable on demand.
- (e) Limited partners' interests were contributions from limited partners of Shijiazhuang Rong Chuang Investment Centre, Shijiazhuang Shun Rong Investment Centre, Shijiazhuang Hi-tech District Rui Bao Investment Centre and Shijiazhuang Hi-tech District Rui Xuan Investment Centre amounted to RMB226,800,000. Based on the partnership agreements, the Group has the contractual obligation to pay interest expenses to those limited partners at rates ranging from 14.5% to 17.0% per annum. The interest expenses are payable annually in arrears. The contributions have been recognised initially at fair value and interest expenses thereon are recognised on an accrual basis in profit or loss as part of the finance costs.
- (f) Designated loan at 31 December 2012 was secured by the Group's properties under development for sale with carrying amount of RMB79,558,000, interest-free and repayable within one year. The loan has been repaid in full during the interim period ended 30 June 2013.



## 18 EQUITY SETTLED SHARE-BASED TRANSACTION

On 16 June 2010, the Company conditionally granted certain pre-IPO share options to connected persons, consultations, 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 outstanding options at 30 June 2013 was 5,710,000 (31 December 2012: 5,710,000). No options were exercised, granted or lapsed during the six months ended 30 June 2013.

## 19 COMMITMENTS

Capital commitments outstanding at 30 June 2013 not provided for in the interim financial report are set out as follows:

	<b>At 30 June 2013 RMB'000</b>	At 31 December 2012 RMB'000
Authorised but not contracted for	<b>5,310,698</b>	5,758,707
Contracted but not provided for	<b>2,256,569</b>	2,217,681
	<b>7,567,267</b>	7,976,388

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

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (note (i))	<b>2,314,300</b>	2,314,300
Guarantee provided to a bank in respect of facility granted to a related party (note (ii))	<b>68,400</b>	68,400
Guarantee provided to a bank in respect of a bank loan granted to a related party (note (iii))	<b>22,900</b>	–
	<b>2,405,600</b>	2,382,700

Notes:

- (i) The Group provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default in the mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to banks. The Group's guarantee period commences from the dates of grants of the relevant mortgage loans and ends after the purchasers obtain the individual property ownership certificates of the properties purchased. The maximum amounts of guarantees given to banks for mortgage facilities granted to the purchasers of the Group's properties at 30 June 2013 are RMB2,314,300,000.

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



## 20 CONTINGENT LIABILITIES *(Continued)*

Notes: *(Continued)*

- (ii) The Company and its subsidiary, Tian Shan Real Estate Development Limited ("Tian Shan Real Estate"), jointly entered into an agreement with Tianshan Construction, a company wholly-owned by the controlling shareholders of the Group, 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 10, in favour of a banking facility of RMB53,000,000 to Tianshan Construction. Under the guarantee, the Company and Tian Shan Real Estate shall unconditionally guarantee to pay the indebtedness in total of RMB68,400,000 (2012: RMB68,400,000), 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 30 June 2013, the aggregate amount drawn under the banking facility by Tianshan Construction amounted to RMB53,000,000. The guarantee amount represents the potential maximum exposure of the Group in accordance with the above guarantees.

- (iii) Tian Shan Real Estate entered into a Financial Assistance Agreement with Tianshan Construction, pursuant to which Tian Shan Real Estate agreed to provide a repayment guarantee and charge over its completed properties for sale as set out in note 11, in favour of a short term bank loan of RMB20,000,000 to Tianshan Construction. Under the guarantee, Tian Shan Real Estate shall unconditionally guarantee to pay the indebtedness in total of RMB22,900,000, including: (i) the principal amount of the bank loan; (ii) includes any accrued interest thereon, any penalty interests, any compound interest, (iii) any default in payment and compensation and (iv) any costs and expenses for enforcing the guarantee.

The maximum amount guaranteed under the Financial Assistance Agreement to secure the payment obligation of Tian Shan Construction is RMB22,900,000.


## 21 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the balances and transactions disclosed elsewhere in the interim financial report, the Group had the following significant transactions with related parties:

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Construction costs (note (i))	<b>64,305</b>	88,013
Rental expenses (note (ii))	<b>193</b>	193
Remuneration to key management personnel (note (iii))	<b>1,440</b>	1,456
Guarantee fee income (note (iv))	<b>(1,306)</b>	(231)

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 terms granted to the Group.
- (ii) The amount represents rental expenses paid to Tianshan Construction for office and staff quarter occupied by the Group.
- (iii) Remuneration to key management personnel of RMB1,440,000 (six months ended 30 June 2012: RMB1,456,000) represents salaries and fringe benefits paid to the directors of the Company.
- (iv) The amount represents the guarantee fee received from Tianshan Construction in respect of properties for sales and investment properties of the Group secured against a banking facility and a bank loan to Tianshan Construction as set out in notes 10 and 11.
- (v) 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.
- (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, 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.



## 22 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE PERIOD BEGINNING 1 JANUARY 2013

Up to the date of issue of this 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 2013 and which have not been adopted in the interim financial report. These include the following which may be relevant to the Group.

	<b>Effective for accounting periods beginning on or after</b>
Amendments to IAS 32, <i>Financial instruments: Presentation</i> – <i>Offsetting financial assets and financial liabilities</i>	1 January 2014
IFRS 9, <i>Financial instruments</i>	1 January 2015

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it had concluded that the adoption of them is unlikely to 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 12 to 36 which comprises the consolidated balance sheet of Tian Shan Development (Holding) Limited as of 30 June 2013 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity and condensed consolidated cash flows statement 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 2013 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

23 August 2013



## 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. TIAN Chong Hou (*Chairman*)

Mr. WU Zhen Shan

Mr. WU Zhen Ling

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](http://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*

### 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 2013 together with the comparative figures for the corresponding period in 2012. The unaudited interim financial report set out on pages 12 to 36 has been reviewed by the audit committee and the independent auditors of the Company.

## FINANCIAL HIGHLIGHTS

	<b>For the six months ended 30 June</b>		
	<b>2013 RMB'000 (Unaudited)</b>	2012 RMB'000 (Unaudited)	Change % +/(–)
Turnover	<b>227,643</b>	210,467	<b>8.2%</b>
Gross profit	<b>64,698</b>	58,585	<b>10.4%</b>
Loss for the period	<b>(68,881)</b>	(27,140)	<b>153.8%</b>
Contracted sales during the period	<b>940,929</b>	435,793	<b>115.9%</b>
Special dividend per share (HK cent)	<b>1.0</b>	1.0	–

## BUSINESS REVIEW AND PROSPECTS

### Property development and investment

As at 30 June 2013, the Group had 13 property projects under development and available for sale primarily in Shijiazhuang, Tianjin, Chengde and Shangdong with total planned gross floor area of approximately 3.3 million square meters (“sq.m.”).

The total contracted sales amount for the current period was RMB940.9 million (six months ended 30 June 2012: RMB435.8 million) which is increased by 115.9% as compared over the same period last year. The increase in contracted sales was primarily contributed by the pre-sale of Auspicious Lake, Tianjin Tian Shan Wonderful Waterside View (Phases I and II), and Yuanshi Waterside View.

During the period under review, the Group’s waterpark (the “Tianjin Waterpark” or “米立方”) with a site area of 86,510 sq.m. situated in *Tianjin Tian Shan Wonderful Waterside View* has completed its trial run and officially commenced its operation in late July 2013. The Tianjin Waterpark, a new land mark of Xiaozhan Town, Jinan District, Tianjin, is running satisfactorily and reached approximately 10,000 visits per day since its grand opening in late July 2013. With the estimated strong cash flows from the operation of Tianjin Waterpark, the Directors consider that the Group has achieved more balanced cash flow management from operations by not only depending on the properties selling.



The Group is committed to continue its successful track record in the development of quality residential and industrial property projects in Bohai Economic Rim and in the coming future, will explore the potential of property development in other provinces in the PRC.

## FINANCIAL REVIEW

The Group's turnover slightly increased by approximately 8.2% to approximately RMB227.6 million from RMB210.5 million as compared with the same period of last year. During the period, the Group's turnover is principally derived from the sales and delivery of residential property projects, namely Tianjin Tian Shan Wonderful Waterside View (Phases I and II), Chengde Tian Shan Wonderful Waters View, and Yuanshi Waterside View.

The cost of sales increased by approximately 7.3% to approximately RMB162.9 million from RMB151.9 million as compared with the six month period ended 30 June 2012. The increase was mainly commensurate with the increase in the turnover during the period under review.


As a result of the foregoing, the amount of the gross profit increased by 10.4% to approximately RMB64.7 million from RMB58.6 million in the corresponding period of last year. The gross profit margin for the current period was slightly increased to approximately 28.4% as compared with 27.8% for the same period of the preceding year.

The Group's other income was primarily the rental income earned from the lease of investment properties and other miscellaneous income.

The Group's selling and marketing expenses increased by approximately 100.0% to RMB55.9 million for the current period from RMB27.9 million for the same period of last year. The increase was primarily due to the increase in advertising and promotion expenses for new properties projects as well as the promotion for Tianjin Waterpark which was launched its operation in late July 2013. In addition, the sales staff costs also increased due to more headcounts and the overall increase in salary level.

The Group's administrative expenses also increased by approximately 35.6% to RMB80.0 million from RMB59.0 million. In the same period last year, there was a recovery of a bad and doubtful debt of RMB12.3 million recorded and accordingly lowered the overall administrative expenses. There was no such item recorded in the current period. Other than the above, the administrative expenses were generally increased because of more headcounts of staff and overall office expenses.

The Group's income tax expense increased to approximately RMB8.7 million from RMB8.1 million. The increase was primarily due to the increase in the Group's turnover during the current period.



As a result of the above, the Group recorded a net loss of approximately RMB68.9 million for the current period as compared with the net loss of approximately RMB27.1 million for the same period of last year.

## **Liquidity and Financial Resources**

As at 30 June 2013, the Group had cash and cash equivalents of approximately RMB654.1 million (31 December 2012: RMB618.9 million). The cash and cash equivalents are primarily denominated in Renminbi.

As at 30 June 2013, the Group had total bank and other loans in aggregate of approximately RMB1,689.5 million (31 December 2012: RMB1,715.4 million) and total equity attributable to shareholders of RMB1,426.0 million (31 December 2012: RMB1,506.3 million). The gearing ratio (calculated as net debt divided by total equity) as of 30 June 2013 was 0.73 (31 December 2012: 0.73).

## **Employees' Remuneration and Benefits**

As at 30 June 2013, the Group employed a total of 1,253 employees (31 December 2012: 1,129 employees). The compensation package of the employees includes basic salary and bonus which depends on the employee's actual achievement against target. In general, the Group offered competitive salary package, social insurance, pension scheme to its employees based on the current market salary levels. A share option scheme has also been adopted for employees of the Group.

## **Foreign Exchange and Currency Risk**

The Group's businesses are principally conducted in Renminbi, therefore, the Group does not expose to significant foreign currency exchange risks as of 30 June 2013 and the Group does not employ any financial instruments for hedging purposes.

In addition, 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 RMB682.6 million comprising primarily the Group's addition in property, plant and equipment, and the land and development costs of the Group's property projects.

## Charge on Assets and Contingent Liabilities

As at 30 June 2013, the Group had restricted cash of RMB68.8 million (31 December 2012: RMB47.5 million) deposited with certain banks as guarantee deposits against certain mortgage loan facilities granted by the banks to purchasers of the Group's properties. In addition, the Group's properties held for future development for sale, properties under development for sale, completed properties held for sale, property, plant and equipment and investment properties in aggregate of approximately RMB2,393.3 million (31 December 2012: RMB2,559.0 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 RMB2,314.3 million (31 December 2012: RMB2,314.3 million).

As of 30 June 2013, the Group has pledged completed properties held for sale thereon as partial security for a bank loan of RMB20.0 million granted to Hebei Tianshan Industrial Group Construction Engineering Company Limited ("Tianshan Construction"), 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"). In addition, the Group also provided a corporate guarantee and a security over certain investment properties in favour of a bank in the PRC in respect of banking facility of RMB53.0 million granted to Tianshan Construction.

## SPECIAL DIVIDEND AND INTERIM DIVIDEND

The Board resolved to distribute a special dividend of HK1.00 cent (six months ended 30 June 2012: HK1.00 cent) per share. The special dividend will be paid in cash on or around Wednesday, 23 October 2013 to shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 16 October 2013.

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: 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 (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2013.

## **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 at 30 June 2013, 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 were as follows:

### 1. Interests in the Company

#### (a) Shares

Name of Director of the Company	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 of the Company (the "Shares") are beneficially held by Neway Enterprises Limited ("Neway Enterprises"). Neway Enterprises is a company incorporated in the British Virgin Islands and is owned as to 25% by Mr. WU Zhen Shan, 25% by Mr. WU Zhen Ling, 25% by Mr. ZHANG Zhen Hai and 25% by Mr. WU Zhen He and all of them being directors of Neway Enterprises. Since these four Directors exercise or control the exercise 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 2013, 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 2013, the following interests of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

### Long positions:

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



Save as disclosed above, as at 30 June 2013, no person, other than the directors of the Company, whose interests are set out in the section "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 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 period:

Name or category of participant	At 1 January 2013	Grant during the period	Exercised during the period	Forfeited during the period	At 30 June 2013	Date of grant	Exercise period of the share options  (note f)	Exercise price of share options  (HK\$ per share)
<b>Connected persons</b>								
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			
<b>Other employees and grantees</b>								
In aggregate	4,755,000	–	–	–	4,755,000	16.06.2010	16.01.2011 to 15.06.2020	0.70
Total	5,710,000	–	–	–	5,710,000			



Notes:

- (a) WU Lan Zhi is the elder sister of WU Zhen Shan, WU Zhen Ling and WU Zhen He and the spouse of ZHANG Zhen Hai. The interest was also disclosed as an interest of ZHANG Zhen Hai in the section "Interests and short positions of the Directors and the chief 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 section "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 section "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 section "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 which has become effective on 15 July 2010 (the "Share Options Scheme") during the period under review and there were no outstanding share options under the Share Option Scheme as at 30 June 2013.

By order of the Board  
**Tian Shan Development (Holding) Limited**  
**Wu Zhen Shan**  
*Chairman*

Hong Kong  
23 August 2013

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2013 – unaudited  
(Expressed in Renminbi)

		Six months ended 30 June	
	Note	2013 RMB'000	2012 RMB'000
<b>Turnover</b>	4	<b>227,643</b>	210,467
Cost of sales		<b>(162,945)</b>	(151,882)
<b>Gross profit</b>		<b>64,698</b>	58,585
Other revenue		<b>9,756</b>	10,495
Selling and marketing expenses		<b>(55,850)</b>	(27,927)
Administrative expenses		<b>(79,951)</b>	(58,963)
<b>Loss from operations</b>		<b>(61,347)</b>	(17,810)
Finance income		<b>2,037</b>	826
Finance expenses		<b>(864)</b>	(2,106)
<b>Net finance income/(expenses)</b>	5(a)	<b>1,173</b>	(1,280)
<b>Loss before taxation</b>	5	<b>(60,174)</b>	(19,090)
Income tax	6	<b>(8,707)</b>	(8,050)
<b>Loss for the period</b>		<b>(68,881)</b>	(27,140)
<b>Loss per share (RMB cents)</b>	8		
Basic		<b>(6.89)</b>	(2.71)
Diluted		<b>(6.89)</b>	(2.71)

The notes on pages 19 to 36 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 7.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2013 – unaudited

(Expressed in Renminbi)

		Six months ended 30 June	
	Note	2013 RMB'000	2012 RMB'000
<b>Loss for the period</b>		<b>(68,881)</b>	(27,140)
<b>Other comprehensive income for the period:</b>			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign subsidiaries		<b>272</b>	5
<b>Total comprehensive income for the period</b>		<b>(68,609)</b>	(27,135)

The notes on pages 19 to 36 form part of this interim financial report.

## CONSOLIDATED BALANCE SHEET

at 30 June 2013 – unaudited

(Expressed in Renminbi)

	Note	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	9	418,133	335,211
Investment properties	10	433,253	433,253
Deferred tax assets		34,889	24,594
		<b>886,275</b>	793,058
<b>Current assets</b>			
Inventories	11	3,980,254	3,550,312
Trade and other receivables	12	1,105,554	931,613
Prepaid tax		31,552	16,653
Restricted cash	13	68,848	47,492
Cash and cash equivalents		654,089	618,883
		<b>5,840,297</b>	5,164,953
<b>Current liabilities</b>			
Bank loans – secured	15	445,617	539,050
Other loans – secured	16	588,850	454,555
Trade and other payables	17	3,444,024	2,528,100
Current taxation		102,157	141,947
		<b>4,580,648</b>	3,663,652
<b>Net current assets</b>		<b>1,259,649</b>	1,501,301
<b>Total assets less current liabilities</b>		<b>2,145,924</b>	2,294,359



## CONSOLIDATED BALANCE SHEET (CONTINUED)

at 30 June 2013 – unaudited

(Expressed in Renminbi)

	Note	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
<b>Non-current liabilities</b>			
Bank loans – secured	15	<b>325,000</b>	175,500
Other loans – secured	16	<b>330,000</b>	546,295
Deferred tax liabilities		<b>64,891</b>	66,259
		<b>719,891</b>	788,054
<b>NET ASSETS</b>			
		<b>1,426,033</b>	1,506,305
<b>CAPITAL AND RESERVES</b>			
Share capital	14	<b>86,731</b>	86,731
Reserves		<b>1,339,302</b>	1,419,574
<b>TOTAL EQUITY</b>		<b>1,426,033</b>	1,506,305

The notes on pages 19 to 36 form part of this interim financial report.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2013 – unaudited

(Expressed in Renminbi)

Note	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	
<b>At 1 January 2012</b>	86,731	259,358	48,259	110,070	147,001	2,087	680,959	1,334,465
<b>Changes in equity for the six months ended 30 June 2012:</b>								
Loss for the period	-	-	-	-	-	-	(27,140)	(27,140)
Other comprehensive income	-	-	5	-	-	-	-	5
Total comprehensive income	-	-	5	-	-	-	(27,140)	(27,135)
Equity settled share-based payment	-	-	-	-	-	403	-	403
Dividends approved in respect of the previous year	7(b)	(28,473)	-	-	-	-	-	(28,473)
<b>At 30 June 2012</b>	86,731	230,885	48,264	110,070	147,001	2,490	653,819	1,279,260

Note	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	
<b>At 1 July 2012</b>	86,731	230,885	48,264	110,070	147,001	2,490	653,819	1,279,260
<b>Changes in equity for the six months ended 31 December 2012:</b>								
Profit for the period	-	-	-	-	-	-	235,173	235,173
Other comprehensive income	-	-	(228)	-	-	-	-	(228)
Total comprehensive income	-	-	(228)	-	-	-	235,173	234,945
Transfer to statutory reserve	-	-	-	-	27,883	-	(27,883)	-
Equity settled share-based payment	-	-	-	-	-	226	33	259
Special dividend declared in respect of the current year	7(a)	(8,159)	-	-	-	-	-	(8,159)
<b>At 31 December 2012</b>	86,731	222,726	48,036	110,070	174,884	2,716	861,142	1,506,305

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

for the six months ended 30 June 2013 – unaudited

(Expressed in Renminbi)

Note	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 2013	86,731	222,726	48,036	110,070	174,884	2,716	861,142	1,506,305
<b>Changes in equity for the six months ended 30 June 2013:</b>								
Loss for the period	-	-	-	-	-	-	(68,881)	(68,881)
Other comprehensive income	-	-	272	-	-	-	-	272
Total comprehensive income	-	-	272	-	-	-	(68,881)	(68,609)
Equity settled share-based payment	-	-	-	-	-	289	-	289
Dividends approved in respect of the previous year	7(b)	(11,952)	-	-	-	-	-	(11,952)
At 30 June 2013	86,731	210,774	48,308	110,070	174,884	3,005	792,261	1,426,033

The notes on pages 19 to 36 form part of this interim financial report.



## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2013 – unaudited

(Expressed in Renminbi)

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
<b>Cash generated from/(used in) operations</b>	<b>117,214</b>	(131,859)
Income tax paid	(75,059)	(57,106)
<b>Net cash generated from/(used in) operating activities</b>	<b>42,155</b>	(188,965)
<b>Net cash used in investing activities</b>	<b>(87,489)</b>	(56,599)
<b>Net cash generated from financing activities</b>	<b>80,319</b>	407,632
<b>Net increase in cash and cash equivalents</b>	<b>34,985</b>	162,068
<b>Cash and cash equivalents at 1 January</b>	<b>618,883</b>	180,469
<b>Effect of foreign exchange rate changes</b>	<b>221</b>	17
<b>Cash and cash equivalents at 30 June</b>	<b>654,089</b>	342,554

The notes on pages 19 to 36 form part of this interim financial report.



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

for the six months ended 30 June 2013

(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 of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("IASB"). It was authorised for issue on 23 August 2013.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2012 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2013 annual financial statements. Details of these changes in accounting policies are set out in note 2.

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 2012 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance 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 pages 37 and 38.

The financial information relating to the financial year ended 31 December 2012 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 2012 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 2013.



## 2 CHANGES IN ACCOUNTING POLICIES

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

- Amendments to IAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*
- IFRS 10, *Consolidated financial statements*
- IFRS 12, *Disclosure of interests in other entities*

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

### **Amendments to IAS 1, Presentation of financial statements – Presentation of items of other comprehensive income**

The amendments to IAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in this interim financial report has been modified accordingly.

### **IFRS 10, Consolidated financial statements**

IFRS 10 replaces the requirements in IAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and SIC 12 *Consolidation – Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure and the ability to use its power to affect the amount of those returns. As a result of the adoption of IFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

### **IFRS 12, Disclosure of interests in other entities**

IFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by IFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the group has not made additional disclosures in this interim financial report as a result of adopting IFRS 12.

### 3 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").

### 4 TURNOVER

The principal activity of the Group is property development.

Turnover represents income from sales of properties. The amount of this category of revenue recognised in turnover during the period is as follows:

Six months ended 30 June		
	2013 RMB'000	2012 RMB'000
Sales of properties	227,643	210,467

## 5 LOSS BEFORE TAXATION

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

		Six months ended 30 June
		2012
		RMB'000
		2013
		RMB'000
<b>(a) Net finance (income)/expenses</b>		
Interest income	(2,031)	(826)
Exchange gain	(6)	–
Finance income	(2,037)	(826)
Interest expense and other borrowing costs	90,326	52,796
Less: interest and borrowing costs capitalised	(89,462)	(50,690)
Finance expenses	864	2,106
Net finance (income)/expenses	(1,173)	1,280
<b>(b) Other items</b>		
Depreciation of fixed assets	6,738	3,965
Amortisation of leasehold land	–	1
Reversal of provision for impairment losses on other receivables	–	(12,290)

## 6 INCOME TAX

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
<b>Current tax</b>		
PRC Corporate Income Tax	14,672	10,666
Land Appreciation Tax	5,698	5,011
	<b>20,370</b>	15,677
<b>Deferred tax</b>		
Pre-sale of properties	(10,108)	(5,056)
Other temporary differences	(1,555)	(2,571)
	<b>(11,663)</b>	(7,627)
	<b>8,707</b>	8,050

- (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 have no estimated assessable profits during the year.
- (c) **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.

Certain subsidiaries of the Group were subject to CIT calculated based on the deemed profit which represents 13% to 15% (six months ended 30 June 2012: 13% to 15%) of their revenue in accordance with the authorised taxation 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 2012: 25%) on the deemed profit. Other PRC subsidiaries of the Group, which were subject to the actual taxation method (查賬徵收), were charged CIT at a rate of 25% (six months ended 30 June 2012: 25%) on estimated assessable profit for the period.

## 6 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.

Certain subsidiaries of the Group were subject to LAT which is calculated based on 1% to 5% (six months ended 30 June 2012: 1% to 5%) of their revenue in accordance with the authorised tax valuation method approved by respective local tax bureau.

### (e) Withholding tax

Withholding taxes are levied on the non PRC-resident entities in respect of dividend distribution arising from profit of PRC subsidiaries earned after 1 January 2008 at a rate of 10%. No deferred tax liabilities were recognised (2012: Nil) for the undistributed earnings of the Group's PRC subsidiaries for the six months ended 30 June 2013 since it is not probable that they will be distributed to their immediate holding company outside PRC in the foreseeable future.

## 7 DIVIDENDS

### (a) Dividends payable to equity shareholders of the Company attributable to the previous year

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Special dividend declared after the interim period of HK1.00 cent (equivalent to RMB0.80 cent) per ordinary share (six months ended 30 June 2012: HK1.00 cent (equivalent to RMB0.82 cent) per ordinary share)	8,000	8,159

Pursuant to a board resolution passed, after the balance sheet date, on 23 August 2013, a special dividend of HK1.00 cent (2012: HK1.00 cent) per ordinary share was declared. The special dividend had not been recognised as a liability at the balance sheet date.

## 7 DIVIDENDS (Continued)

### (b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the interim period

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the interim period, of HK1.50 cents (equivalent to RMB1.20 cents) per ordinary share (six months ended 30 June 2012: HK3.50 cents (equivalent to RMB2.84 cents) per ordinary share)	11,952	28,473

The board of directors does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2013 (six months ended 30 June 2012: RMB Nil).

## 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 RMB68,881,000 (six months ended 30 June 2012: RMB27,140,000) and the weighted average of 1,000,000,000 ordinary shares (six months ended 30 June 2012: 1,000,000,000 ordinary shares) in issue during the interim period.

### (b) Diluted loss per share

The diluted loss per share is the same as basic loss per share for the six months ended 30 June 2013 and 2012 as the potential ordinary shares are anti-dilutive during that period.

## 9 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2013, the Group's additions in property, plant and equipment amounted to RMB89,697,000 (six months ended 30 June 2012: RMB58,137,000). Items of property, plant and equipment with a net book value of RMB37,000 were disposed of during the six months ended 30 June 2013 (six months ended 30 June 2012: RMB1,039,000), resulting in a gain on disposal of RMB83,000 (six months ended 30 June 2012: loss of RMB327,000).



## 10 INVESTMENT PROPERTIES

The directors consider the carrying values of investment properties approximate to their respective fair values as at 30 June 2013.

Certain investment properties carried at fair value as at 30 June 2013 have been pledged to secure borrowings of the Group as follows:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Other loans (note 16)	94,032	94,032
Banking facility of a related party (note 20(ii))	98,013	98,013
Fair value of investment properties pledged	192,045	192,045

## 11 INVENTORIES

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Properties held for future development for sale	245,202	236,073
Properties under development for sale	2,693,745	2,232,423
Completed properties held for sale	1,041,307	1,081,816
	3,980,254	3,550,312

Certain inventories carried at cost as at 30 June 2013 have been pledged to secure borrowings of the Group as follows:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Bank loans	539,358	917,754
Other loans	1,432,459	1,301,450
Bank loan of a related party (note 20(iii))	12,535	—
Carrying value of inventories pledged	1,984,352	2,219,204

## 12 TRADE AND OTHER RECEIVABLES

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Trade receivables (note (a))	25,516	64,380
Deposits, prepayments and other receivables (note (b))	1,080,038	867,233
	1,105,554	931,613

- (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 2013 RMB'000	At 31 December 2012 RMB'000
Current or less than 1 month overdue	13,502	61,452
3 months to 1 year overdue	12,014	2,928
	25,516	64,380

Trade receivables are due within 0 – 30 days from date of billing.

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

- (b) Included in deposits, prepayments and other receivables were prepayment for leasehold land costs of RMB267,254,000 (31 December 2012: RMB253,797,000).

At 30 June 2013, an amount of RMB377,550,000 (31 December 2012: RMB345,000,000) was paid as deposits for redevelopment of a village in Shijiazhuang 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 2013 HK\$'000	At 31 December 2012 HK\$'000
<b>Authorised:</b>		
10,000,000,000 ordinary shares of HK\$0.1 each (2012: 10,000,000,000 ordinary shares of HK\$0.1 each)	<b>1,000,000</b>	1,000,000
<b>Issued and fully paid:</b>		
1,000,000,000 ordinary shares of HK\$0.1 each (2012: 1,000,000,000 ordinary shares of HK\$0.1 each)	<b>100,000</b>	100,000
RMB equivalent (RMB'000)	<b>86,731</b>	86,731

## 15 BANK LOANS – SECURED

(a) At 30 June 2013, bank loans were repayable as follows:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Within one year or on demand	<b>445,617</b>	539,050
After one year but within two years	<b>50,000</b>	45,500
After two year but within five years	<b>275,000</b>	130,000
	<b>325,000</b>	175,500
	<b>770,617</b>	714,550

## 15 BANK LOANS – SECURED (Continued)

- (b) Certain bank loans of Group are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the bank loans would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 30 June 2013, none of the covenants relating to bank loans had been breached (31 December 2012: RMB Nil).
- (c) At 30 June 2013, carrying values of assets of the Group pledged for bank loans are analysed as follows:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Properties held for future development for sale	127,493	127,493
Properties under development for sale	219,082	376,801
Completed properties held for sale	192,783	413,460
	<b>539,358</b>	917,754
Property, plant and equipment	327,445	245,804
Restricted cash	37,480	22,400
	<b>904,283</b>	1,185,958

## 16 OTHER LOANS – SECURED

- (a) At 30 June 2013, other loans were repayable as follows:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Within one year or on demand	588,850	454,555
After one year but within two years	330,000	546,295
	<b>918,850</b>	1,000,850

## 16 OTHER LOANS – SECURED *(Continued)*

- (b) At 30 June 2013, carrying values of assets of the Group pledged for other loans are analysed as follows:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Properties held for future development for sale	15,633	43,716
Properties under development for sale	1,285,183	1,115,732
Completed properties held for sale	131,643	142,002
	<b>1,432,459</b>	1,301,450
Investment properties	94,032	94,032
	<b>1,526,491</b>	1,395,482

In addition to assets of the Group pledged for other loans as set above, certain properties with total carrying value of RMB114,426,000 (31 December 2012: RMB114,426,000) were provided by Hebei Tianshan Industrial Group Construction Engineering Company Limited ("Tianshan Construction"), a company wholly-owned by the controlling shareholders of the Group, as security for a banking facility of RMB360,000,000 (31 December 2012: RMB360,000,000) of the Group. No guarantee fee is paid to Tianshan Construction for such provision of security.

## 17 TRADE AND OTHER PAYABLES

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Trade payables (note (a))	86,767	83,898
Receipts in advance (note (b))	1,932,764	1,288,673
Other payables and accruals (note (c))	1,142,980	1,089,726
Amounts due to the ultimate holding company (note (d))	14,028	12,944
Amounts due to related parties (note (d))	33,489	32,859
Limited partners' interest (note (e))	233,996	–
Designated loans (note (f))	–	20,000
	<b>3,444,024</b>	2,528,100

## 17 TRADE AND OTHER PAYABLES (Continued)

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

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Due within 1 month or on demand	86,767	83,898

- (b) Included in receipts in advance were deferred income which were expected to be recognised in profit or loss after more than one year amounted to RMB67,983,000 (31 December 2012: RMB65,195,000).
- (c) Included in other payables and accruals were accrued construction costs to Tianshan Construction amounted to RMB189,056,000 (31 December 2012: RMB158,716,000).
- (d) Amounts due to the ultimate holding company, Neway Enterprises Limited, and related parties are unsecured, interest-free and repayable on demand.
- (e) Limited partners' interests were contributions from limited partners of Shijiazhuang Rong Chuang Investment Centre, Shijiazhuang Shun Rong Investment Centre, Shijiazhuang Hi-tech District Rui Bao Investment Centre and Shijiazhuang Hi-tech District Rui Xuan Investment Centre amounted to RMB226,800,000. Based on the partnership agreements, the Group has the contractual obligation to pay interest expenses to those limited partners at rates ranging from 14.5% to 17.0% per annum. The interest expenses are payable annually in arrears. The contributions have been recognised initially at fair value and interest expenses thereon are recognised on an accrual basis in profit or loss as part of the finance costs.
- (f) Designated loan at 31 December 2012 was secured by the Group's properties under development for sale with carrying amount of RMB79,558,000, interest-free and repayable within one year. The loan has been repaid in full during the interim period ended 30 June 2013.

## 18 EQUITY SETTLED SHARE-BASED TRANSACTION

On 16 June 2010, the Company conditionally granted certain pre-IPO share options to connected persons, consultations, 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 outstanding options at 30 June 2013 was 5,710,000 (31 December 2012: 5,710,000). No options were exercised, granted or lapsed during the six months ended 30 June 2013.

## 19 COMMITMENTS

Capital commitments outstanding at 30 June 2013 not provided for in the interim financial report are set out as follows:

	<b>At 30 June 2013 RMB'000</b>	<b>At 31 December 2012 RMB'000</b>
Authorised but not contracted for	<b>5,310,698</b>	5,758,707
Contracted but not provided for	<b>2,256,569</b>	2,217,681
	<b>7,567,267</b>	7,976,388

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

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (note (i))	2,314,300	2,314,300
Guarantee provided to a bank in respect of facility granted to a related party (note (ii))	68,400	68,400
Guarantee provided to a bank in respect of a bank loan granted to a related party (note (iii))	22,900	—
	<b>2,405,600</b>	2,382,700

Notes:

- (i) The Group provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default in the mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to banks. The Group's guarantee period commences from the dates of grants of the relevant mortgage loans and ends after the purchasers obtain the individual property ownership certificates of the properties purchased. The maximum amounts of guarantees given to banks for mortgage facilities granted to the purchasers of the Group's properties at 30 June 2013 are RMB2,314,300,000.

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





## 20 CONTINGENT LIABILITIES *(Continued)*

Notes: *(Continued)*

- (ii) The Company and its subsidiary, Tian Shan Real Estate Development Limited ("Tian Shan Real Estate"), jointly entered into an agreement with Tianshan Construction, a company wholly-owned by the controlling shareholders of the Group, 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 10, in favour of a banking facility of RMB53,000,000 to Tianshan Construction. Under the guarantee, the Company and Tian Shan Real Estate shall unconditionally guarantee to pay the indebtedness in total of RMB68,400,000 (2012: RMB68,400,000), 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 30 June 2013, the aggregate amount drawn under the banking facility by Tianshan Construction amounted to RMB53,000,000. The guarantee amount represents the potential maximum exposure of the Group in accordance with the above guarantees.

- (iii) Tian Shan Real Estate entered into a Financial Assistance Agreement with Tianshan Construction, pursuant to which Tian Shan Real Estate agreed to provide a repayment guarantee and charge over its completed properties for sale as set out in note 11, in favour of a short term bank loan of RMB20,000,000 to Tianshan Construction. Under the guarantee, Tian Shan Real Estate shall unconditionally guarantee to pay the indebtedness in total of RMB22,900,000, including: (i) the principal amount of the bank loan; (ii) includes any accrued interest thereon, any penalty interests, any compound interest, (iii) any default in payment and compensation and (iv) any costs and expenses for enforcing the guarantee.

The maximum amount guaranteed under the Financial Assistance Agreement to secure the payment obligation of Tian Shan Construction is RMB22,900,000.

## 21 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the balances and transactions disclosed elsewhere in the interim financial report, the Group had the following significant transactions with related parties:

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Construction costs (note (i))	<b>64,305</b>	88,013
Rental expenses (note (ii))	<b>193</b>	193
Remuneration to key management personnel (note (iii))	<b>1,440</b>	1,456
Guarantee fee income (note (iv))	<b>(1,306)</b>	(231)

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 terms granted to the Group.
- (ii) The amount represents rental expenses paid to Tianshan Construction for office and staff quarter occupied by the Group.
- (iii) Remuneration to key management personnel of RMB1,440,000 (six months ended 30 June 2012: RMB1,456,000) represents salaries and fringe benefits paid to the directors of the Company.
- (iv) The amount represents the guarantee fee received from Tianshan Construction in respect of properties for sales and investment properties of the Group secured against a banking facility and a bank loan to Tianshan Construction as set out in notes 10 and 11.
- (v) 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.
- (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, 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.



## 22 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE PERIOD BEGINNING 1 JANUARY 2013

Up to the date of issue of this 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 2013 and which have not been adopted in the interim financial report. These include the following which may be relevant to the Group.

	<b>Effective for accounting periods beginning on or after</b>
Amendments to IAS 32, <i>Financial instruments: Presentation</i> – <i>Offsetting financial assets and financial liabilities</i>	1 January 2014
IFRS 9, <i>Financial instruments</i>	1 January 2015

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it had concluded that the adoption of them is unlikely to 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 12 to 36 which comprises the consolidated balance sheet of Tian Shan Development (Holding) Limited as of 30 June 2013 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity and condensed consolidated cash flows statement 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 2013 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

23 August 2013