

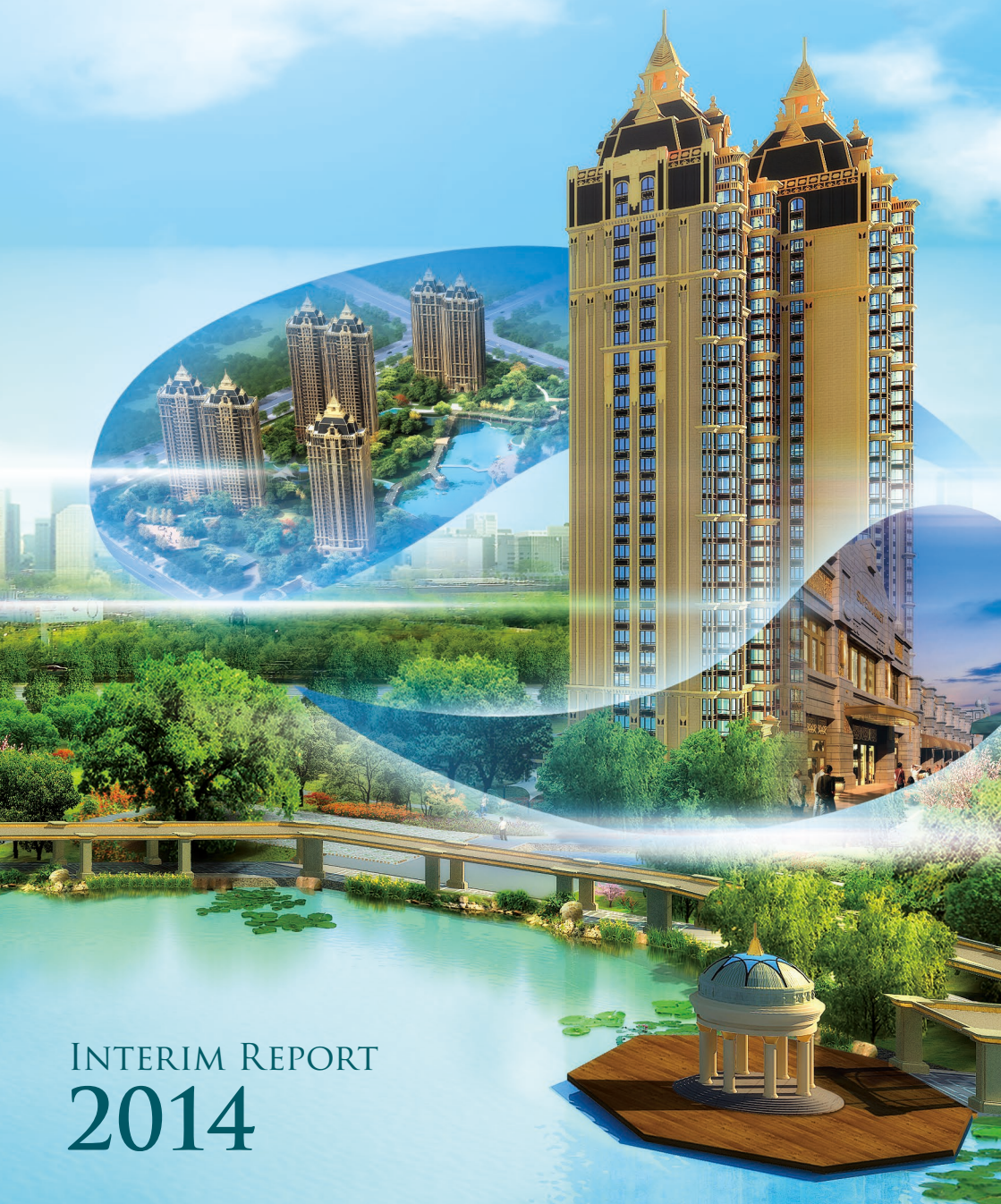


Tian Shan Development (Holding) Limited

天山發展(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2118



INTERIM REPORT
2014

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

Head Office and Principal Place of Business in China

No. 109 Tianshan Avenue
Shijiazhuang Hi-Tech Industry
Development Zone
Shijiazhuang, Hebei Province
China

Principal Place of Business in Hong Kong

Suites 1205-7, 12/F,
Dah Sing Financial Centre
108 Gloucester Road
Wanchai
Hong Kong

Auditors

KPMG
Certified Public Accountants

Registered Office in the Cayman Islands

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

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
Level 22, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

The board of directors (the “Board”) of Tian Shan Development (Holding) Limited (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 2014 together with the comparative figures for the corresponding period in 2013. The unaudited interim financial report set out on pages 14 to 40 has been reviewed by the audit committee of the Company.

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)	Change %
Turnover	452,581	235,493	92.2
Gross profit	165,985	72,548	128.8
Loss for the period	(13,639)	(68,881)	80.2
Contracted sales during the period	1,061,971	940,929	12.9
Special dividend per share (HK cent)	1.0	1.0	–

BUSINESS REVIEW AND PROSPECTS

Property development and investment

As at 30 June 2014, the Group had 15 property projects under development and available for sale primarily in Shijiazhuang, Tianjin, Chengde and Shangdong with total planned gross floor area of approximately 3.7 million square meters (“sq.m.”).

The total contracted sales amount for the current period was RMB1,062.0 million (six months ended 30 June 2013: RMB940.9 million) which is increased by 12.9% as compared over the same period last year. The contracted sales was primarily contributed by the pre-sale of *Tianshan Auspicious Lake*, *Tianjin Tian Shan Wonderful Waterside View (Phases I and II)*, and *Yuanshi Waterside View*.

In March 2014, the Tian Shan Real Estate Development Group Limited, a wholly-owned subsidiary of the Company established in the PRC, has entered into a co-operation agreement (the “Co-operation Agreement”) with two independent third parties to develop a commercial and residential property project with a site area of approximately 216,704 sq.m. located in Tanshan Phoenix New Town by (i) capital injection of RMB35,000,000 (equivalent to 70% equity interest of the enlarged registered capital) to Tangshan Infrastructure Property Development Limited, (“Tangshan Real Estate”) a limited liability company established in the PRC, upon capital increase proposal being approved by the government and (ii) committed to grant loans in aggregate of RMB821,902,000 to Tangshan Real Estate. As at 30 June 2014, the Group had paid RMB200,000,000 deposit to Tangshan Real Estate. Further details of the Co-operation Agreement were set out in the Company’s circular dated 27 June 2014.

In April 2014, the Company has successfully issued a promissory note to Chance Talent Management Limited, an independent third party (the “Investor”), and raised funding of approximately US\$30 million. The promissory note will mature in two years, or if prior written consent of the holder of the promissory note and the Company is obtained before maturity date, the terms of the promissory note will be extended for a further one year. In connection with the promissory note, the Company has also issued warrants to the Investor for nil consideration which enables the Investor to subscribe for a maximum of 7,069,486 Company’s shares at an initial price of HK\$3.31 per share (subject to adjustment). On the date of issue, the closing price of the shares of the Company was HK\$2.98 per share. The fund is applied to the Group for property development.

During the review period, the Group has acquired another land parcel in Shijiazhuang of site area approximately 39,725 sq.m. which is intended to be develop into commercial properties with gross floor area of 214,515 sq.m. for sale in coming two years’ time.

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 increased by approximately 92.2% to approximately RMB452.6 million from RMB235.5 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*, *Yuanshi Waterside View* and *Tianshan Auspicious Lake*.

The cost of sales increased by approximately 75.9% to approximately RMB286.6 million from RMB162.9 million as compared with the six month period ended 30 June 2013. 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 128.8% to approximately RMB166.0 million from RMB72.5 million in the corresponding period of last year. The gross profit margin for the current period was increased to approximately 36.7% as compared with 30.8% for the same period of the preceding year.

The Group's selling and marketing expenses increased by approximately 67.4% to RMB93.6 million for the current period from RMB55.9 million for the same period of last year. The increase was primarily due to the increase in sales commission in line with the increased turnover and increase in advertising and promotion expenses for new properties projects. 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 6.6% to RMB85.3 million from RMB80.0 million. The administrative expenses generally increased because of more headcounts of staff and overall office expenses.

The Group recorded an income tax credit of RMB15.6 million as compared with the same period last year of income tax expense of RMB8.7 million. The income tax credit was primarily due to recording a reversal of overprovisions made in prior period for land appreciation tax of approximately RMB41.9 million after tax clearance with local tax bureau.

As a result of the above, the Group recorded a net loss of approximately RMB13.6 million for the current period as compared with the net loss of approximately RMB68.9 million for the same period of last year.

Liquidity and Financial Resources

As at 30 June 2014, the Group had cash and cash equivalents of approximately RMB670.4 million (31 December 2013: RMB641.8 million). The cash and cash equivalents were primarily denominated in Renminbi.

As at 30 June 2014, the Group had total bank and other loans and promissory notes in aggregate of approximately RMB3,599.0 million (31 December 2013: RMB2,267.6 million) and total equity attributable to shareholders of RMB1,704.9 million (31 December 2013: RMB1,747.9 million). The gearing ratio (calculated as net debt divided by total equity) as of 30 June 2014 was 1.72 (31 December 2013: 0.93). The increase in the gearing ratio was primarily the net increase in bank and other loans and promissory note by RMB1,331.4 million for financing the addition of new land banks in Shijiazhuang.

Employees' Remuneration and Benefits

As at 30 June 2014, the Group employed a total of 1,822 employees (31 December 2013: 1,488 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 did not expose to significant foreign currency exchange risks as of 30 June 2014 and the Group did 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.

Capital Expenditure

During the period under review, the Group incurred capital expenditure in the amount of approximately RMB1,770.5 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

As at 30 June 2014, the Group had restricted cash of RMB88.8 million (31 December 2013: RMB67.5 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 RMB3,334.0 million (31 December 2013: RMB2,335.7 million) were secured against the bank and other loans of the Group.

As at 30 June 2014, the Group had also charged certain of its properties held for future development for sale and certain of investment properties in aggregate of approximately RMB114.0 million (31 December 2013: RMB114.0 million) in favour of banks for their grant of a bank loan and banking facility to a related party.

Contingent Liabilities

Except for the guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties of RMB2,284.3 million (31 December 2013: RMB2,284.3 million) and the guarantee provided to banks in respect of banking facilities granted to a related party in aggregate of RMB84.7 million (31 December 2013: RMB84.7 million), the Group had no material contingent liability as at 30 June 2014.

Substantial Acquisition and Disposal

Save as the entering into the Co-operation Agreement in March 2014, the Group has not participated in any substantial acquisition or disposal during the period under review.

Significant Investments

As at 30 June 2014, the Group did not hold any significant investments and there were no intended plans for material investments which are expected to be carried in the coming year.

SPECIAL DIVIDEND AND INTERIM DIVIDEND

The Board resolved to distribute a special dividend of HK1.0 cent (six months ended 30 June 2013: HK1.00 cent) per share. The special dividend will be paid in cash on or around Tuesday, 25 November 2014 to shareholders whose names appear on the register of members of the Company at the close of business on Friday, 14 November 2014.

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: 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 Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2014.

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 2014, 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 Newway Enterprises Limited ("Newway Enterprises"). Newway 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 Newway Enterprises. Since these four Directors exercise or control the exercise of entire voting right at general meetings of Newway Enterprises, each of them is deemed to be interested in the Shares held by Newway 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 2014, 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 2014, 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 2014, 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 2014	Grant during the period	Exercised during the period	Forfeited during the period	At 30 June 2014	Date of grant	Exercise period of the share options (note f)	Exercise price of share options (HK\$ per share)
Connected persons								
WU Lan Zhi (note a)	191,000	-	-	-	191,000	16.06.2010	16.01.2011 to 15.06.2020	0.70
XU Lan Ying (note b)	191,000	-	-	-	191,000	16.06.2010	16.01.2011 to 15.06.2020	0.70
FAN Yi Mei (note c)	191,000	-	-	-	191,000	16.06.2010	16.01.2011 to 15.06.2020	0.70
GU Jing Gai (note d)	191,000	-	-	-	191,000	16.06.2010	16.01.2011 to 15.06.2020	0.70
WU Lan Ping (note e)	191,000	-	-	-	191,000	16.06.2010	16.01.2011 to 15.06.2020	0.70
	955,000	-	-	-	955,000			
Other employees and grantees								
In aggregate	4,755,000	-	100,000	200,000	4,455,000	16.06.2010	16.01.2011 to 15.06.2020	0.70
Total	5,710,000	-	100,000	200,000	5,410,000			

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

A share option scheme (the "Share Option Scheme") was conditionally approved by resolutions in writing of the then sole shareholder of the Company on 16 June 2010, which became effective on 15 July 2010. During the period under review, no share options were granted or exercised and no share options were forfeited by the Company under the Share Option Scheme. There were no outstanding share options under the Share Option Scheme as at 30 June 2014.

By order of the Board

Tian Shan Development (Holding) Limited

Wu Zhen Shan

Chairman

Hong Kong
29 August 2014

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2014 – unaudited

(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2014 RMB'000	2013 RMB'000
Turnover	4	452,581	235,493
Cost of sales		(286,596)	(162,945)
Gross profit		165,985	72,548
Other revenue		5,804	1,906
Selling and marketing expenses		(93,552)	(55,850)
Administrative expenses		(85,275)	(79,951)
Loss from operations		(7,038)	(61,347)
Finance income		1,549	2,037
Finance expenses		(23,736)	(864)
Net finance income/(expenses)	5(a)	(22,187)	1,173
Loss before taxation	5	(29,225)	(60,174)
Income tax	6	15,586	(8,707)
Loss for the period		(13,639)	(68,881)
Loss per share (RMB cents)	8		
Basic		(1.36)	(6.89)
Diluted		(1.36)	(6.89)

The notes on pages 22 to 40 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 7.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2014 – unaudited

(Expressed in Renminbi)

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Loss for the period	(13,639)	(68,881)
Other comprehensive income/(loss) for the period:		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign subsidiaries	(4,228)	272
Total comprehensive loss for the period	(17,867)	(68,609)

The notes on pages 22 to 40 form part of this interim financial report.

CONDENSED CONSOLIDATED BALANCE SHEET

at 30 June 2014 – unaudited

(Expressed in Renminbi)

	Note	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Non-current assets			
Property, plant and equipment	9	491,648	469,704
Investment properties	10	607,554	607,554
Deferred tax assets		35,128	34,178
		1,134,330	1,111,436
Current assets			
Inventories	11	5,292,674	3,841,842
Trade and other receivables	12	2,026,921	2,599,707
Prepaid tax		39,513	48,276
Restricted cash	13	88,772	67,464
Cash and cash equivalents		670,448	641,801
		8,118,328	7,199,090
Current liabilities			
Bank loans – secured	15	16,552	193,432
Other loans – secured	16	530,000	522,200
Trade and other payables	17	3,808,083	4,014,638
Current taxation		70,321	205,683
		4,424,956	4,935,953
Net current assets		3,693,372	2,263,137
Total assets less current liabilities		4,827,702	3,374,573

CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*

at 30 June 2014 – unaudited

(Expressed in Renminbi)

	Note	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Non-current liabilities			
Bank loans – secured	15	395,710	376,000
Other loans – secured	16	2,227,142	939,800
Promissory notes	18	429,637	236,167
Deferred tax liabilities		70,273	74,673
		3,122,762	1,626,640
NET ASSETS		1,704,940	1,747,933
CAPITAL AND RESERVES			
Share capital	14	86,738	86,731
Reserves		1,618,202	1,661,202
TOTAL EQUITY		1,704,940	1,747,933

The notes on pages 22 to 40 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2014 – unaudited

(Expressed in Renminbi)

		Six months ended 30 June 2014								
		Attributable to equity holders of the Group								
Note	Share capital RMB'000 (note 14)	Share premium RMB'000	Exchange reserve RMB'000	Other capital reserve RMB'000	Warrant reserve RMB'000	PRC statutory reserve RMB'000	Share-based compensation reserve RMB'000	Retained profits RMB'000	Total RMB'000	
	At 1 January 2014	86,731	202,925	45,150	110,070	5,040	205,131	3,207	1,089,679	1,747,933
	Changes in equity for the six months ended 30 June 2014:									
	Loss for the period	-	-	-	-	-	-	(13,639)	(13,639)	
	Other comprehensive loss	-	-	(4,228)	-	-	-	-	(4,228)	
	Total comprehensive loss	-	-	(4,228)	-	-	-	(13,639)	(17,867)	
	Warrants issued	18	-	-	-	2,370	-	-	-	2,370
	Issues of shares	14	7	48	-	-	-	(76)	76	55
	Equity settled share-based payment		-	-	-	-	-	247	-	247
	Dividends paid in respect of the previous year	7(b)	-	(27,798)	-	-	-	-	-	(27,798)
	At 30 June 2014	86,738	175,175	40,922	110,070	7,410	205,131	3,378	1,076,116	1,704,904

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

for the six months ended 30 June 2014 – unaudited
(Expressed in Renminbi)

		Six months ended 30 June 2013							
		Attributable to equity holders of the Group							
Note	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	Total RMB'000	
At 1 January 2013	86,731	222,726	48,036	110,070	174,884	2,716	861,142	1,506,305	
Changes in equity for the six months ended 30 June 2013:									
Loss for the period	-	-	-	-	-	-	(68,881)	(68,881)	
Other comprehensive income	-	-	272	-	-	-	-	272	
Total comprehensive loss	-	-	272	-	-	-	(68,881)	(68,609)	
Equity settled share-based payment	-	-	-	-	-	289	-	289	
Dividends paid 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 22 to 40 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2014 – unaudited

(Expressed in Renminbi)

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Operating activities		
Operating profit/(loss) before working capital changes	4,365	(54,403)
Changes in working capital:		
Increase in inventories	(1,270,654)	(340,480)
Decrease/(increase) in trade and other receivables	572,786	(173,941)
Increase in restricted cash	(21,308)	(21,356)
Increase/(decrease) in trade and other payables	(239,315)	707,394
Cash generated from/(used in) operations	(954,126)	117,214
PRC income tax paid	(116,363)	(75,059)
Net cash generated from/(used in) operating activities	(1,070,489)	42,155
Investing activities		
Payments for the purchase of property, plant and equipment	(33,082)	(89,697)
Other cash flows arising from investing activities	1,531	2,208
Net cash used in investing activities	(31,551)	(87,489)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(Continued)

for the six months ended 30 June 2014 – unaudited

(Expressed in Renminbi)

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Financing activities		
Proceeds from new bank loans	67,190	284,617
Proceeds from new other loans	1,487,242	112,000
Proceeds from new promissory note	184,692	–
Repayment of bank loans	(224,360)	(228,550)
Repayment of other loans	(192,100)	(194,000)
Repayment of designated loan	–	(20,000)
Capital contribution from limited partners	128,500	226,800
Repayment of capital contribution to limited partners	(95,740)	–
Proceeds from issue of shares	55	–
Interest paid	(197,506)	(88,596)
Dividend paid	(27,798)	(11,952)
Net cash generated from financing activities	1,130,175	80,319
Net increase in cash and cash equivalents	28,135	34,985
Cash and cash equivalents at 1 January	641,801	618,883
Effect of foreign exchange rate changes	512	221
Cash and cash equivalents at 30 June	670,448	654,089

The notes on pages 22 to 40 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

for the six months ended 30 June 2014

(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 29 August 2014.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014 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 2013 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").

2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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:

IFRS 10, IFRS 12 and IAS 27 (2011) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (2011) – <i>Investment Entities</i>
IAS 32 Amendments	Amendments to IAS 32 Financial Instruments: Presentation – <i>Offsetting Financial Assets and Financial Liabilities</i>
IAS 36 Amendments	Amendments to IAS 36 Impairment of Assets – <i>Recoverable Amount Disclosures for Non-Financial Assets</i>
IAS 39 Amendments	Amendments to IAS 39 Financial Instrument: Recognition and measurement – <i>Novation of Derivatives and Continuation of Hedge Accounting</i>
IFRIC – Interpretation 21	<i>Levies</i>

The adoption of these new and revised IFRSs has had no significant financial effect on these unaudited condensed consolidated interim financial statements and there have been no significant changes to the accounting policies applied in these unaudited condensed consolidated interim financial statements.

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 primarily 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	
	2014 RMB'000	2013 RMB'000
Income from sales of properties	436,624	227,643
Gross rental income	8,336	7,850
Other	7,621	–
	452,581	235,493

The Group's customer base is diversified and none of the customers of the Group with whom transactions have exceeded 10% of the Group's revenue.

5 LOSS BEFORE TAXATION

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

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
(a) Net finance expenses/(income)		
Interest income	(1,531)	(2,031)
Exchange gain	(18)	(6)
Finance income	(1,549)	(2,037)
Interest expense and other borrowing costs	203,914	90,326
Less: interest and borrowing costs capitalised	(180,178)	(89,462)
Finance expenses	23,736	864
Net finance expenses/(income)	22,187	(1,173)
(b) Other items		
Depreciation and amortisation	11,138	6,738

6 INCOME TAX

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Current tax		
PRC Corporate Income Tax	10,776	14,672
Land Appreciation Tax	20,900	5,698
Overprovision in prior period – Land Appreciation Tax	(41,912)	–
	(10,236)	20,370
Deferred tax		
Origination and reversal of temporary differences	(5,350)	(11,663)
	(15,586)	8,707

- (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 2013: 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 2013: 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 2013: 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 2013: 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 (2013: Nil) for the undistributed earnings of the Group's PRC subsidiaries for the six months ended 30 June 2014 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	
	2014 RMB'000	2013 RMB'000
Special dividend declared after the interim period of HK1.00 cent (equivalent to RMB0.79 cent) per ordinary share (six months ended 30 June 2013: HK1.00 cent (equivalent to RMB0.78 cent) per ordinary share)	7,914	7,849

Pursuant to a board resolution passed, after the balance sheet date, on 29 August 2014, a special dividend of HK1.00 cent per ordinary share was declared. The special dividend had not been recognised as a liability at the balance sheet date.

(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	
	2014 RMB'000	2013 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the interim period, of HK3.50 cents (equivalent to RMB2.78 cents) per ordinary share (six months ended 30 June 2013: HK1.50 cents (equivalent to RMB1.20 cents) per ordinary share)	27,798	11,952

The board of directors does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2014 (six months ended 30 June 2013: 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 RMB13,639,000 (six months ended 30 June 2013: RMB68,881,000) and the weighted average of 1,000,004,420 ordinary shares (six months ended 30 June 2013: 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 2014 and 2013 as the potential ordinary shares are anti-dilutive during these periods.

9 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group's additions in property, plant and equipment amounted to RMB33,082,000 (six months ended 30 June 2013: RMB89,697,000).

The Group's property, plant and equipment with carrying value of RMB368,459,000 (31 December 2013: RMB373,459,000) and RMB22,442,000 (31 December 2013: Nil) were pledged as securities for the Group's bank loans (note 15) and other loans (note 16), respectively.

10 INVESTMENT PROPERTIES

The directors consider the carrying values of investment properties approximate to their respective fair values as at 30 June 2014.

Certain investment properties carried at fair value as at 30 June 2014 have been pledged to secure borrowings of the Group as follows:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Bank loans (note 15)	99,674	–
Other loans (note 16)	139,263	238,937
Banking facility of a related party (note 21(ii))	101,441	101,441
Fair value of investment properties pledged	340,378	340,378

11 INVENTORIES

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Properties held for future development for sale	219,438	320,362
Properties under development for sale	3,726,198	2,001,225
Completed properties held for sale	1,343,540	1,516,995
Others	3,498	3,260
	5,292,674	3,841,842

Certain inventories carried at cost as at 30 June 2014 have been pledged to secure borrowings of the Group as follows:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Bank loans (note 15)	223,420	359,631
Other loans (note 16)	2,463,248	1,345,557
Bank loan of a related party (note 21(ii))	12,535	12,535
Carrying value of inventories pledged	2,699,203	1,717,723

12 TRADE AND OTHER RECEIVABLES

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Trade receivables (note (a))	16,979	19,222
Deposits, prepayments and other receivables (note (b))	2,009,942	2,580,485
	2,026,921	2,599,707

(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 2014 RMB'000	At 31 December 2013 RMB'000
Current or less than 1 month overdue	16,979	13,824
3 months to 1 year overdue	–	5,398
	16,979	19,222

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.

12 TRADE AND OTHER RECEIVABLES *(Continued)*

- (b) Included in deposits, prepayments and other receivables were prepayment for leasehold land costs of RMB447,985,000 (31 December 2013: RMB1,653,985,000).

At 30 June 2014, an amount of RMB568,307,000 (31 December 2013: RMB446,414,000) was paid as deposits for redevelopment of a village in Shijiazhuang and included in other receivables of the Group.

In addition, an amount of RMB200,000,000 (31 December 2013: Nil) was paid as deposit under a co-operation agreement entered by Tian Shan Real Estate Development Group Limited, a wholly-owned subsidiary, with two independent third parties in March 2014 to develop a commercial and residential property project held by Tangshan Infrastructure Property Development Limited, a limited liability company established in the PRC. Further details of the co-operation agreement were set out in the Company's circular dated 27 June 2014.

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.

At at 30 June 2014, restricted cash of RMB17,480,000 (31 December 2013: RMB18,104,000) were pledged as securities for the Group's bank loans (note 15).

14 SHARE CAPITAL

During the period, the subscription rights attaching to 100,000 (six months ended 30 June 2013: Nil) share options (note 19) were exercised at a weighted average exercise price of HK\$0.70 per share, resulting in the issue of 100,000 shares of HK\$0.10 each for a total cash consideration, before expenses, of HK\$70,000 (approximately RMB55,000).

15 BANK LOANS – SECURED

(a) At 30 June 2014, bank loans were repayable as follows:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Within one year or on demand	16,552	193,432
After one year but within two years	191,710	53,000
After two year but within five years	204,000	323,000
	395,710	376,000
	412,262	569,432

(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 2014, none of the covenants relating to bank loans had been breached (31 December 2013: Nil).

(c) At 30 June 2014, carrying values of assets of the Group pledged for bank loans are analysed as follows:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Properties under development for sale	–	32,264
Completed properties held for sale	223,420	327,367
Investment properties	99,674	–
Property, plant and equipment	368,459	373,459
Restricted cash	17,480	18,104
	709,033	751,194

16 OTHER LOANS – SECURED

(a) At 30 June 2014, other loans were repayable as follows:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Within one year or on demand	530,000	522,200
After one year but within two years	2,204,700	829,800
After two years but within five years	22,442	110,000
	2,227,142	939,800
	2,757,142	1,462,000

(b) At 30 June 2014, carrying values of assets of the Group pledged for other loans are analysed as follows:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Properties held for future development for sale	–	93,744
Properties under development for sale	2,168,178	979,402
Completed properties held for sale	295,070	272,411
Investment properties	139,263	238,937
Property, plant and equipment	22,442	–
	2,624,953	1,584,494

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 2013: 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 2013: 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 2014 RMB'000	At 31 December 2013 RMB'000
Trade payables (note (a))	268,144	136,178
Receipts in advance (note (b))	1,729,288	1,273,099
Other payables and accruals (note (c))	1,321,707	2,108,148
Amounts due to the ultimate holding company (note (d))	2,119	6,734
Amounts due to related parties (note (d))	18,021	54,435
Limited partners' interest (note (e))	468,804	436,044
	3,808,083	4,014,638

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

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Due within 1 month or on demand	268,144	136,178

- (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 RMB163,581,000 (31 December 2013: RMB68,463,000).
- (c) Included in other payables and accruals were accrued construction costs to Tianshan Construction amounted to RMB175,515,000 (31 December 2013: RMB394,469,000).
- (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' interest represented contributions from limited partners of partnerships over which the Group has control. Based on the partnership agreements, the Group has the contractual obligation to pay interest expenses to those limited partners at rates ranging from 12.5% to 15.0% 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.

18 PROMISSORY NOTES/WARRANTS

At 30 June 2014, the Group's promissory notes were repayable as follows:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Within one to two years	187,332	–
After two years but within five years	242,305	236,167
Total	429,637	236,167

- (a) On 28 April 2014, the Company issued a promissory note with principal amount of US\$30,000,000 ("the Promissory Note") and 7,069,486 warrants ("the Warrants") to a third party. The Promissory Note is interest-bearing at 15% per annum and the interest is payable quarterly in arrears. The maturity date of the note is 27 April 2016 or 27 April 2017 if so extended when prior written consent of the holder and of the Company is obtained. The Promissory Note is secured jointly and severally by guarantees of one of the directors, Mr Wu Zhen Shan, and Neway Enterprises Limited (the controlling shareholder of the Company).

Detachable from the Promissory Note, each warrant may be exercised from the date of issue up to 27 April 2016 or so extended up to 27 April 2017 at an initial exercise price, subject to anti-dilutive adjustments, of HK\$3.31 per ordinary share of the Company. The Warrants are classified as equity instruments of the Company.

- (b) On 30 October 2013, the Company issued another promissory note with principal amount of HK\$300,000,000 ("the 2013 Promissory Note") and 10,752,000 warrants ("the 2013 Warrants") to a third party. The 2013 Promissory Note is interest-bearing at 15% per annum and the interest is payable quarterly in arrears. The maturity date of the 2013 Promissory Note is 29 October 2016 or 29 October 2018 if so extended when prior written consent of the holder and of the Company is obtained. The 2013 Promissory Note is secured jointly and severally by guarantees of one of the directors, Mr Wu Zhen Shan, and Neway Enterprises Limited (the controlling shareholder of the Company).

Detachable from the 2013 Promissory Note, each warrant may be exercised from the date of issue up to 29 October 2016 or so extended up to 29 October 2018 at an initial exercise price, subject to anti-dilutive adjustments, of HK\$2.79 per ordinary share of the Company. The 2013 Warrants are classified as equity instruments of the Company.

18 **PROMISSORY NOTE/WARRANTS** *(Continued)*

Liability component for the promissory notes represents the present value of the contractually determined stream of future cash flows discounted at the rate of interest determined by the market instruments of comparable credit status taken into account the business risk and financial risk of the Group. The effective interest rate of the liability component is 15.9% per annum.

Warrant reserve represents the excess of proceeds of the promissory notes over the liability component initially recognised.

The fair value of the liability component at its initial recognition was measured using valuation techniques by which all significant inputs are directly or indirectly based on observable market data, which is categorised as Level 2 valuation.

19 **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 HK\$0.70. 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 2014 was 5,410,000 (31 December 2013: 5,710,000). During the six months period ended 30 June 2014, 100,000 options were exercised and 200,000 options were lapsed.

20 COMMITMENTS

Capital commitments outstanding at 30 June 2014 not provided for in the interim financial report are set out as follows:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Authorised but not contracted for	5,929,112	6,238,624
Contracted but not provided for	2,663,496	2,228,308
	8,592,608	8,466,932

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

21 CONTINGENT LIABILITIES

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (note (i))	2,284,300	2,284,300
Guarantee provided to banks in respect of banking facilities granted to a related party (note (ii))	84,700	84,700
	2,369,000	2,369,000

21 CONTINGENT LIABILITIES (Continued)

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 2014 are RMB2,284,300,000 (31 December 2013: RMB2,284,300,000).

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.

- (ii) The Company and its subsidiary, Tian Shan Real Estate Development Group 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 bank to grant 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, 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.

Tian Shan Real Estate also 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 properties held for future development for sale as set out in note 11, in favour of another bank to grant a short term bank loan of RMB15,000,000 to Tianshan Construction. Under the guarantee, Tian Shan Real Estate shall unconditionally guarantee to pay the indebtedness in total of RMB16,300,000, 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 guarantee amounts represent the potential maximum exposure of the Group in accordance with the above guarantees.

22 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	
	2014 RMB'000	2013 RMB'000
Construction costs (note (i))	94,035	64,305
Rental expenses (note (ii))	193	193
Remuneration to key management personnel (note (iii))	2,825	1,440
Guarantee fee income (note (iv))	-	(1,306)

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 RMB2,825,000 (six months ended 30 June 2013: RMB1,440,000) 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 in prior period.
- (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.

23 COMPARATIVE FIGURES

Comparative figures on rental income have been reclassified to conform with current year's presentation.