



**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 2016





## 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, FCA*

### Authorised Representatives

Mr. WU Zhen Shan

Mr. CHEUNG Siu Yiu

### Audit Committee

Mr. CHEUNG Ying Kwan (*Chairman*)

Mr. TIAN Chong Hou

Mr. WANG Ping

### Remuneration Committee

Mr. 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

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

Estera Trust (Cayman) Limited  
Clifton House, 75 Fort Street  
PO Box 1350, Grand Cayman KY1-1108  
Cayman Islands

### Hong Kong Branch Share Register and Transfer Office

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

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 2016 together with the comparative figures for the corresponding period in 2015. The unaudited interim financial report set out on pages 14 to 38 has been reviewed by the audit committee of the Company.

## FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)	Change %
Turnover	894,763	240,930	271.4
Gross profit	228,490	78,490	191.1
Profit/(Loss) for the period	47,448	(30,593)	N/A
Contracted sales during the period	2,070,286	974,031	112.5
Basic earnings/(loss) per share (RMB cents)	4.72	(3.05)	N/A
Interim dividend	Nil	Nil	


## BUSINESS REVIEW AND PROSPECTS

### Property development and investment

As at 30 June 2016, the Group had 22 property projects under development primarily located in Shijiazhuang, Tianjin, Chengde, Yinchuan and Shandong.

The total contracted sales amount for the six months ended 30 June 2016 was RMB2,070.3 million (six months ended 30 June 2015: RMB974.0 million) which increased by 113% as compared over the same period last year. The contracted sales was primarily contributed by the sale and pre-sale of *Tian Shan Jiu Feng*, *Tianshan Auspicious Lake*, *Tianjin Tian Shan Wonderful Waterside View (Phases I and II)*, *Tian Shan Tinglan Residence* and *Yuanshi Waterside View*.

With the strong increase in cash received from contracted sales, during the six months ended 30 June 2016, the Group has replenished its land bank by acquiring certain new residential and commercial land parcels in Shijiazhuang of Hebei Province and Yinchuan of Ningxia Province Hui Autonomous Region (“Ningxia”) in aggregate of RMB1,566.3 million or estimated saleable gross floor area of approximately 1.53 million sq.m. which are intended to be developed for sale in two to three 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 271% to approximately RMB894.8 million from RMB240.9 million as compared with the same period of last year. The increase in turnover during the period was mainly due to comparatively more completed properties were delivered to the customers and such sales were recognised as turnover during the period. 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)*, *Tian Shan Jiu Feng*, *Yuanshi Waterside View*, *Tianshan Auspicious Lake* and *Tian Shan Tinglan Residence*.

The cost of sales increased by approximately 310% to approximately RMB666.3 million from RMB162.4 million as compared with the six month period ended 30 June 2015. The increase was mainly commensurate with the increase in the turnover during the six months ended 30 June 2016.

As a result of the foregoing, the amount of the gross profit increased to approximately RMB228.5 million from RMB78.5 million in the corresponding period of last year. The gross profit margin for the current period was decreased to approximately 25.5% as compared with 32.6% for the same period of the preceding year. The decrease in gross profit margin was mainly due to the current period delivery of certain initial batch residential properties of *Tian Shan Jiu Feng* which were sold at comparatively lower prices to attract customers as one of the Group's selling strategies.

The Group's selling and marketing expenses increased by approximately 41.8% to RMB87.0 million for the current period from RMB61.4 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 property projects.

The Group's administrative expenses decreased by approximately 9.7% to RMB74.7 million from RMB82.8 million. The decrease was primarily the effect of the Group's stringent control on administrative expenses for travelling, business entertainment, office rental and other expenses.



During the period, the Group recorded a net income tax expense of RMB2.5 million for the corporate income tax and land appreciation tax in the PRC after considering the estimated effective corporate income tax and land appreciation tax for the period and the reversal of prior periods provisions upon tax clearance with the PRC tax bureaus.

As a result of the above, the Group recorded a net profit of approximately RMB47.4 million for the current period as compared with the net loss of approximately RMB30.6 million for the same period of last year.

## **Financial Resources, Liquidity and Gearing Ratio**

The Group financed its property projects through the shareholders equity, bank and other borrowings, promissory notes, bonds payables and sales/pre-sales proceeds from completed properties/properties under development.


As at 30 June 2016, the Group had cash and cash equivalents of approximately RMB1,038.5 million (31 December 2015: RMB642.3 million). The cash and cash equivalents were primarily denominated in Renminbi. In addition, as at 30 June 2016, the Group had short-term investments (being wealth management products issued by certain banks in the PRC with guaranteed principal amounts plus fixed or variable returns) of approximately RMB90.0 million (31 December 2015: RMB319.0 million).

As at 30 June 2016, the Group had total bank and other loans, promissory notes and bond payables in aggregate of approximately RMB4,458.0 million (31 December 2015: RMB2,952.0 million) and total equity attributable to shareholders of RMB2,142.8 million (31 December 2015: RMB2,112.9 million). The gearing ratio (calculated as net debt divided by total equity) as of 30 June 2016 was 1.55 (31 December 2015: 0.94). The increase in the gearing ratio was primarily the net increase in total borrowings by RMB1,506.0 million for financing the addition of new land banks in Hebei Province and Ningxia.

## **Current Assets and Liabilities**

As at 30 June 2016, the Group had total current assets of approximately RMB12,146.2 million (31 December 2015: RMB11,105.9 million), comprising mainly inventories, trade and other receivables, short-term investments, and restricted cash and cash and cash equivalents.

As at 30 June 2016, the Group had total current liabilities of approximately RMB9,293.5 million (31 December 2015: RMB8,722.5 million), comprising mainly bank and other borrowings, promissory notes, trade and other payables and taxation payable.



As at 30 June 2016, the current ratio (calculated as the total current assets divided by the total current liabilities) was 1.3 (31 December 2015: 1.3).

In April 2014, the Company issued a promissory note ("2014 Promissory Note") in the principal amount of US\$30 million to Chance Talent Management Limited, an independent third party ("Chance Talent"). 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 the maturity date, the terms of the promissory note will be extended for a further one year. In March 2015, the Company entered into a supplemental agreement with Chance Talent to early redeem partially of the 2014 Promissory Note of US\$10 million at its principal amount together with accrued interests. The remaining principal amount of US\$20 million together with accrued interests were fully redeemed in March 2016. Further details of the 2014 Promissory Note and its redemption are set out in the Company's announcements dated 2 April 2014 and 1 March 2016.

## **Employees' Remuneration and Benefits**

As at 30 June 2016, the Group employed a total of 2,121 employees (31 December 2015: 1,930 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 Risks**

The Group's businesses are principally conducted in Renminbi, therefore, the Group was not exposed to significant foreign currency exchange risks as of 30 June 2016 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 six months ended 30 June 2016, the Group incurred capital expenditure in the amount of approximately RMB2,143.7 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 2016, the Group had restricted cash of RMB129.9 million (31 December 2015: RMB1,014.4 million) deposited with certain banks as guarantee deposits against certain bank and other loans, bills payable, and mortgage loan facilities granted by the banks to purchasers of the Group's properties. In addition, the Group's inventories, property, plant and equipment, and investment properties in aggregate of approximately RMB5,431.6 million (31 December 2015: RMB4,729.7 million) were secured against the bank and other loans of the Group.

As at 30 June 2016, the Group had also charged certain of its investment properties in aggregate of approximately RMB20.0 million (31 December 2015: RMB20.0 million) in favour of banks for their grant of a bank loan and banking facility of RMB15.0 million 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 RMB1,230.5 million (31 December 2015: RMB1,230.5 million) and the guarantee provided to banks in respect of banking facilities granted to a related party in aggregate of RMB16.3 million (31 December 2015: RMB16.3 million), the Group had no material contingent liability as at 30 June 2016.

## Substantial Acquisition and Disposal

The Group had not participated in any substantial acquisition or disposal during the six months ended 30 June 2016.

## Significant Investments

As at 30 June 2016, for short-term treasury management, the Group had invested RMB90.0 million in debt securities (wealth management products) issued by certain banks in the PRC with guaranteed principal amounts plus fixed or variable returns. Other than these, the Group did not hold any significant investments and there were no intended plans for material investments which were expected to be carried out in the coming year.





## **SPECIFIC PERFORMANCE OBLIGATIONS ON THE CONTROLLING SHAREHOLDERS UNDER RULE 13.18 OF THE LISTING RULES**

On 30 October 2013, the Company issued a promissory note with principal amount of HK\$300 million (the “2013 Note”) to an independent third party (the “2013 Noteholder”), among others, Neway Enterprises Limited (“Neway Enterprises”), the controlling shareholder of the Company, undertakes and covenants with the Company and the 2013 Noteholder that so long as any principal amount of the HK\$300 million promissory note and/or other amount due thereunder remain outstanding, it shall not, and shall procure that none of its associates shall offer, sell, allot, contract to sell any shares of the Company (the “2013 Specific Performance Obligation”).

It will be an event of default if 2013 Specific Performance Obligation is breached and in such case, the 2013 Noteholder may require that the 2013 Note be redeemed immediately at a price equivalent to the sum of (i) the outstanding principal amount of the 2013 Note; (ii) all unpaid interest on the outstanding principal amount; (iii) an investment return in the amount of HK\$60 million; and (iv) any unpaid default interest accrued.

Further details of the 2013 Note and 2013 Specific Performance Obligation are set out in the Company’s announcement dated 23 October 2013.

On 22 February 2016, the Company together with Mr Wu Zhen Shan and Neway Enterprises entered into a facility agreement with an independent third party (the “Lender”) whereby the Lender agreed to provide to the Company a Hong Kong dollar 2-year term (with mutual consent by the Company and the Lender may extend for a further two years) loan facility of HK\$350 million (the “Facility”), among others, Neway Enterprises undertakes and covenants with the Company and the Lender that so long as any principal amount of the Facility and/or other amount due thereunder remain outstanding, it shall not, and shall procure that none of its associates shall sell, lease, transfer, assign, redeem or otherwise dispose of any shares of the Company (the “2016 Specific Performance Obligation”).

It will be an event of default if 2016 Specific Performance Obligation is breached and in such case, the Lender may by written notice to the Company to declare that all or part of the loan, together with accrued interest, and all other amounts accrued or outstanding under the Facility be immediately due and payable.

Further details of the Facility and 2016 Specific Performance Obligation are set out in the Company’s announcement dated 22 February 2016.





## **INTERIM DIVIDEND**

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: 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 six months ended 30 June 2016.

## **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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 six months ended 30 June 2016.

## **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 2016.

## **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 procedures, risk management and internal controls systems 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 2016, 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	74.57%
WU Zhen Ling	Interest of a controlled corporation	750,000,000 (note 1) Long Position	74.57%
ZHANG Zhen Hai	Interest of a controlled corporation	750,000,000 (note 1) Long Position	74.57%
WU Zhen He	Interest of a controlled corporation	750,000,000 (note 1) Long Position	74.57%

Note 1: The shares of the Company (the “Shares”) are beneficially held by 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 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 2016, 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 2016, the following interests of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

### Long positions:

Name of shareholder of the Company	Nature of interest	Number of shares held	Percentage of the Company's issued share capital
Neway Enterprises	Beneficial	750,000,000	74.57%

Save as disclosed above, as at 30 June 2016, 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 2016	Grant during the period	Exercised during the period	Forfeited during the period	At 30 June 2016	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	4,455,000	–	–	(40,000)	4,415,000	16.06.2010	16.01.2011 to 15.06.2020	0.70
<b>Total</b>	5,410,000	–	–	(40,000)	5,370,000			



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 2016.

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

Hong Kong  
30 August 2016

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2016 – unaudited  
(Expressed in Renminbi)

		Six months ended 30 June	
	Note	2016 RMB'000	2015 RMB'000
<b>Revenue</b>	4	<b>894,763</b>	240,930
Cost of sales		<b>(666,273)</b>	(162,440)
<b>Gross profit</b>		<b>228,490</b>	78,490
Other income		<b>1,838</b>	9,533
Selling and marketing expenses		<b>(87,007)</b>	(61,363)
Administrative expenses		<b>(74,715)</b>	(82,764)
<b>Profit/(Loss) from operations</b>		<b>68,606</b>	(56,104)
Finance income		<b>13,202</b>	3,454
Finance expenses		<b>(31,906)</b>	(7,508)
<b>Net finance expenses</b>	5(a)	<b>(18,704)</b>	(4,054)
<b>Profit/(Loss) before taxation</b>	5	<b>49,902</b>	(60,158)
Income tax	6	<b>(2,454)</b>	29,565
<b>Profit/(Loss) for the period</b>		<b>47,448</b>	(30,593)
<b>Earnings/(Loss) per share (RMB cents)</b>	8		
Basic		<b>4.72</b>	(3.05)
Diluted		<b>4.70</b>	(3.05)

The notes on pages 22 to 38 form part of this interim financial report.



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

for the six months ended 30 June 2016 – unaudited

(Expressed in Renminbi)

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
<b>Profit/(Loss) for the period</b>	<b>47,448</b>	(30,593)
<b>Other comprehensive income/(loss) for the period:</b>		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of foreign subsidiaries	(2,380)	1,771
<b>Total comprehensive income/(loss) for the period</b>	<b>45,068</b>	(28,822)

The notes on pages 22 to 38 form part of this interim financial report.

## CONDENSED CONSOLIDATED BALANCE SHEET

at 30 June 2016 – unaudited

(Expressed in Renminbi)

	Note	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment and lease land	9	570,217	529,366
Investment properties	10	726,653	726,653
Deferred tax assets		55,828	55,828
		<b>1,352,698</b>	1,311,847
<b>Current assets</b>			
Inventories	11	8,332,718	6,914,364
Short-term investments	14	90,000	319,000
Trade and other receivables	12	2,447,116	2,117,765
Prepaid tax		108,101	98,078
Restricted cash	13	129,850	1,014,383
Cash and cash equivalents		1,038,450	642,265
		<b>12,146,235</b>	11,105,855
<b>Current liabilities</b>			
Bank loans – secured	15	758,600	332,237
Other loans – secured	16	1,490,583	761,480
Promissory notes	18	256,410	385,978
Trade and other payables	17	6,510,472	6,858,187
Taxation payable		277,469	384,574
		<b>9,293,534</b>	8,722,456
<b>Net current assets</b>		<b>2,852,701</b>	2,383,399
<b>Total assets less current liabilities</b>		<b>4,205,399</b>	3,695,246

## CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*

at 30 June 2016 – unaudited

(Expressed in Renminbi)

	Note	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
<b>Non-current liabilities</b>			
Bank loans – secured	15	<b>1,102,829</b>	569,788
Other loans – secured	16	<b>672,000</b>	763,607
Bond payables		<b>177,607</b>	138,861
Deferred tax liabilities		<b>110,122</b>	110,122
		<b>2,062,558</b>	1,582,378
<b>NET ASSETS</b>		<b>2,142,841</b>	2,112,868
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>87,186</b>	87,186
Reserves		<b>2,055,655</b>	2,025,682
<b>TOTAL EQUITY</b>		<b>2,142,841</b>	2,112,868

The notes on pages 22 to 38 form part of this interim financial report.

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2016 – unaudited

(Expressed in Renminbi)

	Note	Six months ended 30 June 2016							
		Attributable to equity holders of the Group							
		Share capital	Share premium	Exchange reserve	Other capital reserve	Warrant reserve	PRC statutory reserve	Share-based compensation reserve	Retained profits
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>At 1 January 2016</b>		87,186	167,901	24,264	110,070	8,513	262,150	3,697	1,449,087
<b>Changes in equity for the six months ended 30 June 2016:</b>									
Profit for the period		-	-	-	-	-	-	-	47,448
Other comprehensive loss		-	-	(2,380)	-	-	-	-	-
Total comprehensive income for the period		-	-	(2,380)	-	-	-	-	47,448
Warrants expired		-	-	-	-	(3,473)	-	-	3,473
Equity settled share-based payment		-	-	-	-	-	-	143	-
Dividends paid in respect of the previous year	7	-	(15,238)	-	-	-	-	-	-
<b>At 30 June 2016</b>		87,186	152,663	21,884	110,070	5,040	262,150	3,840	1,500,008

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

for the six months ended 30 June 2016 – unaudited

(Expressed in Renminbi)

	Note	Six months ended 30 June 2015							
		Attributable to equity holders of the Group							
		Share capital	Share premium	Exchange reserve	Other capital reserve	Warrant reserve	PRC statutory reserve	Share-based compensation reserve	Retained profits
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>At 1 January 2015</b>		86,738	167,325	45,885	110,070	8,513	238,749	3,422	1,338,018
<b>Changes in equity for the six months ended 30 June 2015:</b>									
Loss for the period		-	-	-	-	-	-	-	(30,593)
Other comprehensive loss		-	-	1,771	-	-	-	-	1,771
Total comprehensive loss for the period		-	-	1,771	-	-	-	-	(28,822)
Warrants issued		-	-	-	-	1,919	-	-	1,919
Issue of shares		448	16,425	-	-	(1,919)	-	-	14,954
Equity settled share-based payment		-	-	-	-	-	-	182	182
Dividends paid in respect of the previous year	7	-	(15,759)	-	-	-	-	-	(15,759)
<b>At 30 June 2015</b>		87,186	167,991	47,656	110,070	8,513	238,749	3,604	1,307,425

The notes on pages 22 to 38 form part of this interim financial report.

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2016 – unaudited

(Expressed in Renminbi)

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
<b>Operating activities</b>		
Operating profit/(loss) before working capital changes	87,000	(40,832)
Changes in working capital:		
Increase in inventories	(1,248,806)	(151,261)
Increase in trade and other receivables	(329,351)	(252,971)
(Increase)/decrease in restricted cash	884,533	(14,649)
Increase/(decrease) in trade and other payables	(347,715)	643,742
<b>Cash generated from/(used in) operations</b>	<b>(954,339)</b>	184,029
PRC income tax paid	(119,582)	(133,147)
<b>Net cash generated from/(used in) operating activities</b>	<b>(1,073,921)</b>	50,882
<b>Investing activities</b>		
Payments for the purchase of property, plant and equipment	(59,087)	(2,092)
Proceeds from disposal of short-term investments	229,000	–
Other cash flows arising from investing activities	13,187	3,419
<b>Net cash generated from/(used in) investing activities</b>	<b>183,100</b>	1,327

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(Continued)

for the six months ended 30 June 2016 – unaudited

(Expressed in Renminbi)

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
<b>Financing activities</b>		
Proceeds from new bank loans	1,138,600	515,360
Proceeds from new other loans	2,082,416	450,000
Proceeds from issue of bonds	38,746	59,192
Repayment of bank loans	(179,196)	(82,252)
Repayment of other loans	(1,444,920)	(591,645)
Redemption of promissory note	(129,568)	(61,090)
Capital contribution from limited partners	208,160	323,785
Repayment of capital contribution to limited partners	(220,370)	(305,785)
Proceeds from issue of warrants	–	1,919
Proceeds from issue of shares	–	14,954
Interest paid	(190,981)	(230,430)
Dividend paid	(15,238)	(15,759)
<b>Net cash generated from financing activities</b>	<b>1,287,649</b>	<b>78,249</b>
<b>Net increase in cash and cash equivalents</b>	<b>396,828</b>	<b>130,458</b>
<b>Cash and cash equivalents at 1 January</b>	<b>642,265</b>	<b>599,968</b>
<b>Effect of foreign exchange rate changes</b>	<b>(643)</b>	<b>(124)</b>
<b>Cash and cash equivalents at 30 June</b>	<b>1,038,450</b>	<b>730,302</b>

The notes on pages 22 to 38 form part of this interim financial report.





# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

for the six months ended 30 June 2016

(Expressed in Renminbi unless otherwise indicated)

## 1 CORPORATION INFORMATION

Tian Shan Development (Holding) Limited was incorporated in the Cayman Islands on 10 June 2005 and registered as an exempted company with limited liability under the Companies Law (2013 Revision) of the Cayman Islands. Its principal place of business is at Room 1205-1207, 12/F, Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong and its registered office is at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands. The Group is principally engaged in property development in the People's Republic of China (the "PRC"). The shares of the Company have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 15 July 2010.

## 2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

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").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements.

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

The IASB has issued a number of amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

- *Annual Improvements to IFRSs 2012-2014 Cycle*
- *Amendments to IAS 1, Presentation of financial statements: Disclosure initiative*

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



## 2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

### **Annual Improvements to IFRSs 2012-2014 Cycle**

This cycle of annual improvements contains amendments to four standards. Among them, IAS 34, *Interim financial reporting*, has been amended to clarify that if an entity discloses the information required by the standard outside the interim financial statements by a cross-reference to the information in another statement of the interim financial report, then users of the interim financial statements should have access to the information incorporated by the cross-reference on the same terms and at the same time. The amendments do not have an impact on the Group's interim financial report as the Group does not present the relevant required disclosures outside the interim financial statements.

### **Amendments to IAS 1, Presentation of financial statements: Disclosure initiative**

The amendments to IAS 1 introduce narrow-scope changes to various presentation requirements. The amendments do not have a material impact on the presentation and disclosure of the Group's interim financial report.

## 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 PRC.

## 4 REVENUE

The principal activity of the Group is property development.

Revenue primarily represents income from sales of properties and rentals from investment properties. The amount of each significant category of revenue during the period is as follows:

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Income from sales of properties	873,454	226,343
Gross rental income	13,963	8,350
Other	7,346	6,237
	<b>894,763</b>	<b>240,930</b>

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 PROFIT/(LOSS) BEFORE TAXATION

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

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
<b>(a) Net finance expenses/(income)</b>		
Interest income	(13,187)	(3,419)
Exchange gain	(15)	(35)
Finance income	(13,202)	(3,454)
Interest expense and other borrowing costs	197,981	230,430
Less: interest and borrowing costs capitalised	(166,075)	(222,922)
Finance expenses	31,906	7,508
Net finance expenses	18,704	4,054
<b>(b) Other items</b>		
Depreciation and amortisation	18,236	15,055

## 6 INCOME TAX

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
<b>Current tax</b>		
PRC Corporate Income Tax	18,714	2,580
Land Appreciation Tax	17,895	4,163
Overprovision in prior periods	(34,155)	(38,812)
	2,454	(32,069)
<b>Deferred tax</b>		
Origination and reversal of temporary differences	—	2,504
	2,454	(29,565)

- (i) Pursuant to the rules and regulations of the British Virgin Islands (the "BVI") and the Cayman Islands, the Group is not subject to any income tax in the BVI or the Cayman Islands.
- (ii) No Hong Kong Profits Tax has been provided for as the Group's Hong Kong operations do not give rise to estimated assessable profits during the periods.
- (iii) **PRC Corporate Income Tax ("CIT")**

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

The PRC subsidiaries of the Group were charged at 25% (2015: 25%) on estimated assessable profits for the period.

## 6 INCOME TAX (Continued)

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

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT 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 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 2% to 5% (2015: 1% to 5%) of their revenue in accordance with the authorised taxation method approved by respective local tax bureau.

## 7 DIVIDENDS

### 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	
	2016 RMB'000	2015 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the interim period, of HK1.80 cents (equivalent to RMB1.52 cents) per ordinary share (six months ended 30 June 2015: HK2.00 cents (equivalent to RMB1.58 cents) per ordinary share)	15,238	15,759

The board of directors does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

## 8 EARNINGS/(LOSS) PER SHARE

### (a) Basic earnings/(loss) per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB47,448,000 (loss for the six months ended 30 June 2015: RMB30,593,000) and the weighted average of 1,005,781,955 ordinary shares (six months ended 30 June 2015: 1,002,234,657 ordinary shares) in issue during the interim period.

### (b) Diluted earnings/(loss) per share

The calculation of diluted earnings per share for the six months ended 30 June 2016 is based on the profit attributable to ordinary equity shareholders of the Company of RMB47,448,000 and the diluted weighted average number of ordinary shares of 1,009,202,296 shares, calculated as follows:

*Weighted average number of ordinary shares (diluted)*

	<b>Number of shares</b>
Weighted average number of ordinary shares at 30 June 2016	1,005,781,955
Effect of dilutive potential shares – share options	2,503,777
Effect of dilutive potential shares – warrants	916,564
	<hr/>
Weighted average number of ordinary shares (diluted) at 30 June 2016	<u>1,009,202,296</u>

The diluted loss per shares for the six months ended 30 June 2015 is the same as basic loss per share as the potential ordinary shares are anti-dilutive.

## 9 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group's additions in property, plant and equipment amounted to RMB59,087,000 (six months ended 30 June 2015: RMB2,092,000).

The Group's property, plant and equipment with carrying value of RMB454,484,000 (31 December 2015: RMB461,755,000) were pledged as securities for the Group's bank and other loans (notes 15 and 16).

## 10 INVESTMENT PROPERTIES

The directors consider the carrying values of investment properties approximate to their respective fair values as at 30 June 2016.

Certain investment properties carried at fair value as at 30 June 2016 have been pledged to secure borrowings of the Group as follows:

	<b>At 30 June 2016 RMB'000</b>	At 31 December 2015 RMB'000
Bank loans (note 15)	<b>209,445</b>	209,445
Other loans (note 16)	<b>313,993</b>	313,993
Banking facility of a related party (note 20(ii))	<b>20,022</b>	20,022
Fair value of investment properties pledged	<b>543,460</b>	543,460



## 11 INVENTORIES

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Properties held for future development for sale	1,862,785	296,527
Properties under development for sale	4,158,443	4,048,528
Completed properties held for sale	2,305,785	2,563,380
Others	5,705	5,929
	<b>8,332,718</b>	6,914,364

Certain inventories carried at cost as at 30 June 2016 have been pledged to secure borrowings of the Group as follows:

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Bank loans (note 15)	1,692,603	934,603
Other loans (note 16)	2,631,196	2,809,866
Carrying value of inventories pledged	<b>4,323,799</b>	3,744,469

## 12 TRADE AND OTHER RECEIVABLES

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Trade receivables (note (a))	283,753	306,654
Deposits, prepayments and other receivables	2,163,363	1,811,111
	<b>2,447,116</b>	<b>2,117,765</b>

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

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Current or less than 1 month overdue	266,228	278,124
1 month to 3 months overdue	–	1,125
3 months to 1 year overdue	17,525	27,405
	<b>283,753</b>	<b>306,654</b>

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.

### 13 RESTRICTED CASH

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Guarantee for mortgage loans (note (a))	49,850	49,850
Guarantee for bills payable (note (b))	–	884,533
Guarantee for bank loans (note 15)	80,000	80,000
	<b>129,850</b>	<b>1,014,383</b>

- (a) Deposits with certain banks were used as guarantee against the mortgage loan granted by the banks to the purchasers of the Group's properties.
- (b) As at 30 June 2016, the Group had no restricted bank deposits (31 December 2015: 884,533,000) as security for bills payable.

### 14 SHORT-TERM INVESTMENTS

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Investments in debt securities:		
– Redeemable on demand or with original maturity within three months	90,000	319,000

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

## 15 BANK LOANS – SECURED

- (a) At 30 June 2016, bank loans were repayable as follows:

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Within one year or on demand	758,600	332,237
After one year but within two years	766,900	533,532
After two year but within five years	300,000	17,346
After five years	35,929	18,910
	1,102,829	569,788
	1,861,429	902,025

- (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 2016, none of the covenants relating to bank loans had been breached (31 December 2015: Nil).

- (c) At 30 June 2016, carrying values of assets of the Group pledged for bank loans are analysed as follows:

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Inventories	1,692,603	934,603
Properties, plant and equipment	398,479	80,049
Investment properties	209,445	209,445
Restricted cash	80,000	80,000
	2,380,527	1,304,097

## 16 OTHER LOANS – SECURED

- (a) At 30 June 2016, other loans were repayable as follows:

	<b>At 30 June 2016 RMB'000</b>	At 31 December 2015 RMB'000
Within one year or on demand	<b>1,490,583</b>	761,480
After one year but within two years	<b>672,000</b>	763,607
	<b>2,162,583</b>	1,525,087

- (b) At 30 June 2016, carrying values of assets of the Group pledged for other loans are analysed as follows:

	<b>At 30 June 2016 RMB'000</b>	At 31 December 2015 RMB'000
Inventories	<b>2,631,196</b>	2,809,866
Investment properties	<b>313,993</b>	313,993
Property, plant and equipment	<b>56,005</b>	381,706
	<b>3,001,194</b>	3,505,565

## 17 TRADE AND OTHER PAYABLES

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Trade payables (note (a))	168,533	158,544
Bills payable (note (a))	–	1,192,000
Receipts in advance (note (b))	4,653,679	3,571,077
Other payables and accruals (note (c))	710,601	950,680
Amounts due to the ultimate holding company (note (d))	27,363	27,363
Amounts due to related parties (note (d))	265,437	261,454
Limited partners' interest (note (e))	684,859	697,069
	<b>6,510,472</b>	<b>6,858,187</b>

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

	At 30 June 2016 RMB'000	At 31 December 2015 RMB'000
Within 1 month	168,533	358,544
1 month to 3 months	–	6,000
Over 3 months but within 6 months	–	986,000
	<b>168,533</b>	<b>1,350,544</b>

- (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 RMB2,122,060,000 (31 December 2015: RMB1,722,935,000).

## 17 TRADE AND OTHER PAYABLES *(Continued)*

- (c) Included in other payables and accruals were accrued construction costs to Tianshan Construction amounted to RMB102,311,000 (31 December 2015: RMB113,277,000).
- (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 semi-annually in arrears. The contributions have been recognised initially at fair value and thereon are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

## 18 PROMISSORY NOTE

At 30 June 2016, the promissory notes were repayable as follows:

	<b>At 30 June 2016 RMB'000</b>	At 31 December 2015 RMB'000
Within one year	<b>256,410</b>	385,978

During the period, promissory note of US\$20,000,000 was redeemed at cost.



## 19 COMMITMENTS

Capital commitments outstanding at 30 June 2016 not provided for in the interim financial report are set out as follows:

	<b>At 30 June 2016 RMB'000</b>	At 31 December 2015 RMB'000
Authorised but not contracted for	<b>6,250,600</b>	5,537,231
Contracted but not provided for	<b>5,273,500</b>	4,786,787
	<b>11,524,100</b>	10,324,018

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

## 20. CONTINGENT LIABILITIES

	<b>At 30 June 2016 RMB'000</b>	At 31 December 2015 RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (note (i))	<b>1,230,502</b>	1,230,502
Guarantee provided to banks in respect of banking facilities granted to a related party (note (ii))	<b>16,300</b>	16,300
	<b>1,246,802</b>	1,246,802



## 20. 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 2016 are RMB1,230,502,000 (31 December 2015: RMB1,230,502,000).

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) 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 investment properties as set out in note 10, 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.

## 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	
	2016 RMB'000	2015 RMB'000
Construction costs (note (i))	287,975	158,706
Rental expenses (note (ii))	193	193
Remuneration to key management personnel (note (iii))	4,298	3,895
Guarantee fee income (note (iv))	(571)	(571)

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 RMB4,298,000 (six months ended 30 June 2015: RMB3,895,000) 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 the current 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.