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 2018

CORPORATE INFORMATION

Directors

Executive Directors

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

Independent Non-Executive Directors

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

Company Secretary

Mr. CHEUNG Siu Yiu, *FCPA, FCCA, FCA*

Authorised Representatives

Mr. WU Zhen Shan
Mr. CHEUNG Siu Yiu

Audit Committee

Mr. CHEUNG Ying Kwan *(Chairman)*
Mr. TIAN Chong Hou
Mr. WANG Ping

Remuneration Committee

Mr. 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, Everbright 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 2018 together with the comparative figures for the corresponding period in 2017. The unaudited interim financial report set out on pages 16 to 46 has been reviewed by the audit committee of the Company.

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)	**Change %**
Revenue	**625,843**	829,686	(24.6)
(Loss)/profit for the period	**(233,322)**	61,265	N/A
Contracted sales during the period	**4,219,310**	3,176,220	32.8
Basic (loss)/earnings per share (RMB cents)	**(22.72)**	6.09	N/A
Interim dividend per share (HK cents)	**–**	5.00	N/A

BUSINESS REVIEW AND PROSPECTS

Property development and investment

As at 30 June 2018, the Group had numerous property projects under development, which were primarily located in Hebei, Tianjin, Ningxia and Shandong.

The total contracted sales amount for the six months ended 30 June 2018 was RMB4,219.3 million (six months ended 30 June 2017: RMB3,176.2 million) which increased by 32.8% as compared over the same period last year. The contracted sales were primarily contributed by the sale and pre-sale of property projects, namely *Tian Shan World Gate, Yinchuan • Tian Shan Auspicious Lake, Yinchuan • Tian Shan Lan An and Tian Shan • Xiyue Residence*.

With the strong increase in cash received from contracted sales, during the six months ended 30 June 2018, the Group has replenished its land bank by acquiring certain new residential and industrial land parcels through auction/bidding/tender in Shijiazhuang in aggregate consideration of RMB544.0 million or estimated salable gross floor area of approximately 533,000 sq.m. which are intended to be developed for sale in two to three years' time.

In addition, in January 2018, the Group had entered into a cooperation agreement with an independent third party, Hebei Daxi Property Development Company Limited ("Hebei Daxi"), to establish a joint venture (the "Xingtai Joint Venture") to participate in the tender, auction and listing-for-sale process to acquire immovable property ownership of a land under redevelopment (the "Xingtai Land"). The Xingtai Joint Venture is owned initially as to 51% by the Group and 49% by Hebei Daxi. The Xingtai Land is situated near Qiaodong district of Xingtai City with an area of approximately RMB69,700 sq. m.. Pursuant to the cooperation agreement, Hebei Daxi and the Group had further entered into a share transfer agreement, under which the Group agreed to acquire from Hebei Daxi its 49% equity interest in the Xingtai Joint Venture upon the successful acquisition of the immovable property ownership of the Xingtai Land by the Xingtai Joint Venture. Upon and subject to the acquisition of the immovable property ownership of the Xingtai Land, the Xingtai Joint Venture shall construct certain resettlement properties on the Xingtai Land and remaining portion of the Xingtai Land will be developed into residential properties with ancillary commercial properties for sale. Further details of the formation of the Xingtai Joint Venture are set out in the Company's announcement dated 3 January 2018. As at the date of this report, the tender, auction and listing-for-sale notice in respect of the Xingtai Land has not been published by the local land bureau.

Furthermore, in June 2018, the Group had entered into an agreement with an independent third party, Dingzhou Sanlian Real Estate Development Company Limited ("Dingzhou Sanlian"), to establish another joint venture (the "Dingzhou Joint Venture") to participate in the tender, auction and listing-for-sale process to acquire the land use right of two land parcels under redevelopment (the "Dingzhou Land"). The Dingzhou Joint Venture is owned initially as to 51% by the Group and 49% by Dingzhou Sanlian. The Dingzhou Land is situated in Nancheng District, Dingzhou City with aggregate area of approximately RMB96,476 sq. m.. Pursuant to the cooperation agreement, Dingzhou Sanlian and the Group had further entered into a share transfer agreement, under which the Group agreed to acquire from Dingzhou Sanlian the 49% equity interest in the Dingzhou Joint Venture upon the successful obtaining of the land use right of the Dingzhou Land by the Dingzhou Joint Venture. Upon and subject to the obtaining of the land use right of the Dingzhou Land, the Dingzhou Land will be developed into residential properties for sale. Further details of the formation of Dingzhou Joint Venture are set out in the Company's announcement dated 8 June 2018. As at the date of this report, the tender, auction and listing-for-sale notice in respect of the Dingzhou Land has not been published by the local land bureau.

In March 2014, Tian Shan Real Estate Development Group Limited ("Tian Shan Real Estate"), a wholly-owned subsidiary of the Company, has entered into a co-operation agreement (the "Co-operation Agreement") with Tangshan Construction Investment Limited ("Tangshan Investment") and Hebei Infrastructure Property Development Limited ("Hebei Investment") to develop a commercial and residential property project located in Tangshan city by (i) capital injection of RMB35.0 million (equivalent to 70% equity interest of the enlarged registered capital) to Tangshan Infrastructure Property Development Limited ("Tangshan Real Estate"), and (ii) being committed to grant loans in aggregate of approximately RMB821.9 million. The Group has paid RMB200.0 million deposit to Tangshan Real Estate in 2014. Further details of the Co-operation Agreement were set out in the Company's circular dated 27 June 2014.

Notwithstanding the Group's performance and effort to perform, Tangshan Investment and Hebei Investment failed to perform their respective obligations and arrangements under the Co-operation Agreement. On 26 June 2017, after seeking legal advice, Tian Shan Real Estate and Hebei Yuanzhi Real Estate Development Company Limited, both are indirect wholly-owned subsidiaries of the Company (collectively, the "Plaintiffs"), had jointly initiated legal proceedings at the High People's Court of Hebei Province in the PRC (the "Court") against Tangshan Investment, Hebei Investment, and Tangshan Real Estate (collectively, the "Defendants") seeking the following orders from the Court:

1. an order to terminate the co-operation relationship between the Defendants and the Plaintiffs;

2. an order that the investment fund in the amount of approximately RMB234.7 million and the payment of interest that would have accrued on the paid deposit of RMB200.0 million (at a rate of 7.61% per annum) in the amount of approximately RMB48.9 million (to be calculated upto the actual repayment date) be returned to the Plaintiffs;

3. an order that the gain from the co-operation in the amount of approximately RMB240.7 million and the brand usage fee in the amount of approximately RMB26.6 million be paid to the Plaintiffs; and

4. an order that costs of the legal proceedings be paid by the Defendants.

The Board considers that the legal proceedings and termination of the Co-operation Agreement shall have no material adverse impact on the existing business operation and financial position of the Group. Further details of the legal proceedings were set out in the Company's announcement dated 26 June 2017. The Company will make further announcement(s) of any material development on the foregoing matter as and when appropriate.

The Group is committed to continuing its track record in the development of quality residential, commercial 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 revenue decreased by approximately 24.6% to approximately RMB625.8 million from RMB829.7 million as compared with the same period of last year. The decrease in revenue during the period was mainly due to less completed properties being delivered to the customers as compared with the same period last year. During the period, the Group's revenue 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, Tian Shan • Galaxy Plaza and Tian Shan Ambassador House*.

The cost of sales decreased by approximately 3.7% to approximately RMB525.2 million from RMB545.2 million as compared with the six month period ended 30 June 2017. The decrease commensurates with the decrease in the revenue during the six months ended 30 June 2018.

As a result of the foregoing, the amount of the gross profit decreased to approximately RMB100.7 million from RMB284.5 million in the same period of last year. The gross profit margin for the current period was decreased to approximately 16.1% as compared with 34.3% for the same period of the preceding year. The decrease in gross profit margin was mainly due to lower average selling prices of the Group when delivering certain initial batches residential properties of *Tian Shan Jiu Feng,* which were sold at comparatively lower prices to attract customers, as one of the Group's sales strategies.

The Group's selling and marketing expenses increased significantly by approximately 15.9% to RMB146.3 million for the current period from RMB126.2 million for the same period of last year. The increase was primarily due to the increase in advertising and promotion expenses for new property projects in Yinchuan and *Tian Shan World Gate,* etc.

The Group's administrative expenses increased significantly by approximately 26.9% to RMB175.2 million from RMB138.0 million for the same period of last year. The increase was primarily due to the increase in number of offices and employees, who were employed in different locations for the operations of new property projects in Yinchuan and *Tian Shan World Gate*, etc.

During the period, the Group recorded RMB2.7 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 (six months ended 30 June 2017: a net income tax credit of RMB35.5 million due to 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 loss of approximately RMB233.3 million for the current period as compared with a net profit of approximately RMB61.3 million for the same period of last year.

Financial Resources, Liquidity and Gearing Ratio

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

As at 30 June 2018, the gearing ratio (calculated as net debt divided by adjusted capital) is as follows:

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Total bank and other borrowings	**7,481,511**	6,753,317
Promissory notes	**283,781**	280,259
Bond payables	**426,329**	411,990
Less: Cash and cash equivalents	**(1,555,973)**	(2,192,737)
Short-term investments	**(50,000)**	(100,000)
Net debt	**6,585,648**	5,152,829
Total equity	**2,070,718**	2,292,413
Less: Proposed dividend	**–**	(24,139)
Adjusted capital	**2,070,718**	2,268,274
Adjusted net debt-to-capital ratio	**3.18**	2.27

The gearing ratio increased from 2.27 to 3.18 primarily due to the net effect of the increase in bank and other loans of approximately RMB728.2 million, the increase in bond payables of RMB14.3 million and the decrease in total equity by, among others, the loss for the period of RMB233.3 million and the decrease in cash and cash equivalents by RMB636.8 million.

Current Assets and Liabilities

As at 30 June 2018, the Group had total current assets of approximately RMB24,878.9 million (31 December 2017: RMB21,627.7 million), comprising mainly inventories, trade and other receivables, short-term investments, restricted cash and cash and cash equivalents.

As at 30 June 2018, the Group had total current liabilities of approximately RMB20,260.6 million (31 December 2017: RMB15,449.0 million), comprising mainly bank and other borrowings, trade and other payables and taxation payable.

As at 30 June 2018, the current ratio (calculated as the total current assets divided by the total current liabilities) was 1.23 (31 December 2017: 1.40).

Employees' Remuneration and Benefits

As at 30 June 2018, the Group employed a total of 3,443 employees (31 December 2017: 3,495 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 2018 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.

Interest Rates and Interest Rate Risks

The Group's borrowings (including bank loans, other loans, promissory notes and bond payables) are primarily at fixed interest rates ranged from 4.75% to 15.00% per annum.

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

Capital Expenditure

During the six months ended 30 June 2018, the Group incurred capital expenditure in the amount of approximately RMB4,597.9 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 2018, the Group had restricted cash of RMB377.4 million (31 December 2017: RMB358.4 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 RMB7,552.1 million (31 December 2017: RMB5,099.3 million) were secured against the bank and other loans of the Group.

As at 30 June 2018, the Group had also charged certain of its investment properties in aggregate of approximately RMB20.5 million (31 December 2017: RMB20.5 million) in favour of a bank for their grant of banking facilities of RMB27.0 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 RMB5,219.4 million (31 December 2017: RMB4,412.6 million) and the guarantee provided to a bank in respect of banking facility granted to a related party of RMB20.0 million (31 December 2017: RMB20.0 million), the Group had no material contingent liability as at 30 June 2018.

Substantial Acquisitions and Disposals

Save as the formation and potential acquisitions of Xingtai Joint Venture and Dingzhou Joint Venture mentioned above, the Group had not participated in any substantial acquisitions and disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2018.

Significant Investments

As at 30 June 2018, for short-term treasury management, the Group had invested RMB50.0 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 the foregoing, 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 22 February 2016, the Company together with Neway Enterprises Limited ("Neway Enterprises") and Mr. WU Zhen Shan ("Mr. WU") entered into a facility agreement (the "Facility Agreement") with an independent third party (the "Lender") whereby the Lender agreed to provide to the Company a Hong Kong dollar 2-year term (with mutual consent by the Company and the Lender may extend for a further two years) loan facility of up to an aggregate principal amount of HK$350 million (the "Loan Facility"). On 26 October 2016, the Company together with Neway Enterprises and Mr. WU entered into an amended and restated facility agreement (the "Revised Facility Agreement") with the Lender whereby, among others, the Loan Facility was amended to an aggregate principal amount of HK$550 million (the "Amended Loan Facility").

The Revised Facility Agreement requires subject to the terms therein, Neway Enterprises and Mr. WU, to undertake and covenant with the Company and the Lender, among others, that so long as any principal amount of the Amended Loan Facility and/or other amount due thereunder remain outstanding, Neway Enterprises shall not sell, lease, transfer, assign, redeem, dispose of or create security over any shares of the Company (the "Specific Performance Obligation").

It will be an event of default if Specific Performance Obligation is breached and in such case, the Lender may require that the Amended Loan Facility be matured immediately at a price equivalent to the sum of (i) the outstanding principal amount of the Amended Loan Facility; (ii) all unpaid interest on the outstanding principal amount; and (iii) any unpaid default interest accrued.

Further details of the Facility Agreement, the Revised Facility Agreement and the Specific Performance Obligation are set out in the Company's announcements dated 22 February 2016 and 26 October 2016.

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: HK5.00 cents per ordinary share).

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 2018.

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 2018.

CORPORATE GOVERNANCE

In the opinion of the Board, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2018.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any important event affecting the Group which has occurred subsequent to 30 June 2018 and up to the date of this report.

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 2018, 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%

Note 1: The shares of the Company (the "Shares") are beneficially held by Neway Enterprises Limited ("Neway Enterprises"). Neway Enterprises is a company incorporated in the British Virgin Islands and is owned as to 25% by Mr. WU Zhen Shan, 25% by Mr. WU Zhen Ling, 25% by Mr. ZHANG Zhen Hai and 25% by Ms. WU Xiaozi and all of them being directors of Neway Enterprises. Since these three 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

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.

2. Interest in associated corporations

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

Save as disclosed above, as at 30 June 2018, 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 2018, 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 2018, 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 2018	Grant during the period	Exercised during the period	Forfeited during the period	At 30 June 2018	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
WU Lan Ping (note d)	191,000	–	–	–	191,000	16.06.2010	16.01. 2011 to 15.06.2020	0.70
	764,000	–	–	–	764,000			
Other employees and grantees								
In aggregate	4,486,000	–	–	(50,000)	4,436,000	16.06.2010	16.01. 2011 to 15.06.2020	0.70
Total	5,250,000	–	–	(50,000)	5,200,000			

Notes:

(a) WU Lan Zhi is the elder sister of WU Zhen Shan and WU Zhen Ling 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) WU Lan Ping is the younger sister of WU Zhen Shan and WU Zhen Ling.

(e) Each grantee is entitled to exercise up to 10% of the share options granted to him/her each year since the 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 2018.

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

Hong Kong
29 August 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2018 – unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June 2018 RMB'000	2017 (Note) RMB'000
Revenue	5	**625,843**	829,686
Cost of sales		**(525,153)**	(545,164)
Gross profit		**100,690**	284,522
Other income		**7,175**	8,607
Selling and marketing expenses		**(146,327)**	(126,235)
Administrative expenses		**(175,176)**	(138,002)
(Loss)/profit from operations		**(213,638)**	28,892
Finance income		**13,685**	9,860
Finance expenses		**(30,627)**	(12,956)
Net finance expenses	6(a)	**(16,942)**	(3,096)
(Loss)/profit before taxation	6	**(230,580)**	25,796
Income tax	7	**(2,742)**	35,469
(Loss)/profit for the period		**(233,322)**	61,265
Attributable to:			
Equity shareholders of the Company		**(228,554)**	61,265
Non-controlling interests		**(4,768)**	–
(Loss)/profit for the period		**(233,322)**	61,265
(Loss)/earnings per share (RMB cents)	9		
Basic		**(22.72)**	6.09
Diluted		**(22.72)**	6.07

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

The notes on pages 25 to 46 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 2018 – unaudited

(Expressed in Renminbi)

	Six months ended 30 June	
	2018	2017
		(Note)
	RMB'000	RMB'000
(Loss)/profit for the period	**(233,322)**	61,265
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	**(21,822)**	11,611
Total comprehensive income for the period	**(255,144)**	72,876
Attributable to:		
Equity shareholders of the Company	**(250,376)**	72,876
Non-controlling interests	**(4,768)**	–
Total comprehensive income for the period	**(255,144)**	72,876

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

The notes on pages 25 to 46 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2018 – unaudited

(Expressed in Renminbi)

	Note	At 30 June 2018 RMB'000	At 31 December 2017 (Note) RMB'000
Non-current assets			
Property, plant and equipment and leasehold land	10	**925,006**	725,967
Investment properties	11	**556,286**	556,286
Interest in a joint venture		**2,450**	–
Deferred tax assets		**67,423**	67,423
		1,551,165	1,349,676
Current assets			
Inventories	12	**18,070,775**	14,233,093
Short-term investments	15	**50,000**	100,000
Contract assets		**77,425**	–
Trade and other receivables	13	**3,603,669**	3,854,865
Prepaid tax		**608,095**	227,341
Restricted cash	14	**913,006**	1,019,655
Cash and cash equivalents		**1,555,973**	2,192,737
		24,878,943	21,627,691
Current liabilities			
Bank loans–secured	16	**2,386,962**	1,350,028
Other loans–secured	17	**1,630,719**	810,279
Trade and other payables	18	**7,265,020**	12,770,571
Contract liabilities		**8,297,693**	–
Promissory notes		**169,645**	167,544
Bond payables		**65,654**	31,498
Taxation payable		**444,898**	319,062
		20,260,591	15,448,982
Net current assets		**4,618,352**	6,178,709

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

at 30 June 2018 – unaudited

(Expressed in Renminbi)

	Note	At 30 June 2018 RMB'000	At 31 December 2017 (Note) RMB'000
Total assets less current liabilities		**6,169,517**	7,528,385
Non-current liabilities			
Bank loans–secured	16	**1,518,388**	3,049,317
Other loans–secured	17	**1,945,442**	1,543,693
Promissory notes		**114,136**	112,715
Bond payables		**360,675**	380,492
Deferred tax liabilities		**160,158**	149,755
		4,098,799	5,235,972
NET ASSETS		**2,070,718**	2,292,413
CAPITAL AND RESERVES			
Share capital		**87,186**	87,186
Reserves		**1,960,414**	2,178,841
Total equity attributable to equity shareholders of the Company		**2,047,600**	2,266,027
Non-controlling interests		**23,118**	26,386
TOTAL EQUITY		**2,070,718**	2,292,413

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

The notes on pages 25 to 46 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2018 – unaudited

(Expressed in Renminbi)

	Note	Share capital RMB'000	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	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
		Attributable to equity holders of the Company									
At 31 December 2017		87,186	91,511	27,220	110,070	357,926	4,068	1,588,046	2,266,027	26,386	2,292,413
Impact on initial application of IFRS 15	3	–	–	–	–	–	–	56,021	56,021	–	56,021
Adjusted balance at 1 January 2018		87,186	91,511	27,220	110,070	357,926	4,068	1,644,067	2,322,048	26,386	2,348,434
Changes in equity for the six months ended 30 June 2018:											
Loss for the period		–	–	–	–	–	–	(228,554)	(228,554)	(4,768)	(233,322)
Other comprehensive income		–	–	(21,822)	–	–	–	–	(21,822)	–	(21,822)
Total comprehensive income		–	–	(21,822)	–	–	–	(228,554)	(250,376)	(4,768)	(255,144)
Acquisition of subsidiaries		–	–	–	–	–	–	–	–	1,000	1,000
Capital contribution from non-controlling interests		–	–	–	–	–	–	–	–	500	500
Equity settled share-based payment		–	–	–	–	–	67	–	67	–	67
Dividend declared	8(b)	–	(24,139)	–	–	–	–	–	(24,139)	–	(24,139)
At 30 June 2018		87,186	67,372	5,398	110,070	357,926	4,135	1,415,513	2,047,600	23,118	2,070,718

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

for the six months ended 30 June 2018 – unaudited

(Expressed in Renminbi)

		Attributable to equity holders of the Company							
	Note	Share capital RMB'000	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 2017		87,186	152,663	(20,081)	110,070	298,357	3,889	1,540,825	2,172,909
Changes in equity for the six months ended 30 June 2017:									
Profit for the period		–	–	–	–	–	–	61,265	61,265
Other comprehensive income		–	–	11,611	–	–	–	–	11,611
Total comprehensive income		–	–	11,611	–	–	–	61,265	72,876
Equity settled share-based payment		–	–	–	–	–	96	–	96
Dividends paid in respect of the previous year	8(b)	–	(17,903)	–	–	–	–	–	(17,903)
At 30 June 2017		87,186	134,760	(8,470)	110,070	298,357	3,985	1,602,090	2,227,978

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

for the six months ended 30 June 2018 – unaudited

(Expressed in Renminbi)

		Attributable to equity holders of the Company									
	Note	Share capital RMB'000	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	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 July 2017		87,186	134,760	(8,470)	110,070	298,357	3,985	1,602,090	2,227,978	–	2,227,978
Changes in equity for the six months ended 31 December 2017:											
Profit for the period		–	–	–	–	–	–	45,525	45,525	(3,583)	41,942
Other comprehensive income		–	–	35,690	–	–	–	–	35,690	–	35,690
Total comprehensive income		–	–	35,690	–	–	–	45,525	81,215	(3,583)	77,632
Appropriation to statutory reserve		–	–	–	–	59,569	–	(59,569)	–	–	–
Acquisition of subsidiaries		–	–	–	–	–	–	–	–	29,969	29,969
Equity settled share-based payment		–	–	–	–	–	83	–	83	–	83
Dividends declared in respect of the current year		–	(43,249)	–	–	–	–	–	(43,249)	–	(43,249)
Balance at 31 December 2017 (Note)		87,186	91,511	27,220	110,070	357,926	4,068	1,588,046	2,266,027	26,386	2,292,413

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

The notes on pages 25 to 46 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2018 – unaudited

(Expressed in Renminbi)

	Six months ended 30 June	
	2018	2017
		(Note)
	RMB'000	RMB'000
Operating activities		
Operating profit before working capital changes	**(165,115)**	49,254
Changes in working capital:		
Increase in inventories	**(3,335,939)**	(1,185,523)
Decrease/(increase) in trade and other receivables	**251,200**	(563,162)
Decrease in restricted cash	**106,649**	529,451
Increase in trade and other payables	**1,619,704**	1,275,462
Increase in contract assets	**(6,392)**	–
Increase in contract liabilities	**1,087,964**	–
Cash generated from/(used in) operations	**(441,929)**	105,482
PRC income tax paid	**(262,269)**	(531,639)
Net cash used in operating activities	**(704,198)**	(426,157)
Investing activities		
Payments for the purchase of property, plant and equipment	**(247,349)**	(51,485)
Payment for purchase of short-term investments	**(250,000)**	–
Proceeds from redemption of short-term investments	**300,000**	–
Net cash outflow from acquisition of a subsidiary	**(3,969)**	(36,180)
Other cash flows arising from investing activities	**13,539**	9,680
Net cash used in investing activities	**(187,779)**	(77,985)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(Continued)

for the six months ended 30 June 2018 – unaudited

(Expressed in Renminbi)

	Six months ended 30 June	
	2018	2017
		(Note)
	RMB'000	RMB'000
Financing activities		
Proceeds from new bank loans	**105,440**	2,173,760
Proceeds from new other loans	**1,912,879**	921,442
Proceeds from issue of bonds	**10,009**	58,581
Repayment of bond	**(848)**	–
Repayment of bank loans	**(599,435)**	(837,384)
Repayment of other loans	**(690,690)**	(1,649,910)
Capital contribution from non-controlling interests	**500**	–
Capital contribution from limited partners	**320,470**	444,310
Repayment of capital contribution to limited partners	**(442,470)**	(333,041)
Interest paid	**(347,520)**	(280,249)
Dividend paid	**–**	(17,903)
Net cash generated from financing activities	**268,335**	479,606
Net decrease in cash and cash equivalents	**(623,642)**	(24,536)
Cash and cash equivalents at 1 January	**2,192,737**	2,185,846
Effect of foreign exchange rate changes	**(13,122)**	(1,935)
Cash and cash equivalents as at 30 June	**1,555,973**	2,159,375

Note: The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 3.

The notes on pages 25 to 46 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

for the six months ended 30 June 2018

(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, Everbright 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").

2 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").

The preparation of this interim financial report is 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 has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of any changes in accounting policies are set out in note 3.

3 CHANGES IN ACCOUNTING POLICIES

(a) Overview

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. Of these, the following developments are relevant to the Group's financial statements:

* IFRS 9, *Financial instruments*
* IFRS 15, *Revenue from contracts with customers*
* IFRIC 22, *Foreign currency transactions and advance consideration*

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(a) Overview *(Continued)*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to IFRS 9, *Prepayment features with negative compensation* which have been adopted at the same time as IFRS 9.

The Group has been impacted by IFRS 9 in relation to classification of financial assets and measurement of credit losses, and impacted by IFRS 15 in relation to the capitalisation of contract costs, significant financing benefit obtained from customers and presentation of contract assets and contract liabilities. Details of the changes in accounting policies are discussed in note 3(b) for IFRS 9 and note 3(c) for IFRS 15.

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of IFRS 9 and IFRS 15 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by IFRS 15:

	At 31 December 2017	Impact on initial application of IFRS 15 (Note 3(c))	At 1 January 2018
	RMB'000	RMB'000	RMB'000
Contract assets	–	71,033	71,033
Total current assets	**21,627,691**	**71,033**	**21,698,724**
Contract liabilities	–	(7,209,729)	(7,209,729)
Trade and other payables	(12,770,571)	7,209,729	(5,560,842)
Total current liabilities	**(15,448,982)**	**–**	**(15,448,982)**
Net current assets	**6,178,709**	**71,033**	**6,249,742**
Total assets less current liabilities	**7,528,385**	**71,033**	**7,599,418**
Deferred tax liabilities	(149,755)	(15,012)	(164,767)
Total non-current liabilities	**(5,235,972)**	**(15,012)**	**(5,250,984)**
Net assets	**2,292,413**	**56,021**	**2,348,434**
Reserves	(2,178,841)	(56,021)	(2,234,862)
Total equity attributable to equity shareholders of the Company	**(2,266,027)**	**(56,021)**	**(2,322,048)**
Non-controlling interests	(26,386)	–	(26,386)
Total equity	**(2,292,413)**	**(56,021)**	**(2,348,434)**

Further details of these changes are set out in sub-section (b) and (c) of this note.

(b) IFRS 9, Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation

IFRS 9 replaces IAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied IFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under IAS 39.

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) Classification of financial assets and financial liabilities

IFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede IAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under IFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of IFRS 9.

The Group did not designate or de-designate any financial asset or liability at FVPL at 1 January 2018.

(ii) Credit losses

IFRS 9 replaces the "incurred loss" model in IAS 39 with the expected credit loss (ECL) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in IAS 39.

The adoption of IFRS 9 does not have any material impact on the financial position and the financial result of the Group.

(c) IFRS 15, Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. IFRS 15 replaces IAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and IAS 11, *Construction contracts*, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under IAS 11 and IAS 18. As allowed by IFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

The following table summarises the impact of transition to IFRS 15 on retained profits and the related tax impact at 1 January 2018:

	RMB'000
Retained profits	
Capitalisation of sales commissions	71,033
Related tax	(15,012)
Net increase in retained profits at 1 January 2018	56,021

Further details of the nature and effect of the changes on previous accounting policies are set out below:

(i) Timing of revenue recognition

Previously, revenue arising from sales of properties was generally recognised at a point in time when the risks and rewards of ownership of the properties had passed to the customers.

Under IFRS 15, revenue is recognised when the customer obtains control of the promised properties in the contract. This may be at a single point in time or over time. IFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(c) IFRS 15, Revenue from contracts with customers *(Continued)*

(i) Timing of revenue recognition (Continued)

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under IFRS 15 the entity recognises revenue for the sale of that property at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

The Group's property development activities are mainly carried out in the major cities of the Bohai Economic Rim in Mainland China. Taking into account the contract terms, the Group's business practice and the legal and regulatory environment of the PRC, the property sales contracts do not meet the criteria for recognising revenue over time and therefore revenue from property sales continues to be recognised at a point in time. Previously revenue from sale of properties under all contracts in the ordinary course of business is recognised when the Group has completed the construction of respective properties and the customers have completed the necessary procedures to acknowledge receipts of delivery of properties in accordance with the terms under the respective property sales contracts, which is taken to be the point in time when the risks and rewards of ownership of the property have been transferred to the customer. Under the transfer-of-control approach in IFRS 15, revenue from property sales is still recognised when the property has been delivered to customer, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property.

This change in accounting policy had no material impact on opening balances as at 1 January 2018 and is not likely to have significant impact in future periods.

(c) IFRS 15, Revenue from contracts with customers *(Continued)*

(ii) Significant financing component

IFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of the revenue recognition or significantly deferred.

In assessing whether advance payments include a significant financing component, the Group has considered the difference between the length of time between the payment date and the date when the customers obtain control of the properties based on the typical arrangements entered into with the customers.

Where payment schemes include a significant financing component, the transaction price is adjusted to separately account for this component. In the case of payments in advance, such adjustment results in interest expense being accrued by the Group to reflect the effect of the financing benefit obtained by the Group from the customers during the period between the payment date and the completion date of legal assignment. This accrual increases the amount of the contract liability during the period of construction, and therefore increases the amount of revenue recognised when control of the completed property is transferred to the customer. The interest is expensed as accrued unless it is eligible to be capitalised under IAS 23, *Borrowing costs*.

(iii) Sales commissions payable related to property sales contracts

The Group previously recognised sales commissions payable related to property sales contracts as selling expenses when they were incurred. Under IFRS 15, the Group is required to capitalise these sales commissions as costs of obtaining contracts when they are incremental and are expected to be recovered, unless the expected amortisation period is one year or less from the date of initial recognition of the asset, in which case the sales commissions can be expensed when incurred. Capitalised commissions are charged to profit or loss when the revenue from the related property sale is recognised and are included as selling expenses at that time.

As a result of this change in accounting policy, the Group has capitalised sales commissions payable related to property sales contracts amounting to RMB71,033,000, increased deferred tax liabilities by RMB15,012,000 and increased retained profits by RMB56,021,000 at 1 January 2018.

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(c) IFRS 15, Revenue from contracts with customers *(Continued)*

(iv) Presentation of contract assets and liabilities

Under IFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised property in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Previously, receipt in advance in relation to property sales activities were previously presented under "trade and other payables" until the properties were delivered to the customers and the revenue was recognised for the reasons explained in paragraph (i) above.

To reflect the changes in presentation, adjustment at 1 January 2018 has been made to decrease trade and other payables and increase contract liabilities by RMB7,209,729,000 in respect of the receipt in advance in relation to property sales.

4 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 revenue and profit from operation of the Group is derived from activities in the PRC.

5 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	
	2018	2017
	RMB'000	RMB'000
Income from sales of properties	**592,299**	804,706
Gross rental income	**22,197**	13,322
Other	**11,347**	11,658
	625,843	829,686

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.

6 (LOSS)/PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
(a) Net finance expenses		
Interest income	**(13,539)**	(9,680)
Exchange gain	**(146)**	(180)
Finance income	**(13,685)**	(9,860)
Interest expense and other borrowing costs	**328,681**	280,250
Less: interest and borrowing costs capitalised	**(298,054)**	(267,294)
Finance expenses	**30,627**	12,956
Net finance expenses	**16,942**	3,096
(b) Other items		
Depreciation and amortisation	**18,327**	20,087

7 INCOME TAX

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Current tax		
PRC Corporate Income Tax	**10,615**	12,188
Land Appreciation Tax	**4,149**	10,178
Overprovision in prior periods	**(7,413)**	(57,835)
Deferred taxation	**(4,609)**	–
	2,742	(35,469)

(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 period.

(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% (2017: 25%) on estimated assessable profits for the period.

7 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 5% (2017: 5%) of their revenue in accordance with the authorised taxation method approved by respective local tax bureau.

8 DIVIDENDS

(a) Dividend payable to equity shareholders of the Company attributable to the interim period

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Interim dividend declared after the interim period of HK Nil (equivalent to RMB Nil) per ordinary share (six months ended 30 June 2017: HK5.00 cents (equivalent to RMB4.30 cents) per ordinary share)	**–**	43,249

8 DIVIDENDS *(Continued)*

(b) Dividend 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	
	2018	2017
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved during the interim period, of HK3.00 cents (equivalent to RMB2.40 cents) per ordinary share (six months ended 30 June 2017: HK2.00 cents (equivalent to RMB1.78 cents) per ordinary share)	**24,139**	17,903

9 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB228,554,000 (profit for the six months ended 30 June 2017: RMB61,265,000) and the weighted average of 1,005,781,955 ordinary shares (six months ended 30 June 2017: 1,005,781,955 ordinary shares) in issue during the interim period.

(b) Diluted (loss)/earnings per share

The calculation of diluted (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB228,554,000 (profit for the six months ended 30 June 2017: RMB106,790,000) and the diluted weighted average number of ordinary shares of 1,005,781,955 shares (30 June 2017: 1,008,650,327 shares), as the effect of the potential ordinary shares outstanding was anti-dilutive:

9 (LOSS)/EARNINGS PER SHARE *(Continued)*

(b) Diluted (loss)/earnings per share *(Continued)*

Weighted average number of ordinary shares (diluted)

	Number of shares	
	2018	2017
Weighted average number of ordinary shares at 30 June	**1,005,781,955**	1,005,781,955
Effect of dilutive potential shares – share options	**–**	2,868,372
Weighted average number of ordinary shares (diluted) at 30 June	**1,005,781,955**	1,008,650,327

10 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group's additions in property, plant and equipment amounted to RMB247,349,000 (six months ended 30 June 2017: RMB51,485,000).

The Group's property, plant and equipment with carrying value of RMB433,703,000 (31 December 2017: RMB517,644,000) were pledged as securities for the Group's bank and other loans (notes 16 and 17).

11 INVESTMENT PROPERTIES

The directors consider the carrying values of investment properties approximate to their respective fair values as at 30 June 2018.

11 INVESTMENT PROPERTIES *(Continued)*

Certain investment properties carried at fair value as at 30 June 2018 have been pledged to secure borrowings of the Group as follows:

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Bank loans (note 16)	**241,666**	353,764
Other loans (note 17)	**–**	91,242
Fair value of investment properties pledged	**241,666**	445,006

12 INVENTORIES

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Properties held for future development for sale	**6,890,221**	4,997,612
Properties under development for sale	**7,924,115**	6,276,034
Completed properties held for sale	**3,253,787**	2,957,949
Others	**2,652**	1,498
	18,070,775	14,233,093

12 INVENTORIES *(Continued)*

Certain inventories carried at cost as at 30 June 2018 have been pledged to secure borrowings of the Group as follows:

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Bank loans (note 16)	**4,536,330**	3,509,102
Other loans (note 17)	**2,340,441**	627,579
Carrying value of inventories pledged	**6,876,771**	4,136,681

13 TRADE AND OTHER RECEIVABLES

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Trade receivables (note (a))	**228,696**	263,042
Other receivables (note (b))	**2,296,150**	2,356,102
Loans and receivables	**2,524,846**	2,619,144
Deposits and prepayments	**1,078,823**	1,235,721
	3,603,669	3,854,865

(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 2018 RMB'000	At 31 December 2017 RMB'000
Less than 1 month	**58,491**	96,088
1 month to 3 months	**3,612**	–
More than 3 months	**166,593**	166,954
	228,696	263,042

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

(b) At 30 June 2018, included in other receivables is a deposit of RMB200,000,000 (31 December 2017: RMB200,000,000) was paid by the Group to Tangshan Infrastructure Property Development Limited Liability Company ("Tangshan Real Estate"). The deposit has become a loan without fixed maturity date due from Tangshan Real Estate since March 2014 pursuant to a co-operation agreement between the Group and existing shareholders of Tangshan Real Estate to develop a commercial and residential property project in Tangshan Phoenix New Town. On 26 June 2017, the Group initiated legal proceedings at the High People's Court of Hebei Province in the PRC against Tangshan Real Estate and its two existing shareholders ("the Defendants"), seeking for orders to terminate the co-operation relationship and return the deposit, plus interest and gain from co-operation. As of the date of these financial statements, the Group is still in negotiation with the Defendants to attempt to reach a settlement.

14 RESTRICTED CASH

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Guarantee for mortgage loans (note (a))	**211,375**	192,351
Guarantee for loans and borrowings (notes 16 and 17)	**166,000**	166,000
Restricted cash related to pre-sale proceeds received (note (b))	**535,631**	661,304
	913,006	1,019,655

(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) In accordance with relevant government regulations, certain project companies of the Group are required to place the pre-sale proceeds of properties at designated bank accounts as guarantee deposits for construction work of related properties. The deposits can only be used for purchases of construction materials and payments of construction fee of relevant properties upon the approval of Authorities of the Ministry of Housing and Urban-Rural Development and relevant banks. Such guarantee deposits will be released according to the completion stage of the related pre-sold properties.

15 SHORT-TERM INVESTMENTS

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Investments in debt securities:		
– Redeemable on demand or with original maturity within three months	**50,000**	100,000

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

16 BANK LOANS – SECURED

(a) At 30 June 2018, bank loans were repayable as follows:

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Within one year or on demand	**2,386,962**	1,350,028
After one year but within two years	**1,326,225**	2,225,755
After two year but within five years	**191,194**	804,468
After five years	**969**	19,094
	1,518,388	3,049,317
	3,905,350	4,399,345

(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 2018, none of the covenants relating to bank loans had been breached (31 December 2017: Nil).

(c) At 30 June 2018, carrying values of assets of the Group pledged for bank loans are analysed as follows:

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Properties, plant and equipment	**114,263**	114,263
Investment properties	**241,666**	353,764
Restricted cash	**166,000**	166,000
Properties held for future development for sale	**522,000**	692,600
Properties under development for sale	**3,580,680**	2,245,680
Completed properties held for sale	**433,650**	570,822
	5,058,259	4,143,129

17 OTHER LOANS – SECURED

(a) At 30 June 2018, other loans were repayable as follows:

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Within one year or on demand	**1,630,719**	810,279
After one year but within two years	**1,428,392**	810,592
After two years but within five years	**517,050**	733,101
	3,576,161	2,353,972

(b) At 30 June 2018, carrying values of assets of the Group pledged for other loans are analysed as follows:

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Investment properties	**–**	91,242
Property, plant and equipment	**319,440**	403,381
Properties held for future development for sale	**700,677**	296,850
Properties under development for sale	**1,472,623**	164,833
Completed properties held for sale	**167,141**	165,896
	2,659,881	1,122,202

18 TRADE AND OTHER PAYABLES

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Trade payables (note (a))	**389,188**	325,056
Bills payable (note (a))	**315,763**	87,000
Limited partners' interest (note (b))	**348,810**	470,810
Amounts due to the ultimate holding company (note (c))	**51,903**	63,463
Amounts due to related parties (note (c))	**172,340**	19,127
Other payables and accruals (note (d))	**2,562,392**	1,777,460
Financial liabilities carried at amortised cost	**3,840,396**	2,742,916
Receipts in advance	**3,424,624**	10,027,655
	7,265,020	12,770,571

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

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Within 1 month	**467,276**	357,056
1 month to 3 months	**64,033**	30,000
Over 3 months but within 6 months	**173,642**	25,000
	704,951	412,056

(b) Limited partners' interest represented contributions from limited partners of partnerships over which the Group has control. Based on the partnership agreements, the Group has the contractual obligation to pay interest expenses to those limited partners at rates ranging from 9.5% to 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.

(c) Amounts due to the ultimate holding company, Neway Enterprises Limited, and related parties are unsecured, interest-free and repayable on demand.

(d) Included in other payables and accruals were accrued construction costs to Tianshan Construction amounted to RMB398,460,000 (31 December 2017: RMB320,000,000).

19 COMMITMENTS

Capital commitments outstanding at 30 June 2018 not provided for in the interim financial report are set out as follows:

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Authorised but not contracted for	**6,338,330**	7,920,789
Contracted but not provided for	**6,444,030**	2,804,818
	12,782,360	10,725,607

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

20 CONTINGENT LIABILITIES

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (note (i))	**5,219,360**	4,412,624
Guarantee provided to banks in respect of banking facilities granted to a related party (note (ii))	**20,000**	20,000
	5,239,360	4,432,624

Notes:

(i) The Group provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage facilities granted to the purchasers of the Group's properties by these banks. 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 2018 are RMB5,219,360,000 (31 December 2017: RMB4,412,624,000).

20 CONTINGENT LIABILITIES *(Continued)*

Notes: *(Continued)*

(i) *(Continued)*

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

(ii) The Company and its subsidiary, Tian Shan Real Estate, jointly entered into an agreement with Tianshan Construction, pursuant to which the Company agreed to provide a repayment guarantee whereas Tian Shan Real Estate agreed to provide a repayment guarantee and charge over its investment properties, in favour of a banking facility for the aggregate maximum amount of RMB27,000,000 granted to Tianshan Construction. Under the guarantee, the Company and Tian Shan Real Estate shall unconditionally guarantee to pay the indebtedness, including: (i) the principal amount of the facility; (ii) the accrued interest during the term of facility and overdue interest that may incurred; and (iii) any expenses and fees incurred by the bank to enforce the guarantee.

As at 30 June 2018, the aggregate amount drawn under the banking facility by Tianshan Construction amounted to RMB20,000,000 (31 December 2017: RMB20,000,000). The guarantee amount represents 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	
	2018	2017
	RMB'000	RMB'000
Construction costs (note (i))	**202,599**	219,420
Rental expenses (note (ii))	**193**	193
Remuneration to key management personnel (note (iii))	**10,783**	3,992
Guarantee fee income (note (iv))	**(473)**	(473)
Guarantee provided by a director of the Company for the Group's bank and other loans at the end of the reporting period	**4,702,920**	–

21 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

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, except for a longer credit terms granted to the Group, the terms of such work were carried out on normal commercial terms and in the ordinary course of the Group's business.

(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 RMB5,297,000 (six months ended 30 June 2017: RMB3,992,000) 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 at nil consideration.

(vi) The Group was granted a license to use the trademarks "Tian Shan" pursuant to the relevant trademark licence agreement entered into between Hebei Tianshan Industrial Group Company Limited, a company wholly-owned by the controlling shareholders of the Group as licensor and Tian Shan Real Estate, a subsidiary of the Group as licensee at nil consideration.

22 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET ADOPTED FOR THE SIX MONTHS ENDED 30 JUNE 2018

A number of amendments and new standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted any new or amended standards in preparing this interim financial report.

The Directors of the Company do not anticipate that the application of these new and revised IFRS will have significant impact on the Group's consolidated financial statements.