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

2019
INTERIM REPORT

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 54, 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 2019 together with the comparative figures for the corresponding period in 2018. The unaudited interim financial report set out on pages 15 to 48 has been reviewed by the audit committee of the Company.

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2019	2018	**Change**
	RMB'000	RMB'000	%
	(Unaudited)	(Unaudited)	
Revenue	**1,354,196**	625,843	116.4
Loss for the period	**(14,587)**	(233,322)	(93.7)
Contracted sales during the period	**3,940,647**	4,219,310	(6.6)
Basic loss per share (RMB cents)	**(0.72)**	(22.72)	(96.8)

BUSINESS REVIEW AND PROSPECTS

Market Review

For the six months ended 30 June 2019, the growth of the real estate industry slowed down after experiencing continuous increase in the transaction volume. According to data from the National Bureau of Statistics, the sales area of commodity housing in China reached 757.9 million square meters, representing a year-on-year decrease of 1.8%. The volume of commodity housing transactions amounted to RMB7,069.8 billion, representing a year-on-year increase of 5.6%, and the rate of growth declined by 7.6% over the same period last year. Industry policies maintain generally stable. Benefiting from the available funds in the market and the improved financing environment, the loans for residential house purchases have increased steadily. The land supply area in core cities has increased, and the land market has picked up. According to the data from the China Index Research Institute, the land area supplied for the purpose of residential in the first-and second-tier cities in China increased 22% year-on-year for the first six months of 2019, which is 19% higher than that of the entire country. The premium rate of residential land in 300 cities in China is 20%, which is 13% higher than that at the end of last year.

Property development and investment

As at 30 June 2019, the Group had numerous property projects under development, which were primarily located in Shijiazhuang, Tianjin, Ningxia and Yangzhou.

The total contracted sales amount for the six months ended 30 June 2019 was approximately RMB3,940.6 million (six months ended 30 June 2018: approximately RMB4,219.3 million) which decreased by 6.6% 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 • Chuangye City, World No. One, Yinchuan • Xing Qing Tian Shan Auspicious Lake, Jiu Long Fu Di,* etc.

During the six months ended 30 June 2019, the Group has replenished its land bank by acquiring certain new residential, commercial and industrial land parcels through auction/bidding/tender in Shijiazhuang, Yinchuan and Xingtai in aggregate consideration of RMB783.1 million or estimated salable gross floor area of approximately 811,000 sq.m. which are intended to be developed for sale in two to three years' time.

PROSPECT

With the continuous implementation of relaxed monetary policy and active fiscal policy, tax reduction and fee cutting policy, the Company expects that the desired results will be gradually produced. On the premise of maintaining balanced policy in the real estate industry, the Company also expects that the government will continue to introduce policies according to the actual situation of city under the principle that "houses are not for speculation, but for living". The value of the core economic circle will be further highlighted, the population will continue to flow in and the infrastructure will be further improved, which will bring sustained impetus to the development of the industry.

In the future, the Group will continue to follow the national policy, combine its own advantages and market positioning, focus on the Beijing-Tianjin-Hebei region, and strategically make presence in Yinchuan and Yangzhou markets, and vigorously enhance its market share where it locates. Meanwhile, the Group will continue to maintain sound cash flow of the Company and ensure its sustainable and healthy development.

FINANCIAL REVIEW

The Group's revenue increased by approximately 116.4% to approximately RMB1,354.2 million from RMB625.8 million as compared with the same period of last year. The increased in revenue during the period was mainly due to more 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 *Tian Shan Ambassador House, Yinchuan • Xing Qing Tian Shan Auspicious Lake, Yinchuan • Tian Shan Auspicious Lake, Yinchuan • Tian Shan Ambassador House, Tian Shan • Tinglan Residence, Yuanshi • Tian Shan Waterside View,* etc..

The cost of sales increased by approximately 86.8% to approximately RMB980.9 million from RMB525.2 million as compared with the six month period ended 30 June 2018. The increased commensurates with the increase in the revenue during the six months ended 30 June 2019.

As a result of the foregoing, the amount of the gross profit increased to approximately RMB373.3 million from RMB100.7 million in the same period of last year. The gross profit margin for the current period increased to approximately 27.6% as compared with approximately 16.1% for the same period of the preceding year. The increase in gross profit margin was mainly due to, in last year same period, lower average selling prices of the Group when delivering certain initial batches of 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 slightly by approximately 8.2% to RMB158.3 million for the current period from RMB146.3 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, namely *Yangzhou • Rui Hu Hua Fu, World No. One*, etc..

The Group's administrative expenses increased slightly by approximately 3.2% to RMB180.7 million from RMB175.2 million for the same period of last year. The increase was primarily due to the new offices in Yangzhou and Zhengding which were set up for new projects in areas during the interim period.

During the period, the Group recorded RMB33.0 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 2018: RMB2.7 million).

As a result of the above, the Group recorded a net loss of approximately RMB14.6 million for the current period as compared with the net loss of approximately RMB233.3 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 2019, the gearing ratio (calculated as net debt divided by adjusted capital) is as follows:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Total bank and other borrowings	7,124,867	7,811,769
Promissory notes	294,851	118,385
Bond payables	400,920	424,094
Less: Cash and cash equivalents	(1,017,992)	(1,237,827)
Short-term investments	–	(90,990)
Net debt	6,802,646	7,025,431
Total equity	2,364,720	2,415,196
Less: Proposed dividend	–	(42,746)
Adjusted capital	2,364,720	2,372,450
Adjusted net debt-to-capital ratio	2.88	2.96

The gearing ratio decreased slightly from 2.96 to 2.88 primarily due to the net effect of the decrease in bank and other loans of approximately RMB686.9 million, the increase in promissory notes of approximately RMB176.5 million and the decrease in cash and cash equivalents and short-term investments by approximately RMB219.8 million and approximately RMB91.0 million, respectively.

Current Assets and Liabilities

As at 30 June 2019, the Group had total current assets of approximately RMB27,889.1 million (31 December 2018: RMB26,323.1 million), comprising mainly inventories, trade and other receivables, short-term investments, restricted cash and cash and cash equivalents.

As at 30 June 2019, the Group had total current liabilities of approximately RMB23,249.7 million (31 December 2018: RMB21,372.4 million), comprising mainly bank and other borrowings, trade and other payables, contract liabilities and taxation payable.

As at 30 June 2019, the current ratio (calculated as the total current assets divided by the total current liabilities) was 1.2 (31 December 2018: 1.2).

Employees' Remuneration and Benefits

As at 30 June 2019, the Group employed a total of 2,476 employees (31 December 2018: 2,458 employees). The compensation package of the employees includes basic salary and bonus which depends on the employee's actual achievement against performance targets. 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 2019 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 all denominated in Renminbi and Hong Kong dollars and are primarily at fixed interest rates ranged from 4.75% to 13.00% 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 2019, the Group incurred capital expenditure in the amount of approximately RMB2,466.6 million comprising primarily the Group's addition in property, plant and equipment, and the land and development costs of the Group's property projects.

Charge on Assets

As at 30 June 2019, the Group had restricted cash of approximately RMB452.8 million (31 December 2018: RMB682.0 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 RMB11,040.3 million (31 December 2018: RMB8,224.0 million) were secured against the bank and other loans of the Group.

As at 30 June 2019, the Group had also charged certain of its investment properties and inventories in aggregate of approximately RMB69.5 million (31 December 2018: RMB23.7 million) in favour of a bank for their grant of banking facilities of RMB97.0 million (31 December 2018: 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 approximately RMB5,575.8 million (31 December 2018: RMB4,481.9 million) and the guarantee provided to a bank in respect of banking facility granted to a related party of RMB90.0 million (31 December 2018: RMB20.0 million), the Group had no material contingent liability as at 30 June 2019.

Material Acquisitions and Disposals

The Group had not participated in any material acquisitions and disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2019.

Significant Investments

As a strategic investment, in April 2019, Hebei Tianshan Jingyulan Real Estate Development Company Limited (an indirectly wholly-owned subsidiary of the Company) entered into a share subscription agreement with Langfang Bank Limited (a bank in Langfang of Hebei Province, "Langfang Bank") for the subscription of 33,000,000 shares (representing approximately 0.57% equity interest) of the Langfang Bank at total consideration of RMB98.7 million. Other than the foregoings, 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 "Revised Loan Facility"). In addition, on 13 February 2018, the Company and the Lender agreed to extend the respective repayment dates for the Revised Loan Facility for a period of two years.

The Revised Facility Agreement requires, among others, Neway Enterprises and Mr. WU, to undertake and covenant with the Company and the Lender that so long as any principal amount of the Revised Loan Facility and/or other amount due thereunder remain outstanding, Neway Enterprises shall not, and shall procure that none of its associates shall, 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 Revised Loan Facility be matured immediately at a price equivalent to the sum of (i) the outstanding principal amount of the Revised Loan Facility; (ii) all unpaid interest on the outstanding principal amount; and (iii) any unpaid default interest accrued.

Further details of the Revised Loan Facility, the Facility Agreement, the Revised Facility Agreement and the Specific Performance Obligation are set out in the Company's announcements dated 22 February 2016, 26 October 2016 and 13 February 2018.

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: 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 2019.

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 2019.

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 2019.

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 2019 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 2019, 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 and 25% by Mr. ZHANG Zhen Hai 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 Zhi Lan, 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 2019, 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 2019, 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 2019, 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 2019	Grant during the period	Exercised during the period	Forfeited during the period	At 30 June 2019	Date of grant	Exercise period of the share options (note f)	Exercise price of share options (HK$ per share)
Connected persons								
WU Zhi Lan (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	4,386,000	–	–	–	4,386,000	16.06.2010	16.01. 2011 to 15.06.2020	0.70
Total	5,150,000	–	–	–	5,150,000			

Notes:

(a) WU Zhi Lan 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 2019.

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

Hong Kong
28 August 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2019 – unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2019	2018 (Note)
	Note	**RMB'000**	RMB'000
Revenue	5	**1,354,196**	625,843
Cost of sales		**(980,868)**	(525,153)
Gross profit		**373,328**	100,690
Other income		**22,173**	7,175
Selling and marketing expenses		**(158,341)**	(146,327)
Administrative expenses		**(180,738)**	(175,176)
Profit/(loss) from operations		**56,422**	(213,638)
Finance income		**9,960**	13,685
Finance expenses		**(47,996)**	(30,627)
Net finance expenses	6(a)	**(38,036)**	(16,942)
Profit/(loss) before taxation	6	**18,386**	(230,580)
Income tax	7	**(32,973)**	(2,742)
Loss for the period		**(14,587)**	(233,322)
Attributable to:			
Equity shareholders of the Company		**(7,235)**	(228,554)
Non-controlling interests		**(7,352)**	(4,768)
Loss for the period		**(14,587)**	(233,322)
Loss per share (RMB cents)	9		
Basic		**(0.72)**	(22.72)
Diluted		**(0.72)**	(22.72)

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

The notes on pages 24 to 48 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 2019 – unaudited

(Expressed in Renminbi)

	Six months ended 30 June	
	2019	2018
		(Note)
	RMB'000	RMB'000
Loss for the period	**(14,587)**	(233,322)
Other comprehensive income for the period:		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign subsidiaries	**12,733**	(21,822)
Total comprehensive income for the period	**(1,854)**	(255,144)
Attributable to:		
Equity shareholders of the Company	**5,498**	(250,376)
Non-controlling interests	**(7,352)**	(4,768)
Total comprehensive income for the period	**(1,854)**	(255,144)

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

The notes on pages 24 to 48 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2019 – unaudited
(Expressed in Renminbi)

	Note	At 30 June 2019 RMB'000	At 31 December 2018 (Note) RMB'000
Non-current assets			
Property, plant and equipment and leasehold land	10	1,358,087	1,310,296
Investment properties	11	570,765	570,765
Interest in a joint venture		2,450	2,450
Other financial assets		98,670	–
Deferred tax assets		78,947	78,947
		2,108,919	1,962,458
Current assets			
Inventories	12	20,553,930	19,127,324
Short-term investments	15	–	90,990
Contract assets		83,865	86,239
Trade and other receivables	13	4,529,982	4,086,736
Prepaid tax		466,435	313,608
Restricted cash	14	1,236,857	1,380,399
Cash and cash equivalents		1,017,992	1,237,827
		27,889,061	26,323,123
Current liabilities			
Bank loans – secured	16	1,583,167	1,850,386
Other loans – secured	17	1,909,815	2,079,050
Trade and other payables	18	8,971,646	8,634,547
Contract liabilities		10,419,832	8,339,001
Bond payables		144,099	128,988
Lease liabilities		2,595	–
Taxation payable		218,582	340,386
		23,249,736	21,372,358
Net current assets		4,639,325	4,950,765

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

at 30 June 2019 – unaudited

(Expressed in Renminbi)

	Note	At 30 June 2019 RMB'000	At 31 December 2018 (Note) RMB'000
Total assets less current liabilities		**6,748,244**	6,913,223
Non-current liabilities			
Bank loans – secured	16	**1,560,548**	1,399,993
Other loans – secured	17	**2,071,337**	2,482,340
Promissory notes		**294,851**	118,385
Bond payables		**256,821**	295,106
Lease liabilities		**6,428**	–
Deferred tax liabilities		**193,539**	202,203
		4,383,524	4,498,027
NET ASSETS		**2,364,720**	2,415,196
CAPITAL AND RESERVES			
Share capital		**87,186**	87,186
Reserves		**2,265,779**	2,306,453
Total equity attributable to equity shareholders of the Company		**2,352,965**	2,393,639
Non-controlling interests		**11,755**	21,557
TOTAL EQUITY		**2,364,720**	2,415,196

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

The notes on pages 24 to 48 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2019 – 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
Balance at 1 January 2019		87,186	67,372	(46,873)	110,070	390,320	4,174	1,781,390	2,393,639	21,557	2,415,196
Changes in equity for the six months ended 30 June 2019:											
Loss for the period		–	–	–	–	–	–	(7,235)	(7,235)	(7,352)	(14,587)
Other comprehensive income		–	–	12,733	–	–	–	–	12,733	–	12,733
Total comprehensive income		–	–	12,733	–	–	–	(7,235)	5,498	(7,352)	(1,854)
Acquisition from non-controlling interests		–	–	–	(3,500)	–	–	–	(3,500)	(2,450)	(5,950)
Equity settled share-based payment		–	–	–	–	–	74	–	74	–	74
Dividend declared	8(b)	–	(42,746)	–	–	–	–	–	(42,746)	–	(42,746)
At 30 June 2019		87,186	24,626	(34,140)	106,570	390,320	4,248	1,774,155	2,352,965	11,755	2,364,720

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

for the six months ended 30 June 2019 – unaudited

(Expressed in Renminbi)

	Note	Attributable to equity holders of the Company									
		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 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 2019 – unaudited

(Expressed in Renminbi)

	Attributable to equity holders of the Company									
	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 2018	87,186	67,372	5,398	110,070	357,926	4,135	1,415,513	2,047,600	23,118	2,070,718
Changes in equity for the six months ended 31 December 2018:										
Profit for the period	–	–	–	–	–	–	398,271	398,271	(14,678)	383,593
Other comprehensive income	–	–	(52,271)	–	–	–	–	(52,271)	–	(52,271)
Total comprehensive income	–	–	(52,271)	–	–	–	398,271	346,000	(14,678)	331,322
Transfer to statutory reserve	–	–	–	–	32,394	–	(32,394)	–	–	–
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	10,667	10,667
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	2,450	2,450
Equity settled share-based payment	–	–	–	–	–	39	–	39	–	39
Balance at 31 December 2018 (Note)	87,186	67,372	(46,873)	110,070	390,320	4,174	1,781,390	2,393,639	21,557	2,415,196

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

The notes on pages 24 to 48 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2019 – unaudited

(Expressed in Renminbi)

	Six months ended 30 June	
	2019	2018
		(Note)
	RMB'000	RMB'000
Operating activities		
Operating profit/(loss) before working capital changes	**53,640**	(165,115)
Changes in working capital:		
Increase in inventories	**(1,139,985)**	(3,335,939)
(Increase)/decrease in trade and other receivables	**(443,246)**	251,200
Decrease in restricted cash	**143,542**	106,649
Increase in trade and other payables	**220,845**	1,619,704
Decrease/(increase) in contract assets	**2,374**	(6,392)
Increase in contract liabilities	**2,080,831**	1,087,964
Cash generated from/(used in) operations	**918,001**	(441,929)
PRC income tax paid	**(280,377)**	(262,269)
Net cash generated from/(used in) operating activities	**637,624**	(704,198)
Investing activities		
Payments for the purchase of property, plant and equipment	**(37,383)**	(247,349)
Proceeds from disposal of property, plant and equipment	**795**	–
Payment for purchase of short-term investments	**–**	(250,000)
Payment for purchase of other financial assets	**(98,670)**	–
Proceeds from redemption of short-term investments	**90,990**	300,000
Net cash outflow from acquisition of a subsidiary	**–**	(3,969)
Net cash outflow from acquisition from non-controlling interests	**(5,950)**	–
Other cash flows arising from investing activities	**9,960**	13,539
Net cash used in investing activities	**(40,258)**	(187,779)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(Continued)

for the six months ended 30 June 2019 – unaudited

(Expressed in Renminbi)

	Six months ended 30 June	
	2019	2018
		(Note)
	RMB'000	RMB'000
Financing activities		
Proceeds from new bank loans	**860,000**	105,440
Proceeds from new other loans	**994,854**	1,912,879
Proceeds from issue of bonds	**15,387**	10,009
Proceeds from issue of promissory notes	**172,917**	–
Repayment of bond	**(39,484)**	(848)
Repayment of bank loans	**(966,664)**	(599,435)
Repayment of other loans	**(1,575,698)**	(690,690)
Capital contribution from non-controlling interests	**–**	500
Capital contribution from limited partners	**76,800**	320,470
Capital element of lease rentals paid	**(1,786)**	–
Interest element of lease rentals paid	**(711)**	–
Repayment of capital contribution to limited partners	**–**	(442,470)
Interest paid	**(370,627)**	(347,520)
Net cash (used in)/generated from financing activities	**(835,012)**	268,335
Net decrease in cash and cash equivalents	**(237,646)**	(623,642)
Cash and cash equivalents at 1 January	**1,237,827**	2,192,737
Effect of foreign exchange rate changes	**17,811**	(13,122)
Cash and cash equivalents at 30 June	**1,017,992**	1,555,973

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

The notes on pages 24 to 48 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

for the six months ended 30 June 2019

(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 interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of any changes in accounting policies are set out in note 3.

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.

3 CHANGES IN ACCOUNTING POLICIES

The IASB has issued a new IFRS, IFRS 16, Leases, and a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

Except for IFRS 16, Leases, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

IFRS 16, Leases

IFRS 16 replaces IAS 17, *Leases*, and the related interpretations, IFRIC 4, *Determining whether an arrangement contains a lease*, SIC 15, *Operating leases – incentives*, and SIC 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from IAS 17 substantially unchanged.

The Group has initially applied IFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under IAS 17.

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

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

IFRS 16, Leases *(Continued)*

(a) Changes in the accounting policies (Continued)

(ii) Lessee accounting

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment as disclosed in note 19(b).

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. For the Group, low-value assets are typically office furniture. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

IFRS 16, Leases *(Continued)*

(a) Changes in the accounting policies (Continued)

(ii) Lessee accounting *(Continued)*

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, except for the following types of right-of-use asset:

– right-of-use assets that meet the definition of investment property are carried at fair value; and

– right-of-use assets related to interests in leasehold land where the interest in the land is held as inventory are carried at the lower of cost and net realisable value.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(iii) Leasehold investment property

Under IFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation ("leasehold investment properties"). The adoption of IFRS 16 does not have a significant impact on the Group's financial statements as the Group previously elected to apply IAS 40, Investment properties, to account for all of its leasehold properties that were held for investment purposes as at 31 December 2018. Consequentially, these leasehold investment properties continue to be carried at fair value.

(iv) Lessor accounting

In addition to leasing out the investment property referred to in paragraph (a)(iii) above, the Group leases out a number of items of machinery as the lessor of operating leases. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under IAS 17.

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

IFRS 16, Leases *(Continued)*

(a) Changes in the accounting policies (Continued)

(iv) Lessor accounting *(Continued)*

Under IFRS 16, when the Group acts as an intermediate lessor in a sublease arrangement, the Group is required to classify the sublease as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. The adoption of IFRS 16 does not have a significant impact on the Group's financial statements in this regard.

(b) Transitional impact

At the date of transition to IFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 9.97%.

To ease the transition to IFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of IFRS 16:

(i) the Group elected not to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) when measuring the lease liabilities at the date of initial application of IFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of IFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

IFRS 16, Leases *(Continued)*

(b) Transitional impact (Continued)

The following table reconciles the operating lease commitments as disclosed in note 3(c) as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019
	RMB'000
Operating lease commitments at 31 December 2018	14,406
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(1,162)
	13,244
Less: total future interest expenses	(3,506)
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019	9,738
Total lease liabilities recognised at 1 January 2019	9,738

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment and leasehold land' and presents lease liabilities separately in the statement of financial position.

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

IFRS 16, Leases *(Continued)*

(b) Transitional impact (Continued)

The following table summarises the impacts of the adoption of IFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018	**Capitalisation of operating lease contracts**	**Carrying amount at 1 January 2019**
	RMB'000	RMB'000	RMB'000
Line items in the consolidated statement of financial position impacted by the adoption of IFRS 16:			
Property, plant and equipment and leasehold land	1,310,296	9,738	1,320,034
Total non-current assets	**1,962,458**	**9,738**	**1,972,196**
Lease liabilities (current)	–	2,835	2,835
Current liabilities	**21,372,358**	**2,835**	**21,375,193**
Net current assets	**4,950,765**	**(2,835)**	**4,947,930**
Total assets less current liabilities	**6,913,223**	**6,903**	**6,920,126**
Lease liabilities (non-current)	–	6,903	6,903
Total non-current liabilities	**4,498,027**	**6,903**	**4,504,930**
Net assets	**2,415,196**	**–**	**2,415,196**

IFRS 16, Leases *(Continued)*

(c) Lease liabilities

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to IFRS 16 are as follows:

	At 30 June 2019		At 1 January 2019	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	2,595	3,471	2,835	3,612
After 1 year but within 2 years	2,091	2,302	1,848	2,084
After 2 years but within 5 years	2,756	3,297	3,007	3,738
After 5 years	1,581	2,857	2,048	3,810
	6,428	8,456	6,903	9,632
	9,023	11,927	9,738	13,244
Less: total future interest expenses		(2,904)		(3,506)
Present value of lease liabilities		9,023		9,738

(d) Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if IAS 17 had been applied during the year.

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

IFRS 16, Leases *(Continued)*

(d) Impact on the financial result, segment results and cash flows of the Group (Continued)

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under IAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under IAS 17. Although total cash flows are unaffected, the adoption of IFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

The following tables may give an indication of the estimated impact of adoption of IFRS 16 on the Group's financial result, segment results and cash flows for the six months ended 30 June 2019, by adjusting the amounts reported under IFRS 16 in these interim financial statements to compute estimates of the hypothetical amounts that would have been recognised under IAS 17 if this superseded standard had continued to apply to 2019 instead of IFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under IAS 17.

	2019				2018
	Amounts reported under IFRS 16 (A)	Add back: IFRS 16 depreciation and interest expense (B)	Deduct: Estimated amounts related to operating leases as if under IAS 17 (note 1) (C)	Hypothetical amounts for 2019 as if under IAS 17 (D=A+B-C)	Compared to amounts reported for 2018 under IAS 17
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial result for the six months ended 30 June 2019 impacted by the adoption of IFRS 16:					
Profit/(loss) from operations	**56,422**	**1,647**	**(2,497)**	**60,566**	**(213,638)**
Finance expenses	(47,996)	711	–	(47,285)	(30,627)
Profit/(loss) before taxation	**18,386**	**2,358**	**(2,497)**	**23,241**	**(230,580)**
Loss for the year	**(14,587)**	**2,358**	**(2,497)**	**(9,732)**	**(233,322)**

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

IFRS 16, Leases *(Continued)*

(d) Impact on the financial result, segment results and cash flows of the Group (Continued)

	2019			2018
	Amounts reported under IFRS 16 (A)	**Estimated amounts related to operating leases as if under IAS 17 (notes 1 & 2) (B)**	**Hypothetical amounts for 2019 as if under IAS 17 (C=A+B)**	**Compared to amounts reported for 2018 under IAS 17**
	RMB'000	RMB'000	RMB'000	RMB'000
Line items in the condensed consolidated cash flow statement for the six months ended 30 June 2019 impacted by the adoption of IFRS 16:				
Cash generated from/(used in) operations	918,001	(2,497)	915,504	(441,929)
Net cash generated from/ (used in) operating activities	**637,624**	**(2,497)**	**635,127**	**(704,198)**
Capital element of lease rentals paid	(1,786)	1,786	–	–
Interest element of lease rentals paid	(711)	711	–	–
Net cash (used in)/generated from financing activities	**(835,012)**	**2,497**	**(832,515)**	**268,335**

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if IAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under IAS 17, if IAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if IAS 17 still applied.

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 turnover 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 mainly represents income from sales of properties and rentals from investment properties. Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	Six months ended 30 June	
	2019	2018
		(Note)
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Income from sales of properties	**1,311,315**	592,299
Other	**18,286**	11,347
	1,329,601	603,646
Revenue from other sources		
Gross rental income	**24,595**	22,197
	1,354,196	625,843
Disaggregated by timing of revenue recognition		
Point in time	**1,329,601**	603,646
Over time	**24,595**	22,197
	1,354,196	625,843

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.

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

6 PROFIT/(LOSS) BEFORE TAXATION

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

		Six months ended 30 June	
		2019	2018 (Note)
		RMB'000	RMB'000
(a)	**Net finance expenses**		
	Interest income	**(9,960)**	(13,539)
	Exchange gain	**–**	(146)
	Finance income	**(9,960)**	(13,685)
	Interest on lease liabilities	**711**	–
	Interest expense and other borrowing costs	**367,334**	328,681
	Less: interest and borrowing costs capitalised	**(322,282)**	(298,054)
	Exchange loss	**2,233**	–
	Finance expenses	**47,996**	30,627
	Net finance expenses	**38,036**	16,942
(b)	**Other items**		
	Depreciation and amortisation		
	– owned property, plant and equipment	**21,744**	18,327
	– right-of-use assets	**1,647**	–

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

7 INCOME TAX

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Current tax		
PRC Corporate Income Tax	**10,119**	10,615
Land Appreciation Tax	**20,777**	4,149
Under/(over)-provision in prior periods	**5,746**	(7,413)
Deferred taxation	**(3,669)**	(4,609)
	32,973	2,742

7 INCOME TAX *(Continued)*

(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% (2018: 25%) on estimated assessable profits for the period.

(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% (2018: 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

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: RMB Nil).

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	
	2019	2018
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved during the interim period, of HK5.00 cents (equivalent to RMB4.25 cents) per ordinary share (six months ended 30 June 2018: HK3.00 cents (equivalent to RMB2.40 cents) per ordinary share)	**42,746**	24,139

9 BASIC AND DILUTED LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB7,235,000 (six months ended 30 June 2018: RMB228,554,000) and the weighted average of 1,005,781,955 ordinary shares (six months ended 30 June 2018: 1,005,781,955 ordinary shares) in issue during the interim period.

During six months ended 30 June 2019 and 2018, diluted loss per share is calculated on the same basis as basic loss per share.

10 PROPERTY, PLANT AND EQUIPMENT

(a) Right-of-use assets

As discussed in note 3, the Group has initially applied IFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17.

During the six months ended 30 June 2019, the Group entered into a number of lease agreements for use of office, and therefore recognised the additions to right-of-use assets of RMB1,071,000.

(b) Owned assets

During the six months ended 30 June 2019, the Group's additions in property, plant and equipment amounted to RMB37,383,000 (six months ended 30 June 2018: RMB247,349,000).

The Group's property, plant and equipment with carrying value of RMB313,821,000 (31 December 2018: RMB340,455,000) 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 2019.

Certain investment properties carried at fair value as at 30 June 2019 have been pledged to secure borrowings of the Group as follows:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Bank loans (note 16)	**360,167**	230,262
Other loans (note 17)	**130,993**	120,641
Fair value of investment properties pledged	**491,160**	350,903

12 INVENTORIES

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Properties held for future development for sale	**3,552,145**	3,519,399
Properties under development for sale	**12,825,976**	11,305,504
Completed properties held for sale	**4,172,988**	4,299,136
Others	**2,821**	3,285
	20,553,930	19,127,324

Certain inventories carried at cost as at 30 June 2019 have been pledged to secure borrowings of the Group as follows:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Bank loans (note 16)	**5,799,274**	3,524,794
Other loans (note 17)	**4,436,009**	4,007,828
Carrying value of inventories pledged	**10,235,283**	7,532,622

13 TRADE AND OTHER RECEIVABLES

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Trade receivables (note (a))	**256,335**	258,590
Other receivables	**1,546,123**	1,296,883
Loan and receivable due from Tangshan Real Estate (note(b))	**165,614**	335,614
Financial assets measured at amortised cost	**1,968,072**	1,891,087
Deposits and prepayments	**2,561,910**	2,195,649
	4,529,982	4,086,736

(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 2019 RMB'000	At 31 December 2018 RMB'000
Less than 1 month	**83,483**	128,761
1 month to 3 months	**7,446**	8,254
More than 3 months	**165,406**	121,575
	256,335	258,590

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) Loan and receivable due from Tangshan Real Estate

The Group paid RMB200,000,000 to Tangshan Infrastructure Property Development Limited Liability Company ("Tangshan Real Estate") in March 2014 as deposit, which 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 loan, plus interest and gain from co-operation.

In October 2018, first instance court judgment has been rendered in favour of the Group. The co-operation relationship was terminated and the Defendants were required to repay the Group in terms of the loan, interest, brand usage fee and compensation of loss. The Group and Defendants subsequently agreed not to file further appeal of the legal proceedings and entered into a settlement agreement on 29 December 2018. Pursuant to the settlement agreement, the Defendants have agreed to make installment payments to the Group for the adjudged amount.

It was virtually certain for the Group to receive the adjudged amount from the Defendants at 31 December 2018, the Group therefore has recognised interest income of RMB72,514,000, brand usage fee of RMB13,290,000 and compensation income of RMB20,000,000 in the profit or loss during the year ended 31 December 2018. In January 2019, the Group received an aggregate amount of RMB170,000,000 from Tangshan Real Estate and the remaining amount was expected to be received in 2019.

14 RESTRICTED CASH

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Guarantee for mortgage loans (note (a))	**286,801**	316,019
Guarantee for loans and borrowings (notes 16 and 17)	**166,000**	366,000
Restricted cash related to pre-sale proceeds received (note (b))	**784,056**	698,380
	1,236,857	1,380,399

(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 2019 RMB'000	At 31 December 2018 RMB'000
Investments in debt securities:		
– Redeemable on demand	**–**	90,990

The debt securities represent wealth management products issued by financial institutions in the PRC.

16 BANK LOANS – SECURED

(a) At 30 June 2019, bank loans were repayable as follows:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Within one year or on demand	**1,583,167**	1,850,386
After one year but within two years	**582,535**	676,222
After two years but within five years	**628,377**	600,000
After five years	**349,636**	123,771
	1,560,548	1,399,993
	3,143,715	3,250,379

(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 2019, none of the covenants relating to bank loans had been breached (31 December 2018: Nil).

(c) At 30 June 2019, carrying values of assets of the Group pledged for bank loans are analysed as follows:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Properties, plant and equipment	**297,077**	111,155
Investment properties	**360,167**	230,262
Restricted cash	**166,000**	366,000
Properties held for future development for sale	**1,036,700**	500,000
Properties under development for sale	**4,028,545**	2,824,673
Completed properties held for sale	**734,029**	200,121
	6,622,518	4,232,211

17 OTHER LOANS – SECURED

(a) At 30 June 2019, other loans were repayable as follows:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Within one year or on demand	1,909,815	2,079,050
After one year but within two years	2,071,337	2,032,340
After two years but within five years	–	450,000
	3,981,152	4,561,390

(b) At 30 June 2019, carrying values of assets of the Group pledged for other loans are analysed as follows:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Property, plant and equipment	16,744	229,300
Investment properties	130,993	120,641
Properties held for future development for sale	777,311	1,778,915
Properties under development for sale	3,011,425	2,048,275
Completed properties held for sale	647,273	180,638
	4,583,746	4,357,769

18 TRADE AND OTHER PAYABLES

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Trade payables (note (a))	**247,450**	615,660
Bills payable (note (a))	**722,200**	605,999
Limited partners' interest (note (b))	**646,730**	588,955
Amounts due to the ultimate holding company (note (c))	**84,389**	–
Amounts due to related parties (note (c))	**48,182**	4,849
Other payables and accruals (note (d))	**4,406,076**	3,753,883
Financial liabilities carried at amortised cost	**6,155,027**	5,569,346
Receipts in advance	**2,816,619**	3,065,201
	8,971,646	8,634,547

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

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Within 1 month	**400,291**	876,837
1 month to 3 months	**79,899**	184,614
Over 3 months but within 6 months	**489,460**	160,208
	969,650	1,221,659

(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 10.5% 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 Hebei Tianshan Industrial Group Consturction Engineering Company Limited ("Tianshan Construction") amounted to RMB376,936,000 (31 December 2018: RMB493,487,000).

19 COMMITMENTS

(a) Capital commitments outstanding at 30 June 2019 not provided for in the interim financial report are set out as follows:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Authorised but not contracted for	**11,640,084**	10,658,400
Contracted but not provided for	**5,497,102**	3,577,638
	17,137,186	14,236,038

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

(b) At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	Properties RMB'000
Within 1 year	4,204
After 1 year but within 5 years	6,202
After 5 years	4,000
	14,406

The Group is the lessee in respect of a number of properties and items of plant and machinery and office equipment held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 3). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in note 3.

20 CONTINGENT LIABILITIES

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (note (i))	**5,575,816**	4,481,900
Guarantee provided to banks in respect of banking facilities granted to a related party (note (ii))	**90,000**	20,000
	5,665,816	4,501,900

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 2019 are RMB5,575,816,000 (31 December 2018: RMB4,481,900,000).

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

20 CONTINGENT LIABILITIES *(Continued)*

Notes: *(Continued)*

(ii) The Company and its subsidiary, Tian Shan Real Estate Development Group Limited ("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 RMB97,000,000 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 2019, the aggregate amount drawn under the banking facility by Tianshan Construction amounted to RMB90,000,000 (31 December 2018: 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	
	2019	2018
	RMB'000	RMB'000
Construction costs (note (i))	**424,599**	202,599
Rental paid (note (ii))	**500**	193
Remuneration to key management personnel (note (iii))	**12,628**	10,783
Guarantee fee income (note (iv))	**(1,674)**	(473)
Guarantee provided by a director of the Company for the Group's bank and other loans at the end of the reporting period	**3,880,519**	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 paid to Tianshan Construction for office and staff quarter occupied by the Group.

(iii) Remuneration to key management personnel of RMB6,047,000 (six months ended 30 June 2018: RMB5,297,000) 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.