



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
2020

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

Suite 801, 8/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 2020 together with the comparative figures for the corresponding period in 2019. The unaudited interim financial report set out on pages 15 to 38 has been reviewed by the audit committee of the Company.

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2020	2019	Change
	RMB'000	RMB'000	%
	(Unaudited)	(Unaudited)	
Revenue	1,450,927	1,354,196	7.1
Loss for the period	(3,562)	(14,587)	(75.6)
Contracted sales during the period	2,467,690	3,940,647	(37.4)
Basic loss per share (RMB cents)	(2.14)	(0.72)	197.2

BUSINESS REVIEW AND PROSPECTS

Market Review

During the period under review (the “Period”), the outbreak of the COVID-19 pandemic in the PRC and worldwide brought vast uncertainties to the economies around the globe. Maintaining stable and healthy development of the real estate market is one of the keys to resume and stabilise the economy of the PRC. Benefiting from the efficient and effective joint prevention and control mechanism adopted, the COVID-19 pandemic is under control within the territories of the PRC. Economic activities have been resumed to a satisfactory status in the PRC. According to the data from the National Bureau of Statistics (the “NBS”), gross domestic product (GDP) for the first half of 2020 decreased by 1.6% year-on-year.

For the six months ended 30 June 2020, the real estate industry policies remain generally stable. According to the data from the NBS, the sales area of commodity housing in the PRC reached 694.0 million square meters, representing a year-on-year decrease of 8.4%. The volume of commodity housing transactions amounted to RMB6,689.5 billion, representing a year-on-year decrease of 5.4%.

Property development and investment

As at 30 June 2020, the Group had numerous property projects under development, which were primarily located in Shijiazhuang, Tianjin, Yinchuan and Yangzhou.

The total contracted sales amount for the six months ended 30 June 2020 was approximately RMB2,467.7 million (six months ended 30 June 2019: approximately RMB3,940.6 million) which decreased significantly by 37.4% as compared over the same period last year. The decrease in contracted sales during the Period was primarily due to the impact of lockdown measures which hindered sales activities under the COVID-19 pandemic. The contracted sales were primarily contributed by the sale and pre-sale of property projects, namely *Yinchuan • Tian Shan Guanlan Yuan, World No. One, Yinchuan • Xing Qing Tian Shan Auspicious Lake, Jiu Long Fu Di*, etc.

Hebei Changxin Real Estate Development Company Limited (“Hebei Changxin”), an indirect wholly-owned subsidiary of the Company, acquired the land use rights for a parcel of land for urban residential purpose located in the PRC on 9 June 2017. In 2019, Hebei Changxin proposed to the original assignor of land to terminate the original land transfer agreement. Both parties entered into a termination agreement for the land on 28 February 2020 at a consideration of RMB528.0 million, of which RMB300.0 million was received by the Group up to 30 June 2020 with the remaining balance of RMB228.0 million is expected to be collected in the second half of year 2020. Further details are set out in the Company’s announcement dated 28 February 2020.

During the six months ended 30 June 2020, 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 RMB135.0 million with estimated salable gross floor area of approximately 212,800 sq.m. which are intended to be developed for sale in two to three years’ time.

Prospects

Notwithstanding the benefit from continued joint and prevention measures, the effective control of the COVID-19 pandemic in the PRC and the gradual recovery of overall business operations of the Group, the Directors are of the view that the competition in the PRC real estate market will be more fierce as stringent regulation on real estate developers’ financing continued and property developers may launch new projects faster to encourage cash collection.

The central government has reiterated policy principle of “houses are not for speculation, but for living”. Therefore, the government is expected to continue introducing policies with the objectives of stabilising land and housing selling prices.

In the future, the Group will continue to follow the national policy, combine its competitive advantages and market positioning, focus on the Beijing-Tianjin-Hebei region, strategically increase presence in Yinchuan and Yangzhou markets, and vigorously enhance its market share where its business 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 7.1% to approximately RMB1,450.9 million from RMB1,354.2 million as compared with the same period of last year. The increase in revenue during the Period was mainly due to the increased number of completed properties delivered to the customers as compared with the same period last year. During the Period, the Group’s revenue was principally derived from the sales and delivery of residential property projects, namely *Yinchuan • Xing Qing Tian Shan Auspicious Lake*, *Yinchuan • Tian Shan Auspicious Lake*, *Yinchuan • Tian Shan Ambassador House*, *Haixing • Tian Shan Auspicious Lake*, *Xingtai • TianShan Suspicious Lake • Wuji • Tian Shan Auspicious Lake*, etc.

The cost of sales increased by approximately 14.3% to approximately RMB1,121.6 million from RMB980.9 million as compared with the same period of last year. The increase commensurates with the increase in revenue during the six months ended 30 June 2020.

As a result of the foregoing, the amount of the gross profit decreased to approximately RMB329.3 million from RMB373.3 million in the same period of last year. The gross profit margin for the current period decreased to approximately 22.7% as compared with 27.6% 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 in Yinchuan, Ningxia, which were sold at comparatively lower prices to attract customers, as one of the Group’s sales strategies during the Period.

The Group’s selling and marketing expenses decreased by approximately 14.3% to RMB135.8 million for the Period from RMB158.3 million for the same period of last year. The decrease was primarily due to the fact that less advertising and promotion expenses were spent by the Group during the first quarter under the serious impact of COVID-19 pandemic.

The Group's administrative expenses decreased by approximately 25.8% to RMB134.2 million from RMB180.7 million for the same period of last year. The decrease was primarily due to the continued work of the Group from the prior year in reviewing its human resources structure and cutting down headcounts to achieve a more efficient and cost saving size of administrative positions, therefore, the salaries and wages expenses decreased by approximately RMB36.0 million as compared with the same period last year.

During the Period, the Group recorded RMB45.9 million for the Corporate Income Tax ("CIT") and Land Appreciation Tax ("LAT") in the PRC after considering the estimated effective CIT and LAT for the Period (six months ended 30 June 2019: RMB33.0 million). The increase of approximately RMB12.9 million or 39.1% as compared with the corresponding period in 2019 was mainly due to the increase in PRC CIT and LAT.

As a result of the above, the Group recorded a net loss of approximately RMB3.6 million for the Period as compared with RMB14.6 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 2020, the gearing ratio (calculated as net debt divided by adjusted capital) is as follows:

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Total bank and other borrowings	6,707,689	6,928,853
Promissory notes	303,635	299,205
Bond payables	294,241	323,485
Less: Cash and cash equivalents	(1,012,282)	(1,425,193)
Net debt	6,293,283	6,126,350
Total equity	2,217,791	2,240,289
Net debt-to-capital ratio	2.84	2.73

The gearing ratio increased slightly from 2.73 to 2.84 primarily due to the net effect of the decrease in bank and other loans of approximately RMB221.2 million, the decrease in bond payables of approximately RMB29.2 million and the decrease in cash and cash equivalents by approximately RMB412.9 million.

Current Assets and Liabilities

As at 30 June 2020, the Group had total current assets of approximately RMB27,305.4 million (31 December 2019: RMB27,572.6 million), comprising mainly inventories, trade and other receivables, short-term investments, restricted cash and cash and cash equivalents.

As at 30 June 2020, the Group had total current liabilities of approximately RMB24,080.2 million (31 December 2019: RMB23,882.0 million), comprising mainly bank and other borrowings, trade and other payables, contract liabilities and taxation payable.

As at 30 June 2020, the current ratio (calculated as the total current assets divided by the total current liabilities) was 1.13 (31 December 2019: 1.15).

Employees' Remuneration and Benefits

As at 30 June 2020, the Group employed a total of 1,649 employees (31 December 2019: 1,986 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, adopted in 2010 for employees of the Group, expired on 15 June 2020.

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 2020 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 13.35% 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 2020, the Group incurred capital expenditure in the amount of approximately RMB1,373.1 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 2020, the Group had restricted cash of RMB454.5 million (31 December 2019: RMB405.3 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 RMB8,672.5 million (31 December 2019: RMB8,284.8 million) were secured against the bank and other loans of the Group.

As at 30 June 2020, the Group had also charged certain of its investment properties and inventories in aggregate of approximately RMB63.9 million (31 December 2019: RMB82.1 million) in favour of a bank for its grant of banking facilities of RMB40.0 million (31 December 2019: RMB90.0 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 RMB8,372.2 million (31 December 2019: RMB7,755.7 million) and the guarantee provided to a bank in respect of banking facility granted to a related party of RMB40.0 million (31 December 2019: RMB90.0 million), the Group had no material contingent liability as at 30 June 2020.

Substantial Acquisitions and Disposals

The Group had not participated in any substantial acquisitions and disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2020.

Significant Investments

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.

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 2020, 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	74.56%
WU Zhen Ling	Interest of a controlled corporation	750,000,000 (note 1) Long Position	74.56%
ZHANG Zhen Hai	Interest of a controlled corporation	750,000,000 (note 1) Long Position	74.56%

Note 1: The shares of the Company (the "Shares") are beneficially held by Newway Enterprises Limited ("Newway Enterprises"). Newway Enterprises is a company incorporated in the British Virgin Islands and is owned as to 25% by Mr. WU Zhen Shan, 25% by Mr. WU Zhen Ling and 25% by Mr. ZHANG Zhen Hai and all of them being directors of Newway Enterprises. Since these three Directors exercise or control the exercise of entire voting right at general meetings of Newway Enterprises, each of them is deemed to be interested in the Shares held by Newway Enterprises by virtue of Part XV of the SFO.

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 2020, 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 2020, 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	74.56%

Save as disclosed above, as at 30 June 2020, 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 2020	Grant during the Period	Exercised during the Period	Expired during the Period	At 30 June 2020	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	–	100,000	4,286,000	–	16.06.2010	16.01.2011 to 15.06.2020	0.70
Total	5,150,000	–	100,000	5,050,000	–			

Notes:

- (a) WU Zhi Lan is the elder sister of WU Zhen Shan and WU Zhen Ling and the spouse of ZHANG Zhen Hai.
- (b) XU Lan Ying is the spouse of WU Zhen Shan.
- (c) FAN Yi Mei is the spouse of WU Zhen Ling.
- (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.

As at 30 June 2020, all outstanding options granted under the Pre-IPO Share Option Scheme had expired and the Company had no share options outstanding under the Pre-IPO Share Option Scheme.

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. The Share Option Scheme expired on 15 June 2020 (the “Date of Expiration”). On and prior to the Date of Expiration, the maximum number of Shares that may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 100,000,000 Shares, being 10% of the Shares in issue as at the date of approval of the Share Option Scheme. As at the Date of Expiration, the total number of Shares available for issue under the Share Option Scheme is 100,000,000 Shares, representing 9.94% of the Shares in issue. From the commencement of the period to the Date of Expiration, no share options were granted or exercised and no share options were forfeited by the Company under the Share Option Scheme.

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 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. On 27 April 2020, among others, the Company and the Lender agreed to further extend the first tranche repayment date for a period of two years to March 2022.

The Revised Facility Agreement requires Neway Enterprises and Mr. WU, to undertake and covenant with the Company and the Lender that, among others, so long as any principal amount of the Revised Loan Facility and/or other amount due thereunder remain outstanding, it shall not, and shall procure that none of its associates shall offer, sell, allot, contract to sell any shares of the Company and that Neway Enterprises remains to be the sole absolute legal and beneficial owner of Shares of not less than 51% of the issued share capital of the Company (on a fully diluted and as converted basis) (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 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, 13 February 2018 and 27 April 2020.

CHARGE OF SHARES BY CONTROLLING SHAREHOLDER UNDER RULE 13.17 OF THE LISTING RULES

As security for the obligations of the Company under the Revised Facility Agreement and the relevant finance documents, on 27 April 2020, Neway Enterprises executed a share charge, pursuant to which Neway Enterprises agreed to deposit 520,000,000 shares of the Company into a security account and charge the same in favour of the Lender. The charged shares represented approximately 51.70% of the issued share capital of the Company. Details of the charge of shares is set out in the Company's announcement dated 27 April 2020.

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: 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 2020.

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 2020.

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 2020.

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 2020 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.

By order of the Board

Tian Shan Development (Holding) Limited

Wu Zhen Shan

Chairman

Hong Kong

28 August 2020

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2020 – unaudited

(Expressed in Renminbi)

		Six months ended 30 June	
	Note	2020 RMB'000	2019 RMB'000
Revenue	5	1,450,927	1,354,196
Cost of sales		(1,121,586)	(980,868)
Gross profit		329,341	373,328
Other net income		18,120	22,173
Selling and marketing expenses		(135,770)	(158,341)
Administrative expenses		(134,194)	(180,738)
Profit from operations		77,497	56,422
Finance income		11,689	9,960
Finance expenses		(46,877)	(47,996)
Net finance expenses	6(a)	(35,188)	(38,036)
Profit before taxation	6	42,309	18,386
Income tax	7	(45,871)	(32,973)
Loss for the period		(3,562)	(14,587)
Attributable to:			
Equity shareholders of the Company		(21,519)	(7,235)
Non-controlling interests		17,957	(7,352)
Loss for the period		(3,562)	(14,587)
Loss per share (RMB cents)	9		
Basic		(2.14)	(0.72)
Diluted		(2.14)	(0.72)

The notes on pages 24 to 38 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2020 – unaudited

(Expressed in Renminbi)

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Loss for the period	(3,562)	(14,587)
Other comprehensive income for the period		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of foreign subsidiaries	(19,000)	12,733
Other comprehensive income for the period	(19,000)	12,733
Total comprehensive income for the period	(22,562)	(1,854)
Attributable to:		
Equity shareholders of the Company	(40,519)	5,498
Non-controlling interests	17,957	(7,352)
Total comprehensive income for the period	(22,562)	(1,854)

The notes on pages 24 to 38 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2020 – unaudited
(Expressed in Renminbi)

	Note	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Non-current assets			
Property, plant and equipment and leasehold land	10	1,423,087	1,423,186
Investment properties	11	568,462	568,462
Other financial assets	12	293,640	293,640
Deferred tax assets		117,217	117,291
		2,402,406	2,402,579
Current assets			
Inventories	13	20,216,088	20,440,708
Contract costs		110,665	93,089
Trade and other receivables	14	3,946,074	3,645,936
Prepaid tax		553,421	484,066
Restricted cash	15	1,466,836	1,483,567
Cash and cash equivalents		1,012,282	1,425,193
		27,305,366	27,572,559
Current liabilities			
Bank loans – secured	16	1,324,611	1,527,636
Other loans – secured	17	2,448,492	2,223,056
Trade and other payables	18	7,596,248	8,455,707
Contract liabilities		11,954,593	11,033,493
Promissory notes		303,635	120,335
Bond payables		73,515	87,914
Lease liabilities		3,320	3,474
Taxation payable		375,806	430,337
		24,080,220	23,881,952
Net current assets			
		3,225,146	3,690,607
Total assets less current liabilities			
		5,627,552	6,093,186

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

at 30 June 2020 – unaudited

(Expressed in Renminbi)

	Note	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Non-current liabilities			
Bank loans – secured	16	2,078,068	1,988,450
Other loans – secured	17	856,518	1,189,711
Promissory notes		–	178,870
Bond payables		220,726	235,571
Lease liabilities		8,578	10,625
Deferred tax liabilities		245,871	249,670
		3,409,761	3,852,897
NET ASSETS			
		2,217,791	2,240,289
CAPITAL AND RESERVES			
Share capital		87,195	87,186
Reserves		2,099,698	2,140,162
Total equity attributable to equity shareholders of the Company			
		2,186,893	2,227,348
Non-controlling interests			
		30,898	12,941
TOTAL EQUITY			
		2,217,791	2,240,289

The notes on pages 24 to 38 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2020 – unaudited

(Expressed in Renminbi)

	Attributable to equity shareholders of the Company										Total
	Share capital RMB'000	Share premium RMB'000	Exchange reserve RMB'000	Other capital reserve RMB'000	PBC statutory reserve RMB'000	Share-based compensation reserve RMB'000	Fair value reserve (non-recycling) RMB'000	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interest RMB'000	
Balance at 1 January 2020	87,186	24,626	(76,782)	106,570	418,139	4,203	15,615	1,647,791	2,227,348	12,941	2,240,289
Changes in equity for the six months ended 30 June 2020:											
Loss for the period	-	-	-	-	-	-	-	(21,519)	(21,519)	17,957	(3,562)
Other comprehensive income	-	-	(19,000)	-	-	-	-	-	(19,000)	-	(19,000)
Total comprehensive income for the year	-	-	(19,000)	-	-	-	-	(21,519)	(40,519)	17,957	(22,562)
Equity settled share-based payment	9	150	-	-	-	(95)	-	-	64	-	64
Transfer between reserves	-	-	-	-	-	(4,108)	-	4,108	-	-	-
At 30 June 2020	87,195	24,776	(95,782)	106,570	418,139	-	15,615	1,630,380	2,186,893	30,898	2,217,791

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

for the six months ended 30 June 2020 – unaudited

(Expressed in Renminbi)

Attributable to equity shareholders 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 interest 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 for the year	-	-	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 2020 – unaudited

(Expressed in Renminbi)

	Attributable to equity shareholders 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	Fair value reserve (non-recycling) RMB'000	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interest RMB'000	Total RMB'000	
At 1 July 2019	87,186	24,626	(34,140)	106,570	390,320	4,248	-	1,774,155	2,352,965	11,755	2,364,720	
Changes in equity for the six months ended 31 December 2019:												
Loss for the period	-	-	-	-	-	-	-	(98,545)	(98,545)	1,186	(97,359)	
Other comprehensive income	-	-	(42,642)	-	-	-	15,615	-	(27,027)	-	(27,027)	
Total comprehensive income for the year	-	-	(42,642)	-	-	-	15,615	(98,545)	(125,572)	1,186	(124,386)	
Transfer to statutory reserve	-	-	-	-	27,819	-	-	(27,819)	-	-	-	
Equity settled share-based payment	-	-	-	-	-	(45)	-	-	(45)	-	(45)	
Balance at 31 December 2019	87,186	24,626	(76,782)	106,570	418,139	4,203	15,615	1,647,791	2,227,348	12,941	2,240,289	

The notes on pages 24 to 38 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2020 – unaudited

(Expressed in Renminbi)

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Operating activities		
Operating profit before working capital changes	100,318	53,640
Changes in working capital:		
Decrease/(increase) in inventories	537,196	(1,139,985)
Increase in trade and other receivables	(299,661)	(443,246)
Decrease in restricted cash	16,731	143,542
(Decrease)/increase in trade and other payables	(450,336)	220,845
(Increase)/decrease in contract costs	(17,576)	2,374
Increase in contract liabilities	921,100	2,080,831
Cash generated from operations	807,772	918,001
PRC income tax paid	(173,482)	(280,377)
Net cash generated from operating activities	634,290	637,624
Investing activities		
Payments for the purchase of property, plant and equipment	(26,641)	(37,383)
Proceeds from disposal of property, plant and equipment	69	795
Interest received	11,689	9,960
Payment for purchase of other financial assets	–	(98,670)
Proceeds from redemption of short-term investments	–	90,990
Net cash inflow from acquisition of a subsidiary	11	–
Net cash outflow from acquisition from non-controlling interests	–	(5,950)
Net cash used in investing activities	(14,872)	(40,258)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2020 – unaudited

(Expressed in Renminbi)

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Financing activities		
Proceeds from shares issued under share option scheme	64	–
Proceeds from new bank loans	593,280	860,000
Proceeds from new other loans	452,563	994,854
Proceeds from the issue of promissory notes	–	172,917
Proceeds from the issue of bond	3,424	15,387
Repayment of bond	(37,210)	(39,484)
Repayment of bank loans	(706,687)	(966,664)
Repayment of other loans	(565,776)	(1,575,698)
Capital (returned to)/contribution from limited partners	(416,600)	76,800
Capital element of lease rentals paid	(2,201)	(1,786)
Interest element of lease rentals paid	(694)	(711)
Interest paid	(352,568)	(370,627)
Net cash used in financing activities	(1,032,405)	(835,012)
Net decrease in cash and cash equivalents	(412,987)	(237,646)
Cash and cash equivalents at 1 January	1,425,193	1,237,827
Effect of foreign exchange rate changes	76	17,811
Cash and cash equivalents at 30 June	1,012,282	1,017,992

The notes on pages 24 to 38 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

for the six months ended 30 June 2020

(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 Suite 801, 8/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"). The shares of the Company have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 15 July 2010.

2 BASIS OF PREPARATION

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, 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 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 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 the following amendments to International Financial Reporting Standards ("IFRSs") that are first effective for the current accounting period of the Group:

- Amendments to IFRS 3, *Definition of a Business*
- Amendments to IFRS 9, IAS 39 and IFRS 7, *Interest Rate Benchmark Reform*
- Amendments to IAS 1 and IAS 8, *Definition of Material*

None of these 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 statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 SEGMENT REPORTING

Management has determined operating segments with reference to the reports reviewed by the chief operating decision maker (the "CODM") of the Group that are used to assess the performance and allocate resources.

The CODM 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. Disaggregation of revenue from contracts with customers by major products or service line is as follows:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Income from sales of properties	1,421,746	1,311,315
Others	5,361	18,286
	1,427,107	1,329,601
Revenue from other sources		
Gross rental income	23,820	24,595
	1,450,927	1,354,196
Disaggregated by timing of revenue recognition		
Point in time	1,427,107	1,329,601
Over time	23,820	24,595
	1,450,927	1,354,196

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 PROFIT BEFORE TAXATION

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

		Six months ended 30 June	
		2020	2019
		RMB'000	RMB'000
(a) Net finance expenses			
Interest income	(11,689)	(9,960)	
Finance income	(11,689)	(9,960)	
Interest on lease liabilities	694	711	
Interest expense and other borrowing costs	351,048	367,334	
Less: interest and borrowing costs capitalised	(308,561)	(322,282)	
Exchange loss	3,696	2,233	
Finance expenses	46,877	47,996	
Net finance expenses	35,188	38,036	
(b) Other items			
Depreciation and amortisation			
– owned property, plant and equipment	20,978	21,744	
– right-of-use assets	1,882	1,647	

7 INCOME TAX

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Current tax		
PRC CIT	22,116	10,119
PRC LAT	24,009	20,777
Under-provision in respect of prior years	3,471	5,746
	49,596	36,642
Deferred taxation	(3,725)	(3,669)
	45,871	32,973

- (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 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% (six months ended 30 June 2019: 25%) on estimated assessable profits for the period.

7 INCOME TAX (Continued)

(iv) PRC 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% (six months ended 30 June 2019: 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 2020 (six months ended 30 June 2019: Nil).

(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	
	2020 RMB'000	2019 RMB'000
No final dividend in respect of the previous financial year has been approved during the interim period (six months ended 30 June 2019: HK\$5.00 cents (equivalent to RMB4.25 cents) per ordinary share)	—	42,746

9 LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB21,519,000 (six months ended 30 June 2019: RMB7,235,000) and the weighted average of 1,005,801,186 ordinary shares (six months ended 30 June 2019: 1,005,781,955 ordinary shares) in issue during the interim period.

During the six months ended 30 June 2020 and 2019, diluted loss per share are calculated on the same basis as basic loss per share.

10 PROPERTY, PLANT AND EQUIPMENT AND LEASEHOLD LAND

(a) Right-of-use assets

During the six months ended 30 June 2020, the Group has not entered into any new lease agreements for use of offices, and therefore not recognised any additions to right-of-use assets (six months ended 30 June 2019: RMB1,071,000).

(b) Owned assets

During the six months ended 30 June 2020, the Group's additions in property, plant and equipment amounted to RMB26,905,000 (six months ended 30 June 2019: RMB37,383,000).

The Group's property, plant and equipment with carrying value of RMB454,638,000 (31 December 2019: RMB399,391,000) were pledged as securities for the Group's bank loans (notes 16).

11 INVESTMENT PROPERTIES

The directors consider the carrying values of investment properties approximate to their respective fair values as at 30 June 2020.

Certain investment properties carried at fair value as at 30 June 2020 have been pledged to secure borrowings of the Group as follows:

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Bank loans (note 16)	137,009	253,299
Fair value of investment properties pledged	137,009	253,299

12 OTHER FINANCIAL ASSETS

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Equity securities designated at fair value through other comprehensive income ("FVOCI") (non-recycling)		
– Unlisted equity securities	293,640	293,640

Note: The unlisted equity securities are shares in Bank of Hebei and Bank of Langfang, two financial institutions incorporated in the PRC. These investments are designated at FVOCI, as they are held by the Group for strategic purposes, and the Group does not intend to dispose them in the near future. No dividend were received on this investments during the year.

13 INVENTORIES

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Properties held for future development for sale	2,732,094	3,619,128
Properties under development for sale	14,448,501	13,730,625
Completed properties held for sale	3,029,417	3,088,076
Others	6,076	2,879
	20,216,088	20,440,708

Certain inventories carried at cost as at 30 June 2020 have been pledged to secure borrowings of the Group as follows:

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Bank loans (note 16)	4,398,763	4,421,515
Other loans (note 17)	3,682,081	3,210,619
Carrying value of inventories pledged	8,080,844	7,632,134

14 TRADE AND OTHER RECEIVABLES

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Trade receivables (note (a))	241,379	284,367
Other receivables	1,111,661	1,060,235
Loans and receivables	1,353,040	1,344,602
Deposits and prepayments	2,593,034	2,301,334
	3,946,074	3,645,936

- (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 2020 RMB'000	At 31 December 2019 RMB'000
Less than 1 month	10,605	113,895
More than 1 month but less than 3 months	7,824	20,439
More than 3 months	222,950	150,033
	241,379	284,367

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 and commercial properties, the Group allows certain purchasers, after assessment of their credit information, to pay by instalments within a maximum period of two years.

15 RESTRICTED CASH

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Guarantee for mortgage loans (note (a))	318,850	383,721
Guarantee for loans and borrowings (notes 16)	135,650	21,550
Restricted cash related to pre-sale proceeds received (note (b))	1,012,336	1,078,296
	1,466,836	1,483,567

- (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.

16 BANK LOANS – SECURED

(a) At 30 June 2020, bank loans were repayable as follows:

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Within one year or on demand	1,324,611	1,527,636
After one year but within two years	360,480	268,780
After two years but within five years	1,472,328	1,311,550
After five years	245,260	408,120
	2,078,068	1,988,450
	3,402,679	3,516,086

- (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 2020, none of the covenants relating to bank loans had been breached (31 December 2019: Nil).

(c) At 30 June 2020, carrying values of assets of the Group pledged for bank loans are analysed as follows:

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Properties held for future development for sale	394,878	974,376
Properties under development for sale	3,353,276	2,956,398
Completed properties held for sale	650,609	490,741
Property, plant and equipment	454,638	399,391
Investment properties	137,009	253,299
Restricted cash	135,650	21,550
	5,126,060	5,095,755

17 OTHER LOANS – SECURED

(a) At 30 June 2020, other loans were repayable as follows:

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Within one year or on demand	2,448,492	2,223,056
After one year but within two years	856,518	1,189,711
	3,305,010	3,412,767

(b) At 30 June 2020, carrying values of assets of the Group pledged for other loans are analysed as follows:

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Properties held for future development for sale	–	745,873
Properties under development for sale	3,094,429	1,924,453
Completed properties held for sale	587,652	540,293
	3,682,081	3,210,619

18 TRADE AND OTHER PAYABLES

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Trade payables (note (a))	439,262	476,000
Bills payable (note (a))	651,777	791,685
Limited partners' interest (note (b))	15,035	431,635
Amounts due to the ultimate holding company (note (c))	88,636	82,655
Amounts due to related parties (note (c))	203,895	130,157
Other payables and accrued charges (note (d))	3,630,390	3,664,384
Financial liabilities measured at amortised cost	5,028,995	5,576,516
Receipts in advance	2,567,253	2,879,191
	7,596,248	8,455,707

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

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Within 1 month	172,576	706,007
1 month to 3 months	54,829	11,548
Over 3 months but within 6 months	863,634	550,130
	1,091,039	1,267,685

- (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. 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 RMB223,143,000 (31 December 2019: RMB323,842,000).

19 COMMITMENTS

- (a) **Capital commitments outstanding at 30 June 2020 not provided for in the interim financial report are set out as follows:**

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Authorised but not contracted for	11,235,742	11,668,615
Contracted but not provided for	7,838,492	7,724,873
	19,074,234	19,393,488

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

20 CONTINGENT LIABILITIES

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (note (i))	8,372,232	7,755,695
Guarantee provided to a bank in respect of facility granted to a related party (note (ii))	40,000	90,000
	8,412,232	7,845,695

20 CONTINGENT LIABILITIES (Continued)

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 2020 are RMB8,372,232,000 (31 December 2019: RMB7,755,695,000).

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

- (ii) The Company and its subsidiary, Tian Shan Real Estate, 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 RMB40,000,000 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 2020, the aggregate amount drawn under the banking facility by Tianshan Construction amounted to RMB40,000,000 (31 December 2019: RMB90,000,000). 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	
	2020 RMB'000	2019 RMB'000
Construction cost (note (i))	127,434	424,599
Lease expense (note (ii))	500	500
Remuneration to key management personnel (note (iii))	11,969	12,628
Guarantee fee income (note (iv))	(360)	(1,674)
Guarantees provided by a director of the Company for the Group's bank and other loans at the end of the reporting period	4,195,993	3,880,519

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 occupied by the Group.
- (iii) Remuneration to key management personnel of RMB6,240,000 (six months ended 30 June 2019: RMB6,047,000) 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.