

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

**PRELIMINARY ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

The board (the “Board”) of directors (the “Directors”) of Tian Shan Development (Holding) Limited (the “Company”) is pleased to announce the consolidated unaudited results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2020 (the “FY2020 Annual Results”).

The FY2020 Annual Results have neither been audited nor reviewed by the Company’s auditor. In addition, for the reasons explained in the paragraph headed “Review of Unaudited Annual Results” in this announcement, the FY2020 Annual Results have yet been agreed by the Company’s auditor as required under Rule 13.49(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”). The FY2020 Annual Results have been reviewed by the Company’s audit committee.

FINANCIAL HIGHLIGHTS

- The Group’s revenue for the year ended 31 December 2020 (the “Year”) increased by 8.1% to RMB5,394.3 million from RMB4,990.5 million as compared with the prior year.
- The Group recorded a loss of RMB92.8 million for the Year as compared with the prior year of RMB111.9 million.
- Basic loss per shares is RMB15.94 cents as compared with the prior year of RMB10.52 cents.
- No final dividend was recommended for the Year (2019: Nil).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS*for the year ended 31 December 2020**(Expressed in Renminbi)*

		2020	2019
		(Unaudited)	
	<i>Note</i>	RMB'000	<i>RMB'000</i>
Revenue	4	5,394,276	4,990,511
Cost of sales		<u>(4,498,546)</u>	<u>(3,947,432)</u>
Gross profit		895,730	1,043,079
Other net income		48,111	70,349
Selling and marketing expenses		(311,267)	(385,244)
Administrative expenses		(370,545)	(367,064)
Profit from operations		<u>262,029</u>	<u>361,120</u>
Finance income		21,707	31,449
Finance expenses		(64,294)	(108,636)
Net finance expenses	5(a)	<u>(42,587)</u>	<u>(77,187)</u>
Profit before change in fair value of investment properties and income tax		219,442	283,933
Increase/(decrease) in fair value of investment properties		<u>1,698</u>	<u>(2,303)</u>
Profit before taxation	5	221,140	281,630
Income tax	6	(313,943)	(393,576)
Loss for the year		<u>(92,803)</u>	<u>(111,946)</u>
Attributable to:			
Equity shareholders of the Company		(160,354)	(105,780)
Non-controlling interests		67,551	(6,166)
Loss for the year		<u>(92,803)</u>	<u>(111,946)</u>
Loss per share (RMB cents)	8		
Basic		<u>(15.94)</u>	<u>(10.52)</u>
Diluted		<u>(15.94)</u>	<u>(10.52)</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2020

(Expressed in Renminbi)

	2020 (Unaudited) RMB'000	2019 RMB'000
Loss for the year	<u>(92,803)</u>	<u>(111,946)</u>
Other comprehensive income for the year (after tax and reclassification adjustments)		
<i>Items that will not be reclassified to profit or loss:</i>		
Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)	(2,992)	15,615
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of foreign subsidiaries	<u>73,929</u>	<u>(29,909)</u>
Other comprehensive income for the year	<u>70,937</u>	<u>(14,294)</u>
Total comprehensive income for the year	<u>(21,866)</u>	<u>(126,240)</u>
Attributable to:		
Equity shareholders of the Company	(89,417)	(120,074)
Non-controlling interests	<u>67,551</u>	<u>(6,166)</u>
Total comprehensive income for the year	<u>(21,866)</u>	<u>(126,240)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2020

(Expressed in Renminbi)

		2020	2019
		(Unaudited)	
	Note	RMB'000	RMB'000
Non-current assets			
Property, plant and equipment and leasehold land		1,387,755	1,423,186
Investment properties		555,893	568,462
Other financial assets		289,650	293,640
Deferred tax assets		158,498	117,291
		<u>2,391,796</u>	<u>2,402,579</u>
Current assets			
Inventories		19,599,965	20,440,708
Contract costs		97,047	93,089
Contract assets		228,608	–
Trade and other receivables	9	3,391,078	3,645,936
Prepaid tax		418,827	484,066
Restricted cash		1,202,743	1,483,567
Cash and cash equivalents		374,757	1,425,193
		<u>25,313,025</u>	<u>27,572,559</u>
Current liabilities			
Bank loans – secured		1,382,701	1,527,636
Other loans – secured		1,578,661	2,223,056
Trade and other payables	10	6,795,565	8,455,707
Contract liabilities		11,335,115	11,033,493
Promissory notes		279,848	120,335
Bond payables		78,965	87,914
Lease liabilities		2,080	3,474
Taxation payable		509,902	430,337
		<u>21,962,837</u>	<u>23,881,952</u>
Net current assets		<u>3,350,188</u>	<u>3,690,607</u>
Total assets less current liabilities		<u>5,741,984</u>	<u>6,093,186</u>

	2020	2019
	(Unaudited)	
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current liabilities		
Bank loans – secured	1,754,710	1,988,450
Other loans – secured	1,312,632	1,189,711
Promissory notes	–	178,870
Bond payables	184,447	235,571
Lease liabilities	7,414	10,625
Deferred tax liabilities	269,378	249,670
	<u>3,528,581</u>	<u>3,852,897</u>
NET ASSETS	<u>2,213,403</u>	<u>2,240,289</u>
CAPITAL AND RESERVES		
Share capital	87,195	87,186
Reserves	2,050,800	2,140,162
Total equity attributable to equity shareholders of the Company	<u>2,137,995</u>	<u>2,227,348</u>
Non-controlling interests	75,408	12,941
TOTAL EQUITY	<u>2,213,403</u>	<u>2,240,289</u>

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

1. CORPORATION INFORMATION

Tian Shan Development (Holding) Limited (the “Company”) 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 Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands. The Company and its subsidiaries (together, the “Group”) are 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. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations issued by the International Accounting Standards Board (the “IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The IASB has issued certain amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2020 comprise the Company and its subsidiaries (together referred to as “the Group”) and the Group’s interest in a joint venture.

The consolidated financial statements are presented in Renminbi (“RMB”) rounded to the nearest thousand Yuan.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In determining the appropriate basis of preparation of the financial statements, the directors of the Company have reviewed the Group's cash flow projections prepared by management based on estimations of future cashflow from pre-sale of properties, future committed and planned properties development expenditure and the availability of financing, which cover a period of twelve months from the reporting period end date. They are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due and committed future properties development expenditure within the next twelve months from the end of the current reporting period and that there are no material uncertainties in this respect which individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern.

The IASB has issued several amendments to IFRSs that are first effective for the current accounting period of the Group. 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.

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

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*
- Amendments to IFRS 16, *Covid-19-Related Rent Concessions*

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

4. REVENUE AND SEGMENT REPORTING

The principal activity of the Group is property development.

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

	2020 (Unaudited) RMB'000	2019 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Income from sales of properties	5,105,529	4,876,235
Income from construction contracts	228,608	–
Others	32,321	75,458
	<u>5,366,458</u>	<u>4,951,693</u>
Revenue from other sources		
Gross rental income	27,818	38,818
	<u>5,394,276</u>	<u>4,990,511</u>
Disaggregated by timing of revenue recognition		
Point in time	5,137,850	4,951,693
Over time	256,426	38,818
	<u>5,394,276</u>	<u>4,990,511</u>

The Group's customer base is diversified and there is no customer of the Group with whom transactions have exceeded 10% of the Group's revenue.

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 for the current and prior years.

No geographic information is shown as the turnover and profit from operation of the Group is derived from activities in the PRC.

5. PROFIT BEFORE TAXATION

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

	2020 (Unaudited) RMB'000	2019 RMB'000
(a) Net finance expenses		
Interest income from cash at bank	(21,707)	(27,696)
Interest income from the loan due from Tangshan Real Estate	—	(3,753)
Finance income	(21,707)	(31,449)
Interest expense and other borrowing costs on loans and borrowings	715,601	686,792
Less: Interest capitalised (<i>note</i>)	(661,583)	(582,390)
Exchange loss	9,522	3,197
Interest on lease liabilities	754	1,037
Finance expenses	64,294	108,636
Net finance expenses	42,587	77,187

Note:

Borrowing costs have been capitalised at rates ranging from 3.85% to 13.00% per annum (2019: 4.75% to 13.35% per annum) for the year ended 31 December 2020.

	2020 (Unaudited) RMB'000	2019 RMB'000
(b) Staff costs		
Wages, salaries and other staff costs	242,522	307,336
Contributions to defined contribution retirement scheme	1,875	18,129
Equity settled share-based payment expenses	—	29
	244,397	325,494
	2020 (Unaudited) RMB'000	2019 RMB'000
(c) Other items		
Depreciation and amortisation	58,214	39,677
Impairment loss on property, plant and equipment	9,636	—

6. INCOME TAX

(a) Income tax in the consolidated statement of profit or loss represents:

	2020 (Unaudited) RMB'000	2019 RMB'000
Current tax		
PRC Corporate Income Tax		
– Provision for the year	170,701	193,752
– (Over)/under-provision in respect of prior years	(21,089)	5,800
PRC Land Appreciation Tax	184,832	190,106
	<u>334,444</u>	<u>389,658</u>
Deferred tax		
Origination and reversal of temporary differences	(20,501)	3,918
	<u>313,943</u>	<u>393,576</u>

(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 current and prior years.

(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% (2019: 25%) on estimated assessable profits for the year.

(iv) **PRC Land Appreciation Tax (“LAT”)**

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例) effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例實施細則) effective from 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for property sales of ordinary residential properties (普通標準住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items.

Certain subsidiaries of the Group were subject to LAT which is calculated based on 5% (2019: 5%) of their revenue in accordance with the authorised taxation method approved by respective local tax bureau.

(v) **Withholding tax**

Withholding taxes are levied on the non PRC-resident entities in respect of dividend distribution arising from the profit of the Group’s PRC subsidiaries earned after 1 January 2008 at a rate of 10%. No deferred tax liabilities were recognised (2019: Nil) for the undistributed earnings of the Group’s PRC subsidiaries earned for the year ended 31 December 2020 since it is not probable that they will be distributed to their immediate holding company outside the PRC in the foreseeable future.

(b) **Reconciliation between tax expense and profit before taxation at applicable tax rates:**

	2020 (Unaudited) <i>RMB'000</i>	2019 <i>RMB'000</i>
Profit before taxation	<u>221,140</u>	<u>281,630</u>
Notional tax on profit before taxation calculated at the rates applicable to the jurisdictions concerned	58,782	72,276
Tax effect of unused tax losses not recognised	108,759	99,115
Non-deductible expenses	72,002	73,806
Tax effect of deferred tax not recognised	(43,135)	–
PRC Land Appreciation Tax	184,832	190,106
PRC Land Appreciation Tax deductible for PRC Corporate Income Tax	(46,208)	(47,527)
(Over)/under-provision in respect of prior years	<u>(21,089)</u>	<u>5,800</u>
Actual tax expense	<u>313,943</u>	<u>393,576</u>

7. DIVIDENDS

(a) **Dividends payable to equity shareholders of the Company attributable to the year**

No dividend was proposed after the end of the reporting period per ordinary share (2019: Nil).

(b) **Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year**

	2020 (Unaudited) <i>RMB'000</i>	2019 <i>RMB'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year, Nil (2019: HK5.00 cents (equivalents to RMB4.25 cents) per ordinary share)	<u>–</u>	<u>42,746</u>

8. LOSS PER SHARE

(a) **Basis loss per share**

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB160,354,000 (2019: RMB105,780,000) and the weighted average of 1,005,881,955 ordinary shares (2019: 1,005,781,955 ordinary shares) in issue during the year.

(b) Diluted loss per share

For the years ended 31 December 2020 and 2019, diluted loss per share was the same as the basic loss per share as the potential ordinary shares outstanding during the year had an anti-dilative effect on the basic loss per share.

9. TRADE AND OTHER RECEIVABLES

	2020 (Unaudited) RMB'000	2019 <i>RMB'000</i>
Trade receivables, net of loss allowance (<i>note (a)</i>)	191,054	284,367
Other receivables	1,237,691	1,060,235
	<hr/>	<hr/>
Loans and receivables	1,428,745	1,344,602
Deposits and prepayments	1,962,333	2,301,334
	<hr/>	<hr/>
	3,391,078	3,645,936
	<hr/> <hr/>	<hr/> <hr/>

All of the trade and other receivables, except deposits and prepayments for leasehold land amounting to RMB1,320,121,000 (2019: RMB1,644,364,000), are expected to be recovered within one year.

Ageing analysis

The ageing analysis of trade receivables, net of loss allowance is as follows:

	2020 (Unaudited) RMB'000	2019 <i>RMB'000</i>
Less than 1 month	34,887	113,895
More than 1 month but less than 3 months	21,343	20,439
More than 3 months	134,824	150,033
	<hr/>	<hr/>
	191,054	284,367
	<hr/> <hr/>	<hr/> <hr/>

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. The Group provided expected credit losses of RMB29,267,000 for trade receivables for the year ended 31 December 2020.

10. TRADE AND OTHER PAYABLES

	2020 (Unaudited) RMB'000	2019 RMB'000
Trade payables (<i>note (a)</i>)	623,138	476,000
Bills payable (<i>note (a)</i>)	117,289	791,685
Limited partners' interest (<i>note (b)</i>)	–	431,635
Amounts due to the ultimate holding company	105,149	82,655
Amounts due to related parties (<i>note (c)</i>)	149,064	130,157
Other payables and accrued charges (<i>notes (d) and (e)</i>)	<u>3,688,347</u>	<u>3,664,384</u>
Financial liabilities measured at amortised cost	4,682,987	5,576,516
Receipts in advance	<u>2,112,578</u>	<u>2,879,191</u>
	<u><u>6,795,565</u></u>	<u><u>8,455,707</u></u>

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

	2020 (Unaudited) RMB'000	2019 RMB'000
Within 1 month	205,687	706,007
1 month to 3 months	67,414	11,548
Over 3 months but within 6 months	<u>467,326</u>	<u>550,130</u>
	<u><u>740,427</u></u>	<u><u>1,267,685</u></u>

(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 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. The Group disposed of all partnerships during the year ended 31 December 2020.

(c) Amounts due to related parties are unsecured, interest-free and repayable on demand.

(d) At 31 December 2020, included in other payables and accrued charges of the Group, retention payables of RMB747,246,000 (2019: RMB695,860,000) were expected to be settled after more than one year.

(e) At 31 December 2020, included in other payables and accrued charges, accrued construction costs of RMB311,147,000 (2019: RMB323,842,000) were payable to Hebei Tianshan Industrial Group Construction Engineering Company Limited ("Tianshan Construction").

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

Market Review

During the year under review (the “Year”), the outbreak of the COVID-19 pandemic in the People’s Republic of China (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. Benefited from the efficient and effective prevention and control mechanism adopted, the COVID-19 pandemic was under control within the PRC during the Year. Economic activities have been resumed to a satisfactory status in the PRC. According to the data from the National Bureau of Statistics of China, gross domestic product of the PRC for 2020 increased gently by 2.3% year-on-year. In addition, the sales area of commercial buildings in the PRC reached 1,760.9 million square meters, representing a year-on-year increase of 2.6%. The volume of sales of commercial buildings amounted to RMB17,361.3 billion, representing a year-on-year increase of 8.7%.

Property Development and Investment

Tian Shan Development (Holding) Limited (the “Company”, together with its subsidiaries, the “Group”) is one of the leading property developers currently focusing on developing quality residential properties and industrial properties in the PRC. As at 31 December 2020, the Group had numerous property projects under development primarily located in Shijiazhuang, Tianjin, Ningxia and Yangzhou.

The Group’s brand “Tian Shan” is well-recognised by its customers. The Group’s business objective is to provide a comfortable living environment to its customers. During the Year, the Group recorded a turnover of approximately RMB5,394.3 million and delivered properties with gross floor area of approximately 650,756 square meters. The total contracted sales amount was approximately RMB5,758.8 million and contracted sales gross floor area was approximately 605,865 square meters for the Year.

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 during the Year. Further details are set out in the Company’s announcement dated 28 February 2020.

On 19 November 2020, Tianshan Wanchuang Industries Company Limited (“Tianshan Wanchuang”), an indirect wholly-owned subsidiary of the Company, disposed of the entire equity interest in Langfang City Chenghui Real Estate Development Company Limited (the “Disposal Subsidiary”) to independent third parties, among others, at a consideration of approximately RMB104.8 million. The Disposal Subsidiary was primarily holding a land parcel of approximately 14,310 square meters in the PRC for future development for sale. Further details are set out in the Company’s announcements dated 19 November 2020 and 23 November 2020.

Both land parcels disposed of during the Year were non-core assets of the Group and were vacant sites. The Group has plenty of land banks available for its development and these disposals did not have any material adverse impact on the Group's property development business.

Nevertheless, to achieve long-term balanced land banks for development, during the Year, the Group has replenished its land bank by acquiring certain new residential and industrial land parcels through auction/bidding/tender primarily in Shijiazhuang, Yinchuan and Xi'an in aggregate consideration of approximately RMB758.7 million with estimated salable gross floor area of approximately 542,327 square meters which are intended to be developed for sale in two to three years' time.

Prospect

Benefited from continued joint and prevention measures, there was effective control of the COVID-19 pandemic in the PRC and overall business operations of the Group has gradually recovered. With the introduction of the "Three Red Lines" policy in the fourth quarter of the year 2020, which requires property developers to impose strict control over their debt ratios, the Directors are of the view that the competition in the PRC real estate market will intensify as stringent regulation on real estate developers' financing continued and property developers may launch new projects faster to encourage cash collection.

The PRC government has reiterated policy principle of "houses are not for speculation, but for living". Therefore, the PRC 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 8.1% to approximately RMB5,394.3 million from RMB4,990.5 million as compared with the prior year. During the Year, the Group's revenue was derived principally from the sales and delivery of residential, commercial and industrial property projects, including *Yinchuan • Tian Shan Auspicious Lake*, *Yinchuan • Xing Qing Tian Shan Auspicious Lake*, *Yinchuan • Tian Shan Ambassador House*, *Tian Shan Guo Xi Fu*, *Tian Shan • Yilan Residence*, *Yanshan • Tian Shan Auspicious Lake*, etc..

The cost of sales increased by 14.0% to approximately RMB4,498.5 million from approximately RMB3,947.4 million as compared with the prior year. The amount of the gross profit decreased by 14.1% to approximately RMB895.7 million from approximately RMB1,043.1 million, and the gross profit margin for the Year has decreased to 16.6% as compared with that of 20.9% for the preceding year. The decrease in gross profit margin was mainly due to the fact that the Group delivered more commercial properties with higher gross profit margin last year than this Year. In addition, an impairment loss on certain land and properties held for future development or under development for sale in aggregate amounted to approximately RMB238.3 million (2019: RMB290.3 million) was recorded during the Year because the profitability of such property projects was not as good as the Company expected. These land and properties were primarily situated in Hebei Province.

The Group's selling and marketing expenses decreased by 19.2% to approximately RMB311.3 million from approximately RMB385.2 million. The decrease was primarily due to the fact that less advertising and promotion expenses were spent by the Group during the first half year under the serious impact of COVID-19 pandemic and more advertising and promotion events were made through digital media which were generally less expensive than traditional media. In addition, the Group also cut down headcounts of sales teams to achieve a balanced sales force during the Year which lowered salaries and wages expenses by approximately RMB36.3 million.

The Group's administrative expenses slightly increased by 0.9% to approximately RMB370.5 million from approximately RMB367.1 million. During the Year, impacted by COVID-19, the operating results from Tianjin Waterpark was not satisfactory and an impairment loss of RMB9.6 million to the property, plant and equipment was made during the Year. In addition, expected credit losses of RMB29.3 million was made for certain long outstanding receivables during the Year. Benefited by the Group's continued effort 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, the salaries and wages expenses decreased by approximately RMB37.9 million as compared with the prior year.

The Group's income tax expense decreased by approximately RMB79.6 million to approximately RMB313.9 million from approximately RMB393.6 million. The decrease was primarily due to the lower profit before taxation during the Year, the decrease of corporate income tax from tax credits of approximately RMB21.1 million from prior years' overprovision and approximately RMB43.1 million from the tax effect of deferred tax not recognised which was recorded during the Year.

As a result of the above, the Group recorded a net loss of approximately RMB92.8 million as compared with a net loss of approximately RMB111.9 million in last year.

Current Assets and Liabilities

As at 31 December 2020, the Group had total current assets of approximately RMB25,313.0 million (2019: RMB27,572.6 million), comprising mainly inventories, trade and other receivables prepaid tax, contract assets, and restricted cash and cash and cash equivalents.

As at 31 December 2020, the Group had total current liabilities of approximately RMB21,962.8 million (2019: RMB23,882.0 million), comprising mainly bank and other borrowings, trade and other payables, contract liabilities and taxation payable.

As at 31 December 2020, the current ratio (calculated as the total current assets divided by the total current liabilities) was 1.2 (2019: 1.2).

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 31 December 2020, the gearing ratio (calculated as net debt divided by total equity) is as follows:

	2020 (Unaudited) RMB'000	2019 <i>RMB'000</i>
Total bank and other borrowings	6,028,704	6,928,853
Promissory notes	279,848	299,205
Bond payables	263,412	323,485
Less: Cash and cash equivalents	(374,757)	(1,425,193)
Net debt	<u>6,197,207</u>	<u>6,126,350</u>
Total equity	<u>2,213,403</u>	<u>2,240,289</u>
Debt-to-capital ratio	<u>2.80</u>	<u>2.73</u>

The gearing ratio increased slightly from 2.73 to 2.80. Such increase was primarily due to the net effect of the decrease in bank and other loans of approximately RMB900.1 million, the decrease of promissory notes of approximately RMB19.4 million, the decrease in bond payables of approximately RMB60.1 million and the decrease in cash and cash equivalents by approximately RMB1,050.4 million.

Charge on Assets

At 31 December 2020, assets of the Group against which bank and other borrowings are secured:

	2020 (Unaudited) RMB'000	2019 <i>RMB'000</i>
Properties held for future development for sale	697,496	1,720,249
Properties under development for sale	6,969,452	4,880,851
Completed properties held for sale	592,692	1,031,034
Property, plant and equipment	489,271	399,391
Investment properties	86,439	253,299
Restricted cash	136,669	21,550
Contract assets	228,608	–
	<u>9,200,627</u>	<u>8,306,374</u>

In addition, as at 31 December 2020, the Group had total restricted cash of approximately RMB344.1 million (31 December 2019: RMB383.7 million) deposited with certain banks as guarantee deposits against certain mortgage loan facilities granted by the banks to purchasers of the Group's properties and certain bills payable of the Group.

Employees' Remuneration and Benefits

As at 31 December 2020, the Group employed a total of 1,531 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 performance 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.

The Group also provides training to staffs which covers professional knowledge and skill sets of various positions. Training is conducted in different forms like training camp, lecture, seminar or exchanges.

Foreign Exchange and Currency Risk

The Group's businesses are principally conducted in RMB, therefore, the Group is not exposed to significant foreign currency exchange risks as at 31 December 2020 and the Group does not employ any financial instruments for hedging purposes.

In addition, RMB 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 3.85% to 13.00% per annum.

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

Capital Expenditure

During the Year, the Group incurred capital expenditure in the amount of approximately RMB5,131.7 million (2019: RMB5,397.8 million) comprising primarily land and development costs of property projects.

Contingent Liabilities

Except for the guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties of approximately RMB9,283.5 million (2019: RMB7,755.7 million) and the guarantee provided to a bank in respect of banking facility granted to a related party of RMB60.0 million (2019: RMB90.0 million), the Group had no material contingent liability as at 31 December 2020.

Final Dividend

The Directors do not recommend the payment of a final dividend for the Year (2019: Nil).

Material Acquisitions and Disposals

The Group has not participated in any material acquisition or disposal during the Year.

Significant Investments

The Group did not make any significant investments during the Year and there were no intended plans for material investments which were expected to be carried out in the coming year.

IMPACT OF COVID-19 AFTER THE END OF THE YEAR

In early January 2021, there was an outbreak of COVID-19 again in Hebei Province (where the Group's headquarters and most of its property projects are located). The local government swiftly announced lockdown of the Hebei Province entirely for COVID-19 testing and quarantine (the "Lockdown"). With about 5 weeks of compulsory and universal community-wide stay-at-home quarantine and testing, in mid-February, the pandemic was under control, and the local government announced reopening of the Hebei Province. As such, people in Hebei Province gradually resumed their normal social life prior to the Chinese New Year holidays. Therefore, the Group expects that there will be a weak performance from the residential and commercial properties market in the Hebei Province and the financial results of the Group's water theme parks maybe negatively impacted in 2021. As of the date of this announcement, all of the Group's property projects have resumed normal operations. Given the dynamic nature of these circumstances, the magnitude and duration of its impact on the Group's consolidated financial position, financial performance and cash flows could not be reasonably estimated at this stage and will be reflected in the Group's 2021 interim and annual financial statements.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 27 May 2021 to Tuesday, 1 June 2021 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to determine the identity of the shareholders who are entitled to attend and vote at the forthcoming annual general meeting of the Company, all properly completed transfer forms accompanied by the share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Service Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 26 May 2021.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Year.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance within a sensible framework with an emphasis on the principles of integrity, transparency and accountability. The Board believes that good corporate governance is essential to the success of the Company and to the enhancement of shareholders' value.

The Company has complied with the code provisions set out in the Corporate Governance Code (the "Corporate Governance Code") contained in Appendix 14 to the Listing Rules throughout the Year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions.

The Company confirms that, having made specific enquiry of all the Directors, all Directors have complied with the required standards as set out in the Model Code throughout the Year.

AUDIT COMMITTEE

Pursuant to Rule 3.21 of the Listing Rules, an audit committee was established by the Board on 16 June 2010 with written terms of reference in compliance with the Corporate Governance Code. The principal duties of the audit committee include the review of the Group's financial reporting procedure, risk management and internal control systems and financial results. The audit committee comprises the three independent non-executive Directors, namely Mr. TIAN Chong Hou, Mr. WANG Ping and Mr. CHEUNG Ying Kwan. Mr. CHEUNG Ying Kwan is the chairman of the audit committee.

The audit committee held three meetings during the year ended 31 December 2020 to review financial results and internal control system of the Group and all members have attended.

REVIEW OF UNAUDITED ANNUAL RESULTS

The FY2020 Annual Results have neither been audited nor reviewed by the Company's auditor. In addition, the FY2020 Annual Results have yet been agreed by the Company's auditor as required under Rule 13.49(2) of the Listing Rules due to delay in the audit procedures resulting from the outbreak of COVID-19 and the Lockdown in the Hebei Province. To the knowledge of the Directors, the completion of audit is primarily subject to the collection of outstanding audit confirmations and finalisation of certain valuation reports. The Company expects the auditing process would be completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants on or before 23 April 2021 and a further announcement in relation to the audited results will be published as and when appropriate.

The FY2020 Annual Results have been reviewed by the Company's audit committee.

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 31 March 2021

As at the date of this announcement, the executive directors of the Company are Mr. Wu Zhen Shan, Mr. Wu Zhen Ling and Mr. Zhang Zhen Hai; and the independent non-executive directors of the Company are Mr. Tian Chong Hou, Mr. Wang Ping and Mr. Cheung Ying Kwan.