



**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

**2021**



## 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](http://www.tian-shan.com)

### Head Office and Principal Place of Business in China

No. 109 Tianshan Avenue  
Shijiazhuang Hi-Tech Industry  
Development Zone  
Shijiazhuang, Hebei Province  
China

### Principal Place of Business in Hong Kong

Suite 801, 8/F, Everbright Centre  
108 Gloucester Road  
Wanchai  
Hong Kong

### Auditors

KPMG

*Certified Public Accountants*

### Registered Office in the Cayman Islands

Windward 3, Regatta Office Park  
PO Box 1350, Grand Cayman KY1-1108  
Cayman Islands

### Principal Share Register and Transfer Office in the Cayman Islands

Ocorian Trust (Cayman) Limited  
Windward 3, Regatta Office Park  
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 2021 (the “Period”) together with the comparative figures for the corresponding period in 2020.

## FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	Change %
Revenue	<b>600,784</b>	1,450,927	(58.6)
Loss for the period	<b>(92,406)</b>	(3,562)	(2,494.2)
Contracted sales during the period	<b>1,759,416</b>	2,467,690	(28.7)
Basic loss per share (RMB cents)	<b>(8.91)</b>	(2.14)	(316.4)

## BUSINESS REVIEW AND PROSPECTS

### Market Review

During the Period, accordingly to the data from the National Bureau of Statistics (the “NBS”), gross domestic product (GDP) for the first half of 2021 in the People’s Republic of China (the “PRC”) increased by 12.7% year-on-year. The real estate market of the PRC remained generally stable. The macro-measures on real estate finance accelerated and regulation of financing channels continued to be in force.

For the six months ended 30 June 2021, according to the data from the NBS, the sales area of commodity housing in the PRC reached 886.4 million square meters, representing a year-on-year increase of 27.7%. The volume of commodity housing transactions was RMB9,293.1 billion, representing a year-on-year increase of 38.9%.

## Property development and investment

As at 30 June 2021, 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 2021 was approximately RMB1,759.4 million (six months ended 30 June 2020: approximately RMB2,467.7 million) which decreased by 28.7% 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 imposed by local government under the COVID-19 pandemic which hindered sales activities. 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, Tian Jin • Tian Shan Auspicious Lake, Tian Shan Ambassador House*, etc.

During the six months ended 30 June 2021, the Group has replenished its land bank by acquiring a residential land parcel through auction/bidding/tender in Shijiazhuang at a consideration of RMB38.7 million with estimated salable gross floor area of approximately 34,350 sq.m. which are intended to be developed for sale in two to three years' time.

## Prospects

Benefited from continued joint and prevention measures, there was effective control of the COVID-19 pandemic in the PRC during and after the Period 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 of the Company (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 central government has reiterated policy principle of “houses are not for speculation, but for living”. Therefore, the central 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 decreased substantially by approximately 58.6% to approximately RMB600.8 million from RMB1,450.9 million as compared with the same period of last year. The decrease in revenue during the Period was mainly due to the decreased 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 Ambassador House*, *Tian Shan • Chuangye City*, *Tian Shan • Yilan Community*, etc.

The cost of sales decreased by approximately 62.6% to approximately RMB420.0 million from RMB1,121.6 million as compared with the same period of last year. The decrease commensurates with the decrease in revenue during the six months ended 30 June 2021.

As a result of the foregoing, the amount of the gross profit decreased to approximately RMB180.8 million from RMB329.3 million in the same period of last year. The gross profit margin for the Period increased to approximately 30.1% as compared with 22.7% for the same period of the preceding year. The increase in gross profit margin was mainly due to higher average selling prices of the commercial properties delivered during the Period, while during the same period last year certain initial batches residential properties in Yinchuan, Ningxia were sold at comparatively lower prices to attract customers.

The Group’s selling and marketing expenses increased slightly by approximately 3.5% to RMB140.5 million for the Period from RMB135.8 million for the same period of last year. Advertising and promotion expenses remained at similar level when compared with that of the same period last year.

The Group's administrative expenses decreased by approximately 9.6% to RMB121.3 million from RMB134.2 million for the same period of last year. The decrease was primarily due to the reduction in headcounts as compared with the same period last year.

During the Period, the Group recorded RMB16.6 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 2020: RMB45.9 million). The decrease of approximately RMB29.3 million or 63.8% as compared with the corresponding period in 2020 was mainly due to the decrease in LAT as a result of the decrease in revenue.

As a result of the above, the Group recorded a net loss of approximately RMB92.4 million for the Period as compared with RMB3.6 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 2021, the gearing ratio (calculated as net debt divided by adjusted capital) is as follows:

	<b>At 30 June 2021 RMB'000</b>	At 31 December 2020 RMB'000
Total bank and other borrowings	<b>5,495,338</b>	6,028,704
Promissory notes	<b>277,069</b>	279,848
Bond payables	<b>264,862</b>	263,412
Less: Cash and cash equivalents	<b>(303,229)</b>	(374,757)
Net debt	<b>5,734,040</b>	6,197,207
Total equity	<b>2,157,934</b>	2,213,403
Net debt-to-capital ratio	<b>2.66</b>	2.80

The gearing ratio decreased from 2.80 to 2.66 primarily due to the net effect of the decrease in bank and other loans of approximately RMB533.4 million and the decrease in cash and cash equivalents by approximately RMB71.5 million.

## **Current Assets and Liabilities**

As at 30 June 2021, the Group had total current assets of approximately RMB25,645.1 million (31 December 2020: RMB25,313.0 million), comprising mainly inventories, trade and other receivables, restricted cash and cash and cash equivalents.

As at 30 June 2021, the Group had total current liabilities of approximately RMB22,883.8 million (31 December 2020: RMB21,962.8 million), comprising mainly bank and other borrowings, trade and other payables, contract liabilities and taxation payable.

As at 30 June 2021, the current ratio (calculated as the total current assets divided by the total current liabilities) was 1.1 (31 December 2020: 1.2).

## **Employees' Remuneration and Benefits**

As at 30 June 2021, the Group employed a total of 1,465 employees (31 December 2020: 1,531 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. The Company does not have any share option scheme.

## **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 2021 and the Group did not employ any financial instruments for hedging purposes.

In addition, Renminbi is not a freely convertible currency and the PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future. Changes in the foreign exchange control system may prevent the Group from satisfying sufficient foreign currency demands of the Group.

## **Interest Rates and Interest Rate Risks**

The Group's borrowings (including bank loans, other loans, promissory notes and bond payables) are all denominated in Renminbi and Hong Kong dollars, and are primarily at fixed interest rates ranged from 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 six months ended 30 June 2021, 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 2021, the Group had restricted cash of approximately RMB443.3 million (31 December 2020: RMB480.8 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, contract assets, property, plant and equipment, and investment properties in aggregate of approximately RMB9,178.0 million (31 December 2020: RMB9,064.0 million) were secured against the bank and other loans of the Group.

As at 30 June 2021, the Group had also charged certain of its investment properties and inventories in aggregate of approximately RMB82.7 million (31 December 2020: RMB86.2 million) in favour of a bank for its grant of banking facilities of RMB40.0 million (31 December 2020: RMB60.0 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 RMB9,354.0 million (31 December 2020: RMB9,532.3 million) and the guarantee provided to a bank in respect of banking facilities granted to a related party of RMB40.0 million (31 December 2020: RMB60.0 million), the Group had no material contingent liability as at 30 June 2021.

## **Substantial Acquisitions and Disposals**

The Group had not participated in any substantial acquisitions and disposals of subsidiaries, associates and joint ventures during the Period.

## **Significant Investments**

The Group did not make any significant investments during the Period 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 2021, 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 2021, 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 2021, the following interests of 5% or more of the issued share capital and share options (if any) 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 2021, 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.

## **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 two-year term (with mutual consent by the Company and the Lender may further extend the term) loan facility of up to an aggregate principal amount of HK\$350.0 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\$550.0 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 and 30 October 2020, among others, the Company and the Lender agreed to further extend the first tranche repayment date to 5 March 2022 and the second tranche repayment date to 25 October 2022, respectively.

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 (i) shall not transfer, display of or create or permit to subsist any security over any of its assets; and (ii) shall remain 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 Obligations”).

It will be an event of default if any 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 Obligations are set out in the Company’s announcements dated 22 February 2016, 26 October 2016, 13 February 2018, 27 April 2020 and 30 October 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 ordinary 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 are set out in the Company's announcements dated 27 April 2020 and 30 October 2020.

## **INTERIM DIVIDEND**

The Board resolved not to declare an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: 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 2021.

## **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 Directors, the Directors have complied with the required standards as set out in the Model Code throughout the six months ended 30 June 2021.

## CORPORATE GOVERNANCE

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 2021.

## 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 2021 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  
30 August 2021

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2021 - unaudited

(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2021 RMB'000	2020 RMB'000
<b>Revenue</b>	5	<b>600,784</b>	1,450,927
Cost of sales		<b>(420,008)</b>	(1,121,586)
<b>Gross profit</b>		<b>180,776</b>	329,341
Other net income		<b>16,669</b>	18,120
Selling and marketing expenses		<b>(140,511)</b>	(135,770)
Administrative expenses		<b>(121,284)</b>	(134,194)
<b>(Loss)/profit from operations</b>		<b>(64,350)</b>	77,497
Finance income		<b>6,654</b>	11,689
Finance expenses		<b>(18,108)</b>	(46,877)
<b>Net finance expenses</b>	6(a)	<b>(11,454)</b>	(35,188)
(Loss)/profit before taxation	6	<b>(75,804)</b>	42,309
Income tax	7	<b>(16,602)</b>	(45,871)
<b>Loss for the period</b>		<b>(92,406)</b>	(3,562)
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>(89,596)</b>	(21,519)
Non-controlling interests		<b>(2,810)</b>	17,957
<b>Loss for the period</b>		<b>(92,406)</b>	(3,562)
<b>Loss per share (RMB cents)</b>	9		
Basic		<b>(8.91)</b>	(2.14)
Diluted		<b>(8.91)</b>	(2.14)

The notes on pages 21 to 36 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 2021 - unaudited

(Expressed in Renminbi)

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
<b>Loss for the period</b>	<b>(92,406)</b>	(3,562)
<b>Other comprehensive income for the period</b>		
<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)	<b>6,671</b>	-
<i>Item that are or may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of foreign subsidiaries	<b>40,266</b>	(19,000)
<b>Other comprehensive income for the period</b>	<b>46,937</b>	(19,000)
<b>Total comprehensive income for the period</b>	<b>(45,469)</b>	(22,562)
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>(42,659)</b>	(40,519)
Non-controlling interests	<b>(2,810)</b>	17,957
<b>Total comprehensive income for the period</b>	<b>(45,469)</b>	(22,562)

The notes on pages 21 to 36 form part of this interim financial report.

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2021 - unaudited  
(Expressed in Renminbi)

	Note	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment and leasehold land	10	1,380,881	1,387,755
Investment properties	11	541,760	555,893
Other financial assets	12	313,996	289,650
Deferred tax assets		151,205	158,498
		<b>2,387,842</b>	2,391,796
<b>Current assets</b>			
Inventories	13	20,326,019	19,599,965
Contract costs		86,386	97,047
Contract assets		331,024	228,608
Trade and other receivables	14	3,007,158	3,391,078
Prepaid tax		462,660	418,827
Restricted cash	15	1,128,626	1,202,743
Cash and cash equivalents		303,229	374,757
		<b>25,645,102</b>	25,313,025
<b>Current liabilities</b>			
Bank loans-secured	16	1,272,683	1,382,701
Other loans-secured	17	1,660,255	1,578,661
Trade and other payables	18	6,498,177	6,795,565
Contract liabilities		12,577,172	11,335,115
Promissory notes		277,069	279,848
Bond payables		101,702	78,965
Lease liabilities		2,139	2,080
Taxation payable		494,580	509,902
		<b>22,883,777</b>	21,962,837
<b>Net current assets</b>		<b>2,761,325</b>	3,350,188
<b>Total assets less current liabilities</b>		<b>5,149,167</b>	5,741,984



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

at 30 June 2021 – unaudited  
(Expressed in Renminbi)

	Note	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
<b>Non-current liabilities</b>			
Bank loans-secured	16	1,685,833	1,754,710
Other loans-secured	17	876,567	1,312,632
Bond payables		163,160	184,447
Lease liabilities		5,790	7,414
Deferred tax liabilities		259,883	269,378
		<b>2,991,233</b>	3,528,581
<b>NET ASSETS</b>			
		<b>2,157,934</b>	2,213,403
<b>CAPITAL AND RESERVES</b>			
Share capital		87,195	87,195
Reserves		2,008,141	2,050,800
<b>Total equity attributable to equity shareholders of the Company</b>			
		<b>2,095,336</b>	2,137,995
<b>Non-controlling interests</b>			
		<b>62,598</b>	75,408
<b>TOTAL EQUITY</b>			
		<b>2,157,934</b>	2,213,403

The notes on pages 21 to 36 form part of this interim financial report.

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2021 - 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	Fair value reserve (non-recycling) RMB'000	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interest RMB'000	Total RMB'000
Balance at 1 January 2021	87,195	24,776	(2,853)	106,570	448,516	12,623	1,461,168	2,137,995	75,408	2,213,403
<b>Changes in equity for the six months ended 30 June 2021:</b>										
Loss for the period	-	-	-	-	-	-	(89,596)	(89,596)	(2,810)	(92,406)
Other comprehensive income	-	-	40,266	-	-	6,671	-	46,937	-	46,937
Total comprehensive income for the year	-	-	40,266	-	-	6,671	(89,596)	(42,659)	(2,810)	(45,469)
Capital deduction from non-controlling interests	-	-	-	-	-	-	-	-	(10,000)	(10,000)
<b>At 30 June 2021</b>	<b>87,195</b>	<b>24,776</b>	<b>37,413</b>	<b>106,570</b>	<b>448,516</b>	<b>19,294</b>	<b>1,371,572</b>	<b>2,095,336</b>	<b>62,598</b>	<b>2,157,934</b>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

for the six months ended 30 June 2021 – unaudited

(Expressed in Renminbi)

	Attributable to equity shareholders of the Company										Non-controlling interest	Total
	Share capital	Share premium	Exchange reserve	Other capital reserve	PRC statutory reserve	Share-based compensation reserve	Fair value reserve (non-recycling)	Retained profits	Sub-total			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at 1 January 2020</b>	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
<b>Changes in equity for the six months ended</b>												
<b>30 June 2020:</b>												
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	-		-	-
<b>At 30 June 2020</b>	87,195	24,776	(95,782)	106,570	418,139	-	15,615	1,630,380	2,186,893		30,898	2,217,791

	Attributable to equity shareholders of the Company										Non-controlling interest	Total
	Share capital	Share premium	Exchange reserve	Other capital reserve	PRC statutory reserve	Fair value reserve (non-recycling)	Retained profits	Sub-total				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at 1 July 2020</b>	87,195	24,776	(95,782)	106,570	418,139	15,615	1,630,380	2,186,893			30,898	2,217,791
<b>Changes in equity for the six months ended 31 December 2020:</b>												
Loss for the year	-	-	-	-	-	-	(138,835)	(138,835)			49,594	(89,241)
Other comprehensive income	-	-	92,929	-	-	(2,992)	-	89,937			-	89,937
Total comprehensive income for the year	-	-	92,929	-	-	(2,992)	(138,835)	(48,898)			49,594	696
Transfer to statutory reserve	-	-	-	-	30,377	-	(30,377)	-			-	-
Disposal of a subsidiary	-	-	-	-	-	-	-	-			(5,084)	(5,084)
<b>At 31 December 2020</b>	87,195	24,776	(2,853)	106,570	448,516	12,623	1,461,168	2,137,995			75,408	2,213,403

The notes on pages 21 to 36 form part of this interim financial report.

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2021 - unaudited

(Expressed in Renminbi)

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
<b>Operating activities</b>		
Operating profit before working capital changes	<b>(38,635)</b>	100,318
Changes in working capital:		
(Increase)/Decrease in inventories	<b>(541,584)</b>	537,196
Decrease/(increase) in trade and other receivables	<b>383,920</b>	(299,661)
Decrease in restricted cash	<b>74,117</b>	16,731
Decrease in trade and other payables	<b>(230,640)</b>	(450,336)
Decrease/(increase) in contract costs	<b>10,661</b>	(17,576)
Increase in contract assets	<b>(102,416)</b>	–
Increase in contract liabilities	<b>1,242,057</b>	921,100
Cash generated from operations	<b>797,480</b>	807,772
PRC income tax paid	<b>(80,181)</b>	(173,482)
<b>Net cash generated from operating activities</b>	<b>717,299</b>	634,290
<b>Investing activities</b>		
Payments for the purchase of property, plant and equipment	<b>(5,273)</b>	(26,641)
Proceeds from disposal of property, plant and equipment	<b>8</b>	69
Interest received	<b>6,654</b>	11,689
Payment for purchase of other financial assets	<b>(15,452)</b>	–
Net cash inflow from acquisition of a subsidiary	<b>–</b>	11
Net cash outflow from capital deduction from non-controlling interests	<b>(10,000)</b>	–
<b>Net cash used in investing activities</b>	<b>(24,063)</b>	(14,872)

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(Continued)

for the six months ended 30 June 2021 – unaudited

(Expressed in Renminbi)

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
<b>Financing activities</b>		
Proceeds from shares issued under share option scheme	–	64
Proceeds from new bank loans	<b>321,463</b>	593,280
Proceeds from new other loans	<b>158,500</b>	452,563
Proceeds from the issue of bond	<b>9,936</b>	3,424
Repayment of bond	<b>(18,593)</b>	(37,210)
Repayment of bank loans	<b>(500,358)</b>	(706,687)
Repayment of other loans	<b>(512,971)</b>	(565,776)
Capital returned to limited partners	–	(416,600)
Capital element of lease rentals paid	<b>(1,755)</b>	(2,201)
Interest element of lease rentals paid	<b>(116)</b>	(694)
Interest paid	<b>(220,839)</b>	(352,568)
<b>Net cash used in financing activities</b>	<b>(764,733)</b>	(1,032,405)
<b>Net decrease in cash and cash equivalents</b>	<b>(71,497)</b>	(412,987)
<b>Cash and cash equivalents at 1 January</b>	<b>374,757</b>	1,425,193
<b>Effect of foreign exchange rate changes</b>	<b>(31)</b>	76
<b>Cash and cash equivalents at 30 June</b>	<b>303,229</b>	1,012,282

The notes on pages 21 to 36 form part of this interim financial report.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

for the six months ended 30 June 2021

(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 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, PO 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 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 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 16, *Covid-19-related rent concessions beyond 30 June 2021*
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (the Phase 2 amendments) *Interest Rate Benchmark Reform-Phase 2*

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 lines is as follows:

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
<b>Revenue from contracts with customers within the scope of IFRS 15</b>		
Income from sales of properties	459,195	1,421,746
Income from construction contracts	102,416	–
Others	10,430	5,361
	<b>572,041</b>	1,427,107
<b>Revenue from other sources</b>		
Gross rental income	28,743	23,820
	<b>600,784</b>	1,450,927
<b>Disaggregated by timing of revenue recognition</b>		
Point in time	469,625	1,427,107
Over time	131,159	23,820
	<b>600,784</b>	1,450,927

The Group's customer base is diversified and none of the customers of the Group with whom transactions have exceeded 10% of the Group's revenue.

## 6 (LOSS)/PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
<b>(a) Net finance expenses</b>		
Interest income	(6,654)	(11,689)
Finance income	(6,654)	(11,689)
Interest on lease liabilities	116	694
Interest expense and other borrowing costs	275,441	351,048
Less: interest and borrowing costs capitalised	(258,012)	(308,561)
Exchange loss	563	3,696
Finance expenses	18,108	46,877
Net finance expenses	11,454	35,188
<b>(b) Other items</b>		
Depreciation and amortisation		
– owned property, plant and equipment	24,257	20,978
– right-of-use assets	1,464	1,882



## 7 INCOME TAX

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
<b>Current tax</b>		
PRC Corporate Income Tax	5,747	22,116
PRC Land Appreciation Tax	11,874	24,009
Under-provision in respect of prior years	3,406	3,471
	<b>21,027</b>	49,596
<b>Deferred taxation</b>	<b>(4,425)</b>	(3,725)
	<b>16,602</b>	45,871

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

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

The PRC subsidiaries of the Group were charged at 25% (six months ended 30 June 2020: 25%) on estimated assessable profits for the period.

## 7 INCOME TAX *(Continued)*

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

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective from 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for property sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

Certain subsidiaries of the Group were subject to LAT which is calculated based 5% (six months ended 30 June 2020: 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 2021 (six months ended 30 June 2020: Nil).

### (b) Dividend payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the interim period

The directors of the Company did not recommend the payment of a final dividend attributable to the previous financial year during the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

## 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 RMB89,596,000 (six months ended 30 June 2020: RMB21,519,000) and the weighted average of 1,005,881,955 ordinary shares (six months ended 30 June 2020: 1,005,801,186 ordinary shares) in issue during the interim period.

During the six months ended 30 June 2021 and 2020, 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 2021, the Group has entered into one new lease agreement for use of office, and therefore recognised the additions to right-of-use assets of RMB190,000 (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).

### (b) Owned assets

During the six months ended 30 June 2021, the Group's additions in property, plant and equipment amounted to RMB32,512,000 (six months ended 30 June 2020: RMB26,905,000).

The Group's property, plant and equipment with carrying value of RMB596,374,000 (31 December 2020: RMB489,271,000) were pledged as securities for the Group's bank loans and other loans (notes 16 and 17).

## 11 INVESTMENT PROPERTIES

The directors consider the carrying values of investment properties approximate to their respective fair values as at 30 June 2021.

Certain investment properties carried at fair value as at 30 June 2021 have been pledged to secure borrowings of the Group as follows:

	<b>At 30 June 2021 RMB'000</b>	At 31 December 2020 RMB'000
Bank loans (note 16)	<b>103,787</b>	86,439
Fair value of investment properties pledged	<b>103,787</b>	86,439

## 12 OTHER FINANCIAL ASSETS

	<b>At 30 June 2021 RMB'000</b>	At 31 December 2020 RMB'000
Equity securities designated at fair value through other comprehensive income ("FVOCI") (non-recycling)		
– Unlisted equity securities	<b>313,996</b>	289,650

Notes: The unlisted equity securities of FVOCI 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

	<b>At 30 June 2021 RMB'000</b>	At 31 December 2020 RMB'000
Properties held for future development for sale	<b>544,765</b>	1,045,387
Properties under development for sale	<b>16,054,135</b>	14,854,717
Completed properties held for sale	<b>3,726,041</b>	3,698,760
Others	<b>1,078</b>	1,101
	<b>20,326,019</b>	19,599,965

Certain inventories carried at cost as at 30 June 2021 have been pledged to secure borrowings of the Group as follows:

	<b>At 30 June 2021 RMB'000</b>	At 31 December 2020 RMB'000
Bank loans (note 16)	<b>3,404,806</b>	3,627,765
Other loans (note 17)	<b>4,742,040</b>	4,631,875
Carrying value of inventories pledged	<b>8,146,846</b>	8,259,640

## 14 TRADE AND OTHER RECEIVABLES

	<b>At 30 June 2021 RMB'000</b>	At 31 December 2020 RMB'000
Trade receivables, net of loss allowance (note (a))	<b>171,199</b>	191,054
Other receivables	<b>1,210,260</b>	1,237,691
Loans and receivables	<b>1,381,459</b>	1,428,745
Deposits and prepayments	<b>1,625,699</b>	1,962,333
	<b>3,007,158</b>	3,391,078

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

	<b>At 30 June 2021 RMB'000</b>	At 31 December 2020 RMB'000
Less than 1 month	<b>31,888</b>	34,887
More than 1 month but less than 3 months	<b>31,646</b>	21,343
More than 3 months	<b>107,665</b>	134,824
	<b>171,199</b>	191,054

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 on individual basis of RMB29,267,000 for trade receivables due from certain purchasers which failed to obtain mortgage loans from banks as scheduled during the year ended 31 December 2020.

## 15 RESTRICTED CASH

	<b>At 30 June 2021 RMB'000</b>	At 31 December 2020 RMB'000
Guarantee for mortgage loans (note (a))	<b>346,631</b>	344,125
Guarantee for loans and borrowings (notes 16)	<b>96,677</b>	136,669
Restricted cash related to pre-sale proceeds received (note (b))	<b>685,318</b>	721,949
	<b>1,128,626</b>	1,202,743

- (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 2021, bank loans were repayable as follows:

	<b>At 30 June 2021 RMB'000</b>	At 31 December 2020 RMB'000
Within one year or on demand	<b>1,272,683</b>	1,382,701
After one year but within two years	<b>1,193,303</b>	1,329,486
After two years but within five years	<b>288,912</b>	213,584
After five years	<b>203,618</b>	211,640
	<b>1,685,833</b>	1,754,710
	<b>2,958,516</b>	3,137,411

(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 2021, none of the covenants relating to bank loans had been breached (31 December 2020: Nil).

### (c) At 30 June 2021, carrying values of assets of the Group pledged for bank loans are analysed as follows:

	<b>At 30 June 2021 RMB'000</b>	At 31 December 2020 RMB'000
Properties held for future development for sale	–	312,000
Properties under development for sale	<b>2,655,589</b>	2,825,493
Completed properties held for sale	<b>749,217</b>	490,272
Property, plant and equipment	<b>381,539</b>	377,085
Investment properties	<b>103,787</b>	86,439
Restricted cash	<b>96,677</b>	136,669
Contract assets	<b>331,024</b>	228,608
Equity interests of certain subsidiaries	<b>281,000</b>	–
	<b>4,598,833</b>	4,456,566

## 17 OTHER LOANS-SECURED

(a) **At 30 June 2021, other loans were repayable as follows:**

	<b>At 30 June 2021 RMB'000</b>	At 31 December 2020 RMB'000
Within one year or on demand	<b>1,660,255</b>	1,578,661
After one year but within two years	<b>876,567</b>	1,312,632
	<b>2,536,822</b>	2,891,293

(b) **At 30 June 2021, carrying values of assets of the Group pledged for other loans are analysed as follows:**

	<b>At 30 June 2021 RMB'000</b>	At 31 December 2020 RMB'000
Properties held for future development for sale	<b>200,760</b>	385,496
Properties under development for sale	<b>4,352,566</b>	4,143,959
Completed properties held for sale	<b>188,714</b>	102,420
Property, plant and equipment	<b>214,835</b>	112,186
	<b>4,956,875</b>	4,744,061



## 18 TRADE TRADE AND OTHER PAYABLES

	<b>At 30 June 2021 RMB'000</b>	At 31 December 2020 RMB'000
Trade payables (note (a))	<b>580,096</b>	623,138
Bills payable (note (a))	<b>131,187</b>	117,289
Amounts due to the ultimate holding company (note (b))	<b>110,189</b>	105,149
Amounts due to related parties (note (b))	<b>95,816</b>	149,064
Other payables and accrued charges (notes (c))	<b>3,795,851</b>	3,688,347
Financial liabilities measured at amortised cost	<b>4,713,139</b>	4,682,987
Receipts in advance	<b>1,785,038</b>	2,112,578
	<b>6,498,177</b>	6,795,565

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

	<b>At 30 June 2021 RMB'000</b>	At 31 December 2020 RMB'000
Within 1 month	<b>104,784</b>	205,687
1 month to 3 months	<b>105,253</b>	67,414
Over 3 months but within 6 months	<b>501,246</b>	467,326
	<b>711,283</b>	740,427

- (b) Amounts due to the ultimate holding company, Neway Enterprises Limited, and related parties are unsecured, interest-free and repayable on demand.
- (c) Included in other payables and accruals were accrued construction costs to Hebei Tianshan Industrial Group Construction Engineering Company Limited amounted to RMB402,371,000 (31 December 2020: RMB311,147,000).

## 19 COMMITMENTS

- (a) **Capital commitments outstanding at 30 June 2021 not provided for in the interim financial report are set out as follows:**

	<b>At 30 June 2021 RMB'000</b>	At 31 December 2020 RMB'000
Authorised but not contracted for	<b>11,437,175</b>	9,314,706
Contracted but not provided for	<b>8,670,238</b>	9,362,797
	<b>20,107,413</b>	18,677,503

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

## 20 CONTINGENT LIABILITIES

	<b>At 30 June 2021 RMB'000</b>	At 31 December 2020 RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (note (i))	<b>9,353,953</b>	9,532,344
Guarantee provided to a bank in respect of facility granted to a related party (note (ii))	<b>40,000</b>	60,000
	<b>9,393,953</b>	9,592,344

## 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 2021 are RMB9,353,953,000 (31 December 2020: RMB9,532,344,000).

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 Development Company Limited ("Tian Shan Real Estate"), jointly entered into an agreement with Hebei Tianshan Industrial Group Construction Engineering Company Limited ("Tianshan Construction"), a related party, pursuant to which the Company agreed to provide a repayment guarantee whereas Tian Shan Real Estate agreed to provide a repayment guarantee and charge over its investment properties, in favour of a banking facility for the aggregate maximum amount of RMB27,000,000, and the Financial Assistance Agreement of RMB40,000,000 entered last year expired at 22 May 2021, and the extending agreement went into effect in July 2021 (31 December 2020: aggregate repayment guarantee maximum amount of RMB67,000,000) 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 be incurred; and (iii) any expenses and fees incurred by the bank to enforce the guarantee.

## 20 CONTINGENT LIABILITIES (Continued)

Notes: (Continued)

(ii) (Continued)

The Company and its subsidiary, Tian Shan Real Estate, jointly entered into an agreement with Hebei Tianshan Construction Material Technology Company Limited ("Tianshan Technology"), a related party, 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 RMB25,000,000 granted to Tianshan Technology. Under the guarantee, the Company and Tian Shan Real Estate shall unconditionally guarantee to pay the indebtedness including any accrued interest, any penalty interests, liquidated damages and compensation for damages, and any costs and expenses for enforcing rights and the charges under the Guarantee Agreement and other reasonably incurred expenses.

As at 30 June 2021, the aggregate amount drawn under the banking facility by Tianshan Construction and Tianshan Technology amounted to RMB40,000,000 (31 December 2020: RMB60,000,000). 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	
	2021 RMB'000	2020 RMB'000
Construction cost (note (i))	300,522	127,434
Lease expense (note (ii))	500	500
Remuneration to key management personnel (note (iii))	12,391	11,969
Guarantee fee income (note (iv))	(1,443)	(360)
Guarantees provided by a director of the Company for the Group's bank, other loans and bills payable at the end of the reporting period	3,542,313	4,195,993

## 21 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

Notes:

- (i) The Group received construction services rendered by Tianshan Construction, a company wholly-owned by the controlling shareholders of the Group. The directors consider that, except for a longer credit terms granted to the Group, the terms of such work were carried out on normal commercial terms and in the ordinary course of the Group's business.
- (ii) The amount represents rental paid to Tianshan Construction for office occupied by the Group.
- (iii) Remuneration to key management personnel of RMB6,240,000 (six months ended 30 June 2020: RMB6,240,000) represents salaries and fringe benefits paid to the directors of the Company.
- (iv) The amount represents the guarantee fee received from Tianshan Construction and Tianshan Technology 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.