TBGD

# CHINA TIANBAO GROUP DEVELOPMENT COMPANY LIMITED
# 中國天保集團發展有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1427)**

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2023 AND RESIGNATION OF CHAIRPERSON OF THE PREPARATORY COMMITTEE OF THE JINGBEI HEALTH CITY HEALTHCARE PROJECT

**FINANCIAL HIGHLIGHTS**

| | | Year ended December 31 | |
|---|---|---|---|
| | | **2023** | 2022 |
| | *Notes* | ***RMB'000*** | *RMB'000* |
| Revenue | | | |
| – Property development and other business | | **546,711** | 468,458 |
| – Construction contracting business | | **2,169,878** | 1,455,411 |
| Gross profit | | **161,913** | 114,712 |
| Underlying profit/(loss) | *1* | **31,379** | (159,435) |
| Reported profit/(loss) | *2* | **10,990** | (347,346) |
| | | ***RMB*** | *RMB* |
| Earnings/(loss) per share | | **0.01** | (0.43) |

*Notes:* 1. Underlying profit/(loss) is calculated as reported profit/(loss) less fair value loss on investment properties, realised loss of financial assets at fair value through profit or loss and fair value loss on financial assets at fair value through profit or loss, and is not prepared under the IFRSs.

2. Reported profit/(loss) is prepared under the IFRSs.

**FINAL DIVIDEND**

The Board does not recommend the payment of a final dividend for the year ended December 31, 2023 (for the year ended December 31, 2022: Nil).

## RESULTS HIGHLIGHTS

The board (the "**Board**") of directors (the "**Directors**") of China Tianbao Group Development Company Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended December 31, 2023 (the "**Reporting Period**" or "**Year**") prepared under the International Financial Reporting Standards (the "**IFRSs**"), together with comparative figures for the year ended December 31, 2022, as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| | | For the year ended December 31 | |
|---|---|---|---|
| | | **2023** | 2022 |
| | *Notes* | ***RMB'000*** | *RMB'000* |
| **REVENUE** | *4* | **2,716,589** | 1,923,869 |
| Cost of sales | | **(2,554,676)** | (1,809,157) |
| **Gross profit** | | **161,913** | 114,712 |
| Other income and gains | *4* | **5,236** | (97,784) |
| Selling and distribution expenses | | **598** | (1,277) |
| Administrative expenses | | **(61,282)** | (65,879) |
| Impairment losses on financial and contract assets, net | | **18,243** | (162,681) |
| Fair value loss on investment properties | | **(100)** | (72,379) |
| Fair value loss on financial assets at fair value through profit or loss | | **(7,932)** | (7,378) |
| Other expenses | | **(904)** | (2,560) |
| Finance costs | | **(71,497)** | (70,866) |
| **PROFIT/(LOSS) BEFORE TAX** | *5* | **44,275** | (366,092) |
| Income tax (expense)/credit | *6* | **(33,285)** | 18,746 |
| **PROFIT/(LOSS) FOR THE YEAR** | | **10,990** | (347,346) |
| Attributable to: | | | |
| Owners of the parent | | **10,990** | (347,346) |
| **EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT** | *8* | | |
| Basic and diluted | | | |
| – For profit/(loss) for the year | | **RMB0.01** | RMB(0.43) |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | For the year ended December 31 | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| **PROFIT/(LOSS) FOR THE YEAR** | **10,990** | (347,346) |
| **OTHER COMPREHENSIVE INCOME/(LOSS)** | | |
| Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences: | | |
| Exchange differences on translation of foreign operations | **29** | (10,235) |
| Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods | **29** | (10,235) |
| Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods: | | |
| Equity investments designated at fair value through other comprehensive income: | | |
| Changes in fair value | **(6,705)** | (51,270) |
| **OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX** | **(6,676)** | (61,505) |
| **TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR** | **4,314** | (408,851) |
| Attributable to: | | |
| Owners of the parent | **4,314** | (408,851) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | | As at December 31 | |
|---|---|---|---|
| | | **2023** | 2022 |
| | *Notes* | ***RMB'000*** | *RMB'000* |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **1,236,389** | 220,244 |
| Investment properties | | **239,700** | 239,800 |
| Right-of-use assets | | **10,659** | 10,443 |
| Other intangible assets | | **497** | 829 |
| Equity investments designated at fair value through other comprehensive income | | **134,400** | 141,176 |
| Financial assets at fair value through profit or loss | | **17,426** | 44,077 |
| Deferred tax assets | | **71,850** | 84,485 |
| **Total non-current assets** | | **1,710,921** | 741,054 |
| **CURRENT ASSETS** | | | |
| Inventories | | **51** | 53 |
| Trade receivables | *9* | **403,508** | 335,124 |
| Contract assets | | **1,296,394** | 1,089,967 |
| Properties under development | | **898,741** | 2,314,414 |
| Completed properties held for sale | | **1,045,934** | 822,253 |
| Prepayments, other receivables and other assets | | **240,620** | 320,837 |
| Tax recoverable | | **36,456** | 24,346 |
| Pledged deposits | | **248,580** | 402,796 |
| Cash and cash equivalents | | **187,924** | 222,976 |
| **Total current assets** | | **4,358,208** | 5,532,766 |

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

| | | As at December 31 | |
|---|---|---|---|
| | | **2023** | 2022 |
| | *Notes* | ***RMB'000*** | *RMB'000* |
| **CURRENT LIABILITIES** | | | |
| Trade payables | *10* | **1,828,066** | 1,762,454 |
| Other payables and accruals | | **1,778,726** | 2,219,099 |
| Interest-bearing bank and other borrowings | | **540,562** | 644,238 |
| Lease liabilities | | **806** | 716 |
| Tax payable | | **375,071** | 366,462 |
| **Total current liabilities** | | **4,523,231** | 4,992,969 |
| **NET CURRENT (LIABILITIES)/ASSETS** | | **(165,023)** | 539,797 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **1,545,898** | 1,280,851 |
| **NON-CURRENT LIABILITIES** | | | |
| Interest-bearing bank borrowings | | **505,000** | 260,000 |
| Deferred tax liabilities | | **26,446** | 20,796 |
| Lease liabilities | | **481** | – |
| **Total non-current liabilities** | | **531,927** | 280,796 |
| **Net assets** | | **1,013,971** | 1,000,055 |
| **EQUITY** | | | |
| Equity attributable to owners of the parent | | | |
| Share capital | | **7,281** | 7,281 |
| Reserves | | **1,006,690** | 992,774 |
| **Total equity** | | **1,013,971** | 1,000,055 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended December 31, 2023*

### 1. CORPORATE AND GROUP INFORMATION

China Tianbao Group Development Company Limited is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is Windward 3, Regatta Office Park, PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The principal place of business in Hong Kong was located at Unit 3101-3102, Hong Kong Plaza, 186-188 Connaught Road West, Sheung Wan, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Group is mainly engaged in (i) construction contracting; and (ii) property development and others.

In the opinion of the directors, the holding company and the ultimate holding company of the Company is Jixiang International Industrial Company Limited, which is a limited liability company incorporated in the British Virgin Islands.

### 2. ACCOUNTING POLICIES

#### 2.1 Basis of preparation

These financial statements have been prepared in accordance with IFRSs issued by the International Accounting Standards Board (the "**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and equity investments which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

***Basis of consolidation***

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended December 31, 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

***Going concern basis***

As at December 31, 2023, the Group's current portion of interest-bearing bank and other borrowings amounted to RMB540,562,000, while its cash and cash equivalents amounted to RMB187,924,000, and its net current liabilities amounted to RMB165,023,000. USD39,870,000 (equivalent to RMB279,562,000) of the interest-bearing bank and other borrowings was due and unpaid as at the announcement date. In view of the volatility of the property market in China, coupled with the limited source of financing from the capital market, the Group may take longer time than expected to realise cash from the sale of its properties, and the proceeds from construction contracting and/or have the cash from external financing to meet its loan repayment obligations.

In view of the above circumstances, the directors have given careful consideration to the Group's future liquidity requirements, operating performance and available sources of financing in assessing the Group's ability to operate as a going concern. The following plans and measures are formulated to manage the working capital and improve the financial position of the Group:

(a) The Group continues to generate positive operating cash flows for the next twelve months by implementing various strategies to improve the Group's income from construction contracting services and property development and other services to generate additional operating cash inflows and putting extra efforts on the collection of outstanding trade receivables and contract assets;

(b) The Group is actively reviewing its debt structure and looking for funding opportunities. The Group has obtained a new long-term bank facility of RMB800,000,000 which was guaranteed by properties and controlling shareholder on January 12, 2024 and withdrew RMB440,000,000 as at the announcement date.

(c) The Group continues to monitor capital expenditure to balance and relieve cash resource to support operations and take action to tighten cost controls over various operating expenses;

(d) The Group continues to identify suitable investors and engage in discussions with certain potential investors on possible investments in certain property development projects to raise additional capital.

The Directors have reviewed the Group's cash flow forecast covering a period of twelve months from the end of the reporting period. They are of the opinion that, taking into account of the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the Directors believe it is appropriate to prepare the consolidated financial statements of the Group for the year ended December 31, 2023 on a going concern basis.

Notwithstanding the above, given the volatility of the property market in China and the uncertainties to obtain continuous support by the banks and the Group's creditors, material uncertainties exist as to whether the management of the Company will be able to achieve its plans and measures as described above.

Should the going concern assumption be inappropriate, adjustments may have to be made to write down the values of assets to their recoverable amounts, to provide for any further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

**2.2 Changes in accounting policies and disclosures**

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

| | |
|---|---|
| IFRS 17 | *Insurance Contracts* |
| Amendments to IAS 1 and IFRS Practice Statement 2 | *Disclosure of Accounting Policies* |
| Amendments to IAS 8 | *Definition of Accounting Estimates* |
| Amendments to IAS 12 | *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* |
| Amendments to IAS 12 | *International Tax Reform – Pillar Two Model Rules* |

The nature and the impact of the new and revised IFRSs that are applicable to the Group are described below:

(a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

Prior to the initial application of these amendments, the Group applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. The Group has applied the amendments on temporary differences related to leases as at January 1, 2022. Upon initial application of these amendments, the Group recognised (i) a deferred tax asset for all deductible temporary differences associated with lease liabilities (provided that sufficient taxable profit is available), and (ii) a deferred tax liability for all taxable temporary differences associated with right-of-use assets at January 1, 2022, with cumulative effect recognised as an adjustment to the balances of retained profits and non-controlling interests at that date.

Upon the application of the amendments, the Group has determined the temporary differences arising from right-of-use assets and lease liabilities separately. However, they did not have any material impact on the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualified for offsetting under IAS 12.

(d) Amendments to IAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

## 2.3 Issued but not yet effective IFRSs

The Group has not applied the following revised IFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised IFRSs, if applicable, when they become effective.

| | |
|---|---|
| Amendments to IFRS 10 and IAS 28 | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3] |
| Amendments to IFRS 16 | *Lease Liability in a Sale and Leaseback*[1] |
| Amendments to IAS 1 | *Classification of Liabilities as Current or Non-current (the "**2020 amendments**")*[1] |
| Amendments to IAS 1 | *Non-current Liabilities with Covenants (the "**2022 Amendments**")*[1] |
| Amendments to IAS 7 and IFRS 7 | *Supplier Finance Arrangements*[1] |
| Amendments to IAS 21 | *Lack of Exchangeability*[2] |

1 Effective for annual periods beginning on or after January 1, 2024

2 Effective for annual periods beginning on or after January 1, 2025

3 No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB. However, the amendments are available for adoption now.

Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after January 1, 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16 (i.e., January 1, 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with earlier application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

## 3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

(a) Construction contracting – this segment engages in the provision of services relating to construction as a general contractor for building construction projects, infrastructure construction projects and property investment; and

(b) Property development and others – this segment engages in the sale of properties and the provision of services relating to properties.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of profit before tax.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

| Year ended December 31, 2023 | Construction contracting *RMB'000* | Property development and others *RMB'000* | Total *RMB'000* |
|---|---|---|---|
| **Segment revenue** | | | |
| Sales to external customers | **2,169,878** | **546,711** | **2,716,589** |
| Intersegment sales | **168,379** | **–** | **168,379** |
| Total segment revenue | **2,338,257** | **546,711** | **2,884,968** |
| *Reconciliation:* | | | |
| Eliminations of intersegment sales | | | **(168,379)** |
| Revenue | | | **2,716,589** |
| **Segment results** | **65,174** | **(34,328)** | **30,846** |
| *Reconciliation:* | | | |
| Eliminations of intersegment results | | | **13,429** |
| Profit before tax | | | **44,275** |
| **Segment assets** | **5,138,459** | **10,684,644** | **15,823,103** |
| *Reconciliation:* | | | |
| Eliminations of intersegment receivables | | | **(9,753,974)** |
| Total assets | | | **6,069,129** |
| **Segment liabilities** | **3,938,026** | **7,405,799** | **11,343,825** |
| *Reconciliation:* | | | |
| Eliminations of intersegment payables | | | **(6,288,667)** |
| Total liabilities | | | **5,055,158** |
| **Other segment information:** | | | |
| Depreciation and amortisation | **1,576** | **6,370** | **7,946** |
| Impairment losses on financial and contract assets, net | **(22,669)** | **4,426** | **(18,243)** |
| Capital expenditure* | **791** | **906** | **1,697** |

| Year ended December 31, 2022 | Construction contracting *RMB'000* | Property development and others *RMB'000* | Total *RMB'000* |
|---|---|---|---|
| **Segment revenue** | | | |
| Sales to external customers | 1,455,411 | 468,458 | 1,923,869 |
| Intersegment sales | 226,202 | – | 226,202 |
| Total segment revenue | 1,681,613 | 468,458 | 2,150,071 |
| *Reconciliation:* | | | |
| Eliminations of intersegment sales | | | (226,202) |
| Revenue | | | 1,923,869 |
| **Segment results** | (130,831) | (222,774) | (353,605) |
| *Reconciliation:* | | | |
| Eliminations of intersegment results | | | (12,487) |
| Loss before tax | | | (366,092) |
| **Segment assets** | 5,216,066 | 10,049,895 | 15,265,961 |
| *Reconciliation:* | | | |
| Eliminations of intersegment receivables | | | (8,992,141) |
| Total assets | | | 6,273,820 |
| **Segment liabilities** | 4,058,654 | 7,202,134 | 11,260,788 |
| *Reconciliation:* | | | |
| Eliminations of intersegment payables | | | (5,987,023) |
| Total liabilities | | | 5,273,765 |
| **Other segment information:** | | | |
| Depreciation and amortisation | 1,485 | 8,258 | 9,743 |
| Impairment losses on financial and contract assets, net | 163,654 | (973) | 162,681 |
| Capital expenditure* | 206 | 46 | 252 |

* Capital expenditure consists of additions to property, plant and equipment and intangible assets.

**Geographical information**

***(a) Revenue from external customers***

The Group has derived substantially all of its revenue in the PRC, and hence, geographical information is not considered necessary.

***(b) Non-current assets***

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Hong Kong | **835** | 761 |
| Chinese Mainland | **1,486,410** | 470,555 |
| Total non-current assets | **1,487,245** | 471,316 |

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

**Information about major customers**

Revenue of approximately RMB176,445,000 (2022: RMB94,449,000) was derived from sales by the construction contracting segment to a single customer, including sales to a group of entities which are known to be under common control with that customer.

**4. REVENUE, OTHER INCOME AND GAINS**

An analysis of revenue, other income and gains is as follows:

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| *Revenue from contracts with customers* | **2,708,246** | 1,912,000 |
| *Revenue from other sources* | | |
| Gross rental income from operating leases: | | |
| Other lease payments, including fixed payments | **8,343** | 11,869 |
| Total | **2,716,589** | 1,923,869 |

**Revenue from contracts with customers**

***(a) Disaggregated revenue information***

**For the year ended December 31, 2023**

| | **Construction contracting** *RMB'000* | **Property development** *RMB'000* | **Total** *RMB'000* |
|---|---|---|---|
| **Segments** | | | |
| **Types of goods or services** | | | |
| Construction contracting | **2,169,878** | **–** | **2,169,878** |
| Property development | **–** | **538,368** | **538,368** |
| Total | **2,169,878** | **538,368** | **2,708,246** |
| **Geographical market** | | | |
| Chinese Mainland | **2,169,878** | **538,368** | **2,708,246** |
| **Timing of revenue recognition** | | | |
| Goods transferred at a point in time | **–** | **538,368** | **538,368** |
| Services transferred over time | **2,169,878** | **–** | **2,169,878** |
| Total | **2,169,878** | **538,368** | **2,708,246** |

For the year ended December 31, 2022

| | Construction contracting *RMB'000* | Property development *RMB'000* | Total *RMB'000* |
|---|---|---|---|
| **Segments** | | | |
| **Types of goods or services** | | | |
| Construction contracting | 1,455,411 | – | 1,455,411 |
| Property development | – | 456,589 | 456,589 |
| Total | 1,455,411 | 456,589 | 1,912,000 |
| **Geographical market** | | | |
| Chinese Mainland | 1,455,411 | 456,589 | 1,912,000 |
| **Timing of revenue recognition** | | | |
| Goods transferred at a point in time | – | 456,589 | 456,589 |
| Services transferred over time | 1,455,411 | – | 1,455,411 |
| Total | 1,455,411 | 456,589 | 1,912,000 |

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

**For the year ended December 31, 2023**

| | **Construction contracting** *RMB'000* | **Property development** *RMB'000* | **Total** *RMB'000* |
|---|---|---|---|
| **Segments** | | | |
| **Revenue from contracts with customers** | | | |
| External customers | **2,169,878** | **538,368** | **2,708,246** |
| Intersegment sales | **168,379** | **–** | **168,379** |
| Subtotal | **2,338,257** | **538,368** | **2,876,625** |
| Intersegment eliminations | **(168,379)** | **–** | **(168,379)** |
| Total | **2,169,878** | **538,368** | **2,708,246** |

For the year ended December 31, 2022

| | Construction contracting *RMB'000* | Property development *RMB'000* | Total *RMB'000* |
|---|---|---|---|
| **Segments** | | | |
| **Revenue from contracts with customers** | | | |
| External customers | 1,455,411 | 456,589 | 1,912,000 |
| Intersegment sales | 226,202 | – | 226,202 |
| Subtotal | 1,681,613 | 456,589 | 2,138,202 |
| Intersegment eliminations | (226,202) | – | (226,202) |
| Total | 1,455,411 | 456,589 | 1,912,000 |

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

| | **2023** *RMB'000* | 2022 *RMB'000* |
|---|---|---|
| Revenue recognised that was included in contract liabilities at the beginning of the reporting period: | | |
| Construction contracting | **386,161** | 209,250 |
| Property development | **239,097** | 337,929 |
| Total | **625,258** | 547,179 |

*(b)* ***Performance obligations***

Information about the Group's performance obligations is summarised below:

*Construction contracting*

The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 days from the date of billing. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

*Property development*

The performance obligation is satisfied when the customer obtains the physical possession or the legal title of the completed property and the Group has a present right to payment and the collection of the consideration is probable.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at December 31 are as follows:

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Amounts expected to be recognised as revenue: | | |
| Within one year | **1,953,341** | 1,830,724 |
| After one year | **5,913,934** | 6,574,186 |
| Total | **7,867,275** | 8,404,910 |

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to construction services, of which the performance obligations are to be satisfied within four years, while those related to property development are to be satisfied within two years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Other income** | | |
| Interest income | **3,134** | 6,955 |
| Dividend income from equity investments designated at fair value through other comprehensive income | **9,840** | – |
| Dividend income from financial assets at fair value through profit or loss | **–** | 970 |
| Government grants | **289** | 2,227 |
| Total other income | **13,263** | 10,152 |
| **Gains/(Loss)** | | |
| Realised loss of financial assets at fair value through profit or loss | **(12,357)** | (108,154) |
| Others | **4,330** | 218 |
| Total loss | **(8,027)** | (107,936) |
| Total other income and gains, net | **5,236** | (97,784) |

## 5. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Cost of construction contracting | **2,069,793** | 1,378,760 |
| Cost of property development and others | **484,883** | 430,397 |
| Depreciation of property, plant and equipment | **6,211** | 7,955 |
| Depreciation of right-of-use assets | **1,403** | 1,199 |
| Amortisation of other intangible assets | **332** | 589 |
| Minimum lease payments under operating leases | **104** | 73 |
| Lease payments not included in the measurement of lease liabilities | **1,442** | 1,274 |
| Auditor's remuneration | **1,600** | 2,000 |
| Employee benefit expenses (excluding directors' and chief executive's remuneration): | | |
| – Wages, salaries and allowances | **14,684** | 14,648 |
| – Social insurance | **11,566** | 6,057 |
| – Welfare and other expenses | **414** | 614 |
| Total | **26,664** | 21,319 |
| Impairment of trade receivables, net | **(36,035)** | 177,038 |
| Impairment of contract assets, net | **12,757** | (13,876) |
| Impairment losses on financial assets included in prepayments, other receivables and other assets, net | **5,035** | (481) |
| Total | **(18,243)** | 162,681 |
| Changes in fair value of investment properties | **100** | 72,379 |
| Dividend income from equity investments designated at fair value through other comprehensive income | **(9,840)** | – |
| Dividend income from financial assets at fair value through profit or loss | **–** | (970) |
| Interest income | **(3,134)** | (6,955) |
| Loss/(gain) on disposal of items of property, plant and equipment, and prepaid land lease payments | **409** | (110) |

## 6. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Company and the Group's subsidiaries incorporated in the Cayman Islands and British Virgin Islands are not subject to any income tax. The Group's subsidiaries incorporated in Hong Kong are not liable for income tax as they did not have any assessable profits currently arising in Hong Kong during the year.

Subsidiaries of the Group operating in Chinese Mainland were subject to the PRC corporate income tax rate of 25% in accordance with the PRC Corporate Income Tax during the year.

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land costs, borrowing costs and other property development expenditures. The Group has estimated, made and included in taxation a provision for LAT according to the requirements set forth in the relevant Chinese Mainland tax laws and regulations. The LAT provision is subject to the final review and approval by the local tax bureau.

Certain subsidiaries with properties sold were subject to LAT which is calculated based on 5% of property revenue in accordance with the authorised taxation method approved by the respective local tax bureaus.

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Current income tax | **13,279** | 18,124 |
| PRC LAT | **821** | (54,127) |
| Deferred income tax | **19,185** | 17,257 |
| Total tax charge for the year | **33,285** | (18,746) |

## 7. DIVIDENDS

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Interim – Nil (2022: Nil) per ordinary share | **–** | – |

## 8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 809,456,000 (2022: 808,314,000) in issue during the year, as adjusted to reflect the number of shares exercised under the share award scheme during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended December 31, 2023 and 2022.

The calculation of basic and diluted earnings/(loss) per share is based on:

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Earnings/(loss)** | | |
| Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings/(loss) per share calculation | **10,990** | (347,346) |

| | **Number of shares** | |
|---|---|---|
| | **2023** | 2022 |
| **Shares** | | |
| Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation | **809,456,000** | 808,314,000 |

## 9. TRADE RECEIVABLES

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade receivables | **645,527** | 613,178 |
| Impairment | **(242,019)** | (278,054) |
| Net carrying amount | **403,508** | 335,124 |

Trade receivables mainly represented receivables from construction contracting. The payment terms of contract work receivables are stipulated in the relevant contracts. The Group's trading terms with its customers are mainly on credit. The credit period offered by the Group is three to six months, except for retention receivable as detailed below. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

At the end of the reporting period, the due settlements of the Group's retention receivables are as follows:

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Retentions included in trade receivables | **64,452** | 68,598 |
| Provision for impairment | **(31,242)** | (19,986) |
| Retentions included in trade receivables, net | **33,210** | 48,612 |

An ageing analysis of the Group's trade receivables excluding retentions at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

Trade receivables without retention receivables

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 1 year | **262,008** | 107,036 |
| 1 year to 2 years | **64,785** | 151,650 |
| 2 years to 3 years | **107,085** | 76,833 |
| 3 years to 4 years | **42,981** | 167,802 |
| Over 4 years | **104,216** | 41,259 |
| Total | **581,075** | 544,580 |

Retention receivables included in trade receivables represented the Group's unconditional right to receive upon completion of the warranty period of 1 to 5 years.

An ageing analysis of the trade receivables at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 1 year | **268,147** | 120,060 |
| 1 year to 2 years | **56,324** | 100,006 |
| 2 years to 3 years | **56,145** | 52,746 |
| Over 3 years | **22,892** | 62,312 |
| Total | **403,508** | 335,124 |

The movements in the loss allowance for impairment of trade receivables are as follows:

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| At beginning of year | **278,054** | 101,016 |
| Impairment losses, net | **(36,035)** | 177,038 |
| At end of year | **242,019** | 278,054 |

During the year ended 31 December 2023, the impairment loss amounting to RMB38,478,000 (2022: RMB3,822,000), was reversed resulting from the offset of the trade receivables and certain trade payables.

## 10. TRADE PAYABLES

An ageing analysis of the trade payables at the end of the reporting period, based on the invoice date, is as follows:

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 6 months | **600,981** | 459,101 |
| 6 months to 1 year | **234,926** | 426,521 |
| 1 year to 2 years | **323,458** | 98,398 |
| 2 years to 3 years | **88,369** | 542,455 |
| Over 3 years | **580,332** | 235,979 |
| Total | **1,828,066** | 1,762,454 |

Trade payables are non-interest-bearing and are normally settled based on the progress of construction.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group is a construction company and property developer based in Zhuozhou, Hebei Province, the PRC. The Group's business scope covers construction, planning and design, property development, property sales, investment and operation and other multi-industry sectors.

The Group principally engages in the following businesses:

- Construction contracting business. As a construction company, the Group provides construction contracting services mainly as a general contractor for building construction projects, infrastructure construction projects, and industrial and commercial construction projects.

- Property development business. As a property developer, the Group focuses primarily on the development and sales of residential properties, and leasing and operation of an investment property.

## FINANCIAL RESULTS

For the year ended December 31, 2023, the Group's revenue was approximately RMB2,717 million, representing an increase of 41% comparing to RMB1,924 million in 2022.

The underlying profit of the Group was approximately RMB31 million (2022: the underlying loss of RMB159 million).

The reported profit of the Group amounted to approximately RMB11 million, and the the reported loss amounted to approximately RMB347 million in 2022, mainly attributable to the gradual resumption to normal of construction contracting business in 2023 under the impact of COVID-19 pandemic in 2022, the increase in gross profit, the fair value loss on investment properties, realised loss of financial assets at fair value through profit or loss and the impairment losses on financial and contract assets recorded in the year decreased significantly by approximately RMB349 million as compared to 2022.

Reconciliation of underlying profit/(loss) and reported profit/(loss) are as follows:

| | **For the year ended December 31** | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| Reported profit/(loss) | **10,990** | (347,346) |
| Fair value loss on investment properties | **100** | 72,379 |
| Realised loss of financial assets at fair value through profit or loss | **12,357** | 108,154 |
| Fair value loss on financial assets at fair value through profit or loss | **7,932** | 7,378 |
| Underlying profit/(loss) | **31,379** | (159,435) |

## BUSINESS REVIEW

The Group's revenue for the year ended December 31, 2023 increased by 41% to approximately RMB2,717 million (2022: RMB1,924 million).

The increase in revenue from the construction contracting business was mainly due to the fact that the economy resumed development after three years of COVID-19 pandemic prevention and control in 2023, and the construction contracting business gradually returned to normal. The construction and normal bidding progress returned to normal, and the business volume increased. The increase in revenue of the property development business was mainly due to the increase in amount of sales recognised after the completion of the property sales.

The Group's underlying profit was approximately RMB31 million (2022: underlying loss of approximately RMB159 million), which was primarily attributable to the fact that (i) with the end of the epidemic, the increase in the construction volume of the construction contracting business led to a rebound in revenue and profit; (ii) the sales of property projects in 2023 were more than the sales in 2022; (iii) the impairment of financial and contract assets and fair value loss on investment properties in 2023 have significantly decreased compared to 2022.

As at December 31, 2023, the net assets of the Group were approximately RMB1,014 million (2022: RMB1,000 million), bank deposits of approximately RMB437 million (2022: RMB626 million) and total bank and other loans of approximately RMB1,046 million (2022: RMB904 million). As at December 31, 2023, the net debt (being total borrowings minus bank deposits) of the Group was approximately RMB609 million (2022: RMB278 million).

The following table sets forth the breakdown of the Group's revenue by business segment for the years indicated:

| | **For the year ended December 31** | | | |
|---|---|---|---|---|
| | **2023** | | 2022 | |
| **Segment** | **Revenue** ***RMB'000*** | **Percentage of total revenue** ***(%)*** | Revenue *RMB'000* | Percentage of total revenue *(%)* |
| Construction contracting business | **2,169,878** | **79.9** | 1,455,411 | 75.7 |
| Property development and other business | **546,711** | **20.1** | 468,458 | 24.3 |
| Total | **2,716,589** | **100.0** | 1,923,869 | 100.0 |

Below is a review of each business segment of the Group.

**(i) Construction Contracting Business**

The Group has been engaged in the construction contracting business since 1998, as a general contractor for building, industrial, commercial and infrastructure construction projects. The Group generates the majority of its revenue from this business. For the year ended December 31, 2023, the Group generated the majority of its construction contracting revenue from construction projects located in Beijing-Tianjin-Hebei region, mainly in Hebei Province and in Beijing. The Group's construction projects in other geographical locations were mainly located in Inner Mongolia, Anhui, Shandong and Jiangsu Provinces. For the year ended December 31, 2023, the Group entered into new contracts with the aggregate value of approximately RMB1,989.5 million. As at December 31, 2023, the Group's aggregate backlog of construction projects was approximately RMB7,542.6 million.

The following table sets forth the breakdown of revenue from the Group's construction contracting business by geographical locations for the years indicated:

| | **For the year ended December 31** | | | |
|---|---|---|---|---|
| | **2023** | | 2022 | |
| **Region** | **Revenue** ***RMB'000*** | **Percentage of total revenue** ***(%)*** | Revenue *RMB'000* | Percentage of total revenue *(%)* |
| Beijing-Tianjin-Hebei | **1,175,745** | **54.2** | 861,210 | 59.2 |
| Other | **994,133** | **45.8** | 594,201 | 40.8 |
| | **2,169,878** | **100.0** | 1,455,411 | 100.0 |

During the Reporting Period, the Group undertook most of such construction projects as a general contractor. As a general contractor, the Group performs all major aspects of the construction project, including building construction, foundation works, curtain wall construction, building decoration and fireproofing projects. The Group is also responsible for engaging subcontractors to provide construction services and the labor force for the construction projects, coordinating the work of all parties, providing the major equipment and machinery, procuring raw materials and ensuring the timely completion of construction projects. The Group believes undertaking construction projects as a general contractor reflects its overall capabilities and is significant to the Group's continued success. Having obtained the Premium Class Certificate in 2017, the Group is, and expects to continue to be able to, undertake larger-scale building construction projects with increased complexity and higher returns nationwide, as well as charge a premium rate for the Group's services.

In addition to construction contracting as a general contractor, the Group also undertakes specialised construction projects directly subcontracted by other general contractors or project owners, such as renovation and decoration, steel structure construction and curtain wall construction projects.

***Project Types***

The following table sets forth the breakdown of revenue generated from the Group's construction contracting business by project type for the years indicated:

| | **For the year ended December 31** | | | |
|---|---|---|---|---|
| | **2023** | | 2022 | |
| **Project type** | **Revenue** ***RMB'000*** | **Percentage of total revenue** ***(%)*** | Revenue *RMB'000* | Percentage of total revenue *(%)* |
| Building construction | **739,505** | **34.1** | 392,265 | 27.0 |
| Industrial, commercial and infrastructure construction | **1,430,373** | **65.9** | 1,063,146 | 73.0 |
| Total | **2,169,878** | **100.0** | 1,455,411 | 100.0 |

The Group provides construction contracting services for municipal and public infrastructure projects. The Group's infrastructure construction projects primarily consist of urban roads, bridges, facilities for water supply and treatment, urban pipelines, city squares and street lighting. The Group's infrastructure construction customers are primarily local government entities.

The Group is also undertaking industrial and commercial construction contracting projects. These projects mainly include steel structures, horticulture, buildings, industrial buildings, new pseudo-classic buildings and preservation of antiquities and historical buildings. The Group's industrial and commercial construction customers are enterprises in diverse industries.

The Group also provides construction work of buildings and corresponding building services for building construction projects. Building construction customers are primarily property developers and local government entities.

The following is a brief introduction to the Group's large-scale construction contracting projects this year:

***Repair and Protection Project of Langdang Temple (朗當寺) in Linzhou County, Lhasa City***

The project is located in Linzhou County, Lhasa City, with a contract value of approximately RMB5 million. The project covers the maintenance and reinforcement of the existing main museum and one pagoda of Langdang Temple to restore the appearance of cultural relics and ensure the protection and continuation of the historical landscape of cultural relics and historic buildings.

***New Construction of Guangzhou Baiyun Station (Tangxi Station) and Related Works for the Railway Hub in Guangzhou City, Guangdong Province***

The project is located in Guangzhou City, Guangdong Province, with a contract value of approximately RMB17 million. The project covers the decoration work of the station room of Baiyun Station and the related engineering platform floor.

***National Defence Education Base in Urad Middle Banner, Bayannur City, Inner Mongolia Autonomous Region***

The project is located in Bayannur City, Inner Mongolia Autonomous Region, with a contract value of approximately RMB65 million. The project covers earthwork engineering, building decoration engineering, installation engineering and supporting external network engineering for the construction of the national defence education base of 14,000 sq.m..

***Comprehensive Parking Lot and Supporting Project of Ganqimaodu Port Processing Park in Urad Middle Banner, Bayannur City, Inner Mongolia Autonomous Region***

The project is located in Bayannur City, Inner Mongolia Autonomous Region, with a contract value of approximately RMB51 million. The project covers a car park with 460 parking spaces, a comprehensive service building and a maintenance building.

***Middle School Teacher's Dormitory Construction Project in Maotan Factory, Lu'an City, Anhui Province***

The project is located in Lu'an City, Anhui Province, with a contract value of approximately RMB131 million. The project covers the construction of six dormitory buildings for teachers and ancillary facilities, with a total GFA of approximately 48,000 sq.m..

***Rainwater and Sewage Pipeline Network Improvement Project in Beidaihe District, Qinhuangdao City, Hebei Province***

The project is located in Beidaihe District, Qinhuangdao City, Hebei Province, with a contract value of approximately RMB103 million. The project covers the construction of a total of 36 km of sewage pipes, sewage household pipes and drainage pipes, and the construction of two sewage upgrading pumping stations and one upgrading pumping station.

***Hebei Shijiazhuang Zhengding High-tech Industrial Development Zone Rental Housing Project***

The project is located in Shijiazhuang City, Hebei Province, with a contract value of approximately RMB149 million. The project covers the construction of one rental housing and related outdoor engineering, with a total GFA of approximately 50,000 sq.m..

***Backlog and New Contract Value***

*Backlog value*

Backlog refers to an estimate of the contract value of work that remains to be completed as of a certain date. The contract value represents the amount that the Group expects to receive under the terms of the contract, assuming the contract is performed in accordance with its terms.

The following table sets forth the contract value of outstanding projects in the backlog by geographical locations as of the end of the Reporting Period:

| | **As of December 31** | | | |
|---|---|---|---|---|
| | **2023** | | 2022 | |
| **Region** | **Contract value** ***RMB million*** | **Percentage of total contract value** ***(%)*** | Contract value *RMB million* | Percentage of total contract value *(%)* |
| Beijing-Tianjin-Hebei | **3,215.3** | **42.6** | 2,953.8 | 37.2 |
| Other | **4,327.3** | **57.4** | 4,980.4 | 62.8 |
| | **7,542.6** | **100.0** | 7,934.2 | 100.0 |

The following table sets forth the contract value of outstanding projects in the backlog by project types as of the end of the Reporting Period:

| | As of December 31 | | | |
|---|---|---|---|---|
| | **2023** | | 2022 | |
| **Project type** | **Contract value** ***RMB million*** | **Percentage of total contract value** ***(%)*** | Contract value *RMB million* | Percentage of total contract value *(%)* |
| Building construction | **2,867.0** | **38.0** | 2,690.1 | 33.9 |
| Industrial, commercial and infrastructure construction | **4,675.6** | **62.0** | 5,244.1 | 66.1 |
| | **7,542.6** | **100.0** | 7,934.2 | 100.0 |

*New Contract Value*

New contract value represents the aggregate value of contracts entered into by the Group during the Reporting Period. The contract value is the amount that the Group expects to receive under the terms of the contract if the contract is performed by the Group in accordance with its terms.

The following table sets forth the aggregate value of new contracts entered into by the Group by geographical locations for the years indicated:

| | For the year ended December 31 | | | |
|---|---|---|---|---|
| | **2023** | | 2022 | |
| **Region** | **Contract value** ***RMB million*** | **Percentage of total contract value** ***(%)*** | Contract value *RMB million* | Percentage of total contract value *(%)* |
| Beijing-Tianjin-Hebei | **989.8** | **49.8** | 1,676.4 | 56.6 |
| Other | **999.7** | **50.2** | 1,283.5 | 43.4 |
| | **1,989.5** | **100.0** | 2,959.9 | 100.0 |

The following table sets forth the aggregate value of new contracts entered into by the Group by project types for the years indicated:

| | For the year ended December 31 | | | |
|---|---|---|---|---|
| | **2023** | | 2022 | |
| **Project type** | **Contract value** ***RMB million*** | **Percentage of total contract value** ***(%)*** | Contract value *RMB million* | Percentage of total contract value *(%)* |
| Building construction | **419.7** | **21.1** | 1,099.0 | 37.1 |
| Industrial, commercial and infrastructure construction | **1,569.8** | **78.9** | 1,860.9 | 62.9 |
| | **1,989.5** | **100.0** | 2,959.9 | 100.0 |

After obtaining the Premium Class Certificate in 2017, the Group has been involving in larger-scale building construction projects with increased complexity and higher returns nationwide. The value of the new contracts entered into by the Group amounted to RMB1,989.5 million for the year ended December 31, 2023. The Group expanded the construction contracting business to regions other than Beijing-Tianjin-Hebei region during the year, including Anhui Province, Inner Mongolia and Chongqing City.

**(ii) Property development and other business**

The Group's property development business consists of (i) the development and sales of residential properties; and (ii) leasing and operation of investment properties. The revenue of the Group is derived from sales of residential properties and rental income from investment properties. As of December 31, 2023, the Group had a diverse portfolio of 20 property projects consisting of 17 residential and commercial properties, 2 investment properties and 1 hotel, which are all owned and developed by the Group. Among the 20 property projects, 7 projects are located in Zhuozhou and the remaining 13 projects are located in Zhangjiakou. Among these 20 projects, 14 projects were completed, 3 projects were under construction and 3 projects were held for future development. As of December 31, 2023, the Group had land reserves with a total GFA of approximately 1,046,115 sq.m., including (i) completed properties with a total unsold saleable GFA of approximately 229,335 sq.m. and a rentable GFA held for property investment of approximately 78,700 sq.m., accounting for approximately 29.5% of the Group's total land reserves; (ii) properties under development with a total planned GFA of approximately 152,139 sq.m., accounting for approximately 14.5% of the Group's total land reserves; and (iii) properties held for future development with a total planned GFA of approximately 585,941 sq.m., accounting for approximately 56.0% of the Group's total land reserves.

The table below sets forth a breakdown of the revenue from property development business by business line and nature of income for the years indicated:

| | | **For the year ended December 31** | | | |
|---|---|---|---|---|---|
| | | **2023** | | 2022 | |
| **Business line** | **Nature of income** | **Revenue** *RMB'000* | **Percentage of total revenue** *(%)* | Revenue *RMB'000* | Percentage of total revenue *(%)* |
| Property development and sales | Sales of residential properties | **538,368** | **98.5** | 456,589 | 97.5 |
| Commercial property investment and operations | Rental income | **8,343** | **1.5** | 11,869 | 2.5 |
| Total | | **546,711** | **100.0** | 468,458 | 100.0 |

The Group's land reserves are mainly located in Zhuozhou and Zhangjiakou which have high development potential. The following is a brief introduction of such projects of the Group:

***Projects in Zhuozhou***

*Tianbao Green City (天保綠城)*

Located on the north side of Guanyun Road and the west side of Xuyi Village in Zhuozhou, the project covers a total site area of 33,764.1 sq.m. The project has convenient transportation facilities connecting Beijing-Shijiazhuang High-speed Railway and Beijing-Hong Kong-Macao Expressway. The GFA of the project is approximately 105,000 sq.m., including high-rise residential buildings, commercial properties and parking lots. As of December 31, 2023, 874 units have been launched and 833 units have been sold for Tianbao Green City.

*Tianbao Xinyue Bay (天保馨悦灣) (also known as Project Ming Yang Phase I) (明陽一期)*

The project is located in Beixiguo Village, Matou Town, Zhuozhou, with convenient surrounding transportation facilities. The project can be reached through the Beijing-Hong Kong-Macao Expressway and the Beijing-Shijiazhuang High-speed Railway. The project covers a site area of approximately 17,593.3 sq.m.. 1# and 3# buildings have a GFA of approximately 48,000 sq.m., including high-rise residential buildings. There are 480 units in these 2 buildings. As of December 31, 2023, 436 units have been sold for 1# and 3# buildings. The project has been delivered to purchasers in batches since 2020. 2# building has a GFA of 7,243.0 sq.m., including a high-rise residential building, with 56 units. 2# building is currently in the construction stage and is scheduled to be delivered in 2025.

*Tianbao Smart Building Technology Park (天保智慧建築科技園)*

The project is located at the intersection of Yongji East Road and Pengcheng Street in Zhuozhou. It covers a site area of 58,610.9 sq.m. and a GFA of approximately 310,000 sq.m. The project is about 6 kilometers from Zhuozhou High-speed Railway Station, about 17 kilometers from Beijing Daxing International Airport and about 1 kilometer from Zhuozhou City Terminal of Beijing Daxing International Airport. This project is a high-end complex integrating business office, corporate headquarters office, commerce, micro-movie bar, catering and conferences. There are approximately 4,100 units in this project, and currently its main parts are under construction stage. As of December 31, 2023, 934 units have been launched and 429 units have been sold for this project.

*Baoxin International Building (保鑫國際大廈)*

The project is located at No. 33 Guanyun East Road, Zhuozhou Development Zone. It covers a total site area of 17,792.4 sq.m., with a total GFA of approximately 50,039.7 sq.m. Baoxin International Building is a comprehensive commercial building integrating office and business functions. After the completion of the project, it has won many awards, including the "Luban Prize" of the construction industry in 2018 and the "Guang Xia Award" of the property development industry in 2019. Baoxin International Building has contributed stable rental income to the Group.

***Projects in Zhangjiakou***

*Tianbao New City (天保新城)*

The project is located in the core area of Zhangbei County, at the intersection of Zhongdu Street and Xinghe Road in Zhangbei County. It covers a site area of approximately 230,000 sq.m., with a total GFA of approximately 600,000 sq.m. The project is developed and constructed in three phases, mainly high-rise and middle-high-rise buildings, consisting of 46 residential buildings, community clubs, kindergartens and a large-scale commercial complex Zhongdu Ginza. As of December 31, 2023, the residential units of Tianbao New City were basically sold out, and few remaining street shops are on sale.

*Tianbao New City – Zhangbei Zhongdu Ginza (天保新城－張北中都銀座)*

The project is located in the northwest of the residential area of Tianbao New City, mainly consisting of two high-rise apartments, office buildings and commercial podiums, being a landmark building in Zhangbei County. The project is a comprehensive high-end commercial building integrating shopping malls, cinemas, catering, conferences, offices, hotels, leisure, business and other functions, with a total GFA of approximately 86,690.5 sq.m. The mall portion of the project, named Tianbao Plaza, is a 5-storey diversified shopping hotspot with supermarkets, lifestyle stores, restaurants and cinemas, and officially opened in 2022. High-rise apartments started pre-sale in September 2020, with the portions sold to be delivered to purchasers since 2021.

*Zhangbei Fuxinyuan Shanty-town Improvement Project (張北縣福馨苑棚戶區改造項目)*

Fuxinyuan residential community is project constructed in response to Zhangbei County Government's shanty-town reconstruction project, located on the north side of Zhangbei County Family Planning Bureau and east of Jingdu Street. The construction of the project started in September 2017 with a total of 1,272 units, including 1,252 residential units and 20 commercial units available for sale. As of December 31, 2023, 1,215 residential units were sold.

*Tianbao Edelweiss City (天保雪絨花都)*

The project is a residential and commercial project located on the north side of Yu County Economic Development Zone, with urban planning roads in the south, Edelweiss Avenue in the north, Industrial Street in the east and urban planning roads in the west. It consists of residential communities and commercial facilities. The project covers a site area of approximately 155,000 sq.m., with a total GFA of approximately 430,000 sq.m. Star-rated hotels, AAAAA-level office buildings and high-end communities will be built to create a multi-functional and high-efficiency urban complex integrating commercial offices, landmark buildings, residence, catering and entertainment. Tianbao Edelweiss City has 1,942 residential units available for sale, of which pre-sale of Phase I and Phase II residential units launched in 2019 and 2021, respectively, and pre-sale of Phase III, comprising a total of 85 commercial units, launched in 2021. As of December 31, 2023, a total of 1,250 units have been sold, and were delivered to purchasers in the 4th quarter of 2021.

*Tianbao Boyue Bay (天保鉑悦灣)*

The project is located in the southwest of the urban area of Yu County, with West Outer Ring Road in the east, Qianjin West Road in the west, Heping West Road in the south and Lipuzi Village in the north. The project includes middle-high-rise residential units, high-rise residential units and commercial properties, covering a site area of approximately 81,815 sq.m. and a total planned GFA of approximately 193,000 sq.m. The construction work of the project started in 2019, and the pre-sale began in 2020. Tianbao Boyue Bay has a total of 1,836 residential units available for sale, and as of December 31, 2023, 1,187 units have been sold, and were delivered to purchasers in the first half of 2022.

*Tianbao Jingxifu (天保京西府)*

The project is located in Nanfanzhuang Village, Yuzhou Town, Yu County, Zhangjiakou. The Group acquired the land for this project through public bidding in September 2021. The project has a site area of approximately 43,242 sq.m. and a planned GFA of approximately 86,000 sq.m.

*Nasutu Hotel (那蘇圖酒店) (formerly known as Haiziwa Hotel) (海子窪酒店)*

The project is a wholly self-owned project located in Zhangbei County, Zhangjiakou. As of December 31, 2023, the project has obtained all certificates. Conveniently located near Nasutu resort in Zhangjiakou, Hebei Province, Nasutu Hotel occupies a total site area of approximately 52,237 sq.m. and an aggregate GFA of approximately 33,967.5 sq.m. with a total of 180 guest rooms.

### *Land Reserves*

The following table sets out the GFA breakdown of the Group's land reserves by geographical location as of December 31, 2023:

| Region | Completed | | Under development | Future development | Total land reserves | Percentage of total land reserves by geographical location |
|---|---|---|---|---|---|---|
| | Unsold saleable GFA | Rentable GFA held for property investment | Planned GFA under development | Planned GFA | Total GFA | |
| | *(sq.m.)* | *(sq.m.)* | *(sq.m.)* | *(sq.m.)* | *(sq.m.)* | *(%)* |
| Zhuozhou | 23,756 | 44,336 | 141,901 | 175,435 | 385,428 | 36.8 |
| Zhangjiakou | 205,579 | 34,364 | 10,238 | 410,506 | 660,687 | 63.2 |
| Total | 229,335 | 78,700 | 152,139 | 585,941 | 1,046,115 | 100.0 |

### *Commercial Property Investment and Operations*

The Group owns and operates Baoxin International Building and Tianbao Plaza, which the Group developed for long-term investment purposes. The Group holds these properties for capital appreciation and rental income.

## (iii) Healthcare business

China has entered an ageing society since 2000, and the proportion of the elderly population in the total population has continued to rise, and the pace of ageing development has gradually accelerated. The rapid growth of the ageing population has created a huge demand for elderly care services. In 2021, the proportion of permanent residents aged 60 and above in Beijing exceeded 20% for the first time, officially entering a moderately ageing society. In 2022, the proportion of permanent residents aged 60 and above in Beijing reached 21.3%, which was 1.5 percentage points higher than the national average, further deepening the ageing population. The development level of Beijing's economy and residents' income is relatively high, ranking first among provincial-level regions in China, and residents have strong purchasing power and high service requirements for elderly care services.

In recent years, the Chinese government has proposed to actively respond to the aging population, and the healthcare industry, as an industrial integration to implement major strategies, is regarded as a new engine to promote the well-being of people and the adjustment of industrial structure, and is also regarded as a "big prescription" for the construction of a healthy China. Therefore, the elderly care industry has become one of the key support directions of national policies, and the central and local governments have intensively introduced various supporting policies for the elderly care industry.

Starting from April 2023, in order to promote the coordinated development of the Beijing-Tianjin-Hebei region and further facilitate the Beijing-Tianjin-Hebei insured personnel to seek medical treatment in different places within the region, medical insurance reimbursement treatment can be enjoyed without going through the registration procedures for medical treatment in different places.

In May 2023, the central government proposed to promote the construction of medical treatment combination and promote the expansion of the Beijing-Tianjin elderly care project to areas in Hebei that meet the conditions. In the same month, the Hebei Provincial Government held a meeting to discuss and promote the development of the Beijing-Tianjin-Hebei elderly care project in the province. Focusing on 14 counties (cities and districts) around Beijing, we will deepen our cooperation with tertiary hospitals in Beijing, and take advantage of ecological resources, hot springs and other resources as well as lower living costs to attract Beijing's elderly to Hebei for retirement.

In January 2024, the General Office of the State Council issued the No. 1 Notice on the Opinions on the Development of the Silver Economy and the Improvement of the Well-being of the Elderly (《關於發展銀髮經濟增進老年人福祉的意見》), proposing to promote the synergy of the healthcare industry, accelerate the scale, standardization, clustering and brand-oriented development of the silver economy, so that the elderly can share the development achievements and enjoy the happiness in the old age. It points out that (i) optimizing elderly health services. Our country will strengthen the construction of geriatrics in general hospitals and traditional Chinese medicine hospitals, improve the level of geriatric disease prevention and control, and promote the transformation of scientific research achievements in the field of geriatric health; (ii) improving elderly care services. Our country will guide local governments to provide differentiated subsidies for ordinary and nursing beds in elderly care institutions, strengthen the construction and transformation of elderly care institutions to enhance their care service capabilities for disabled elderly people, and appropriately add special care areas for the elderly with cognitive impairment; (iii) promoting the development of industrial clusters. In some regions such as Beijing-Tianjin-Hebei region, the Yangtze River Delta, the Guangdong-Hong Kong-Macao Greater Bay Area, Chengdu, Chongqing, it is planned to deploy about 10 high-level industrial parks of silver economy to promote cross-regional and international cooperation in the field of silver economy.

***Tianbao Jingbei Health City***

The Group seized the opportunity of the aging population in Beijing and the elderly healthcare industry in Beijing undertaken by Hebei Province, and therefore, decided to transform Jingbei Health City into a comprehensive Continuing Care Retirement Community, contributing to the integration of Beijing-Tianjin-Hebei healthcare.

The project is located in Tumu Village, Tumu Town, Yanshan Cultural New City, Huailai County, Hebei Province, adjacent to Guanting Lake to enjoy unique and spectacular scenery and within easy reach of Beijing-Xizang Expressway, Beijing-Xinjiang Expressway, Beijing-Chongli Expressway, 110 National Highway and Beijing-Zhangjiakou High-speed Railway to enjoy the capital's half-an-hour life circle. The project will consist of four major components, namely hospitals, nursing centres, elderly care communities and elderly care science and technology industrial zones. A Continuing Care Retirement Community will be established to enable the elderly to continue living in a familiar environment and receive care services corresponding to their physical condition when their health conditions and self-care ability change by providing them with self-care, device-aide and nursing-care integrated living facilities and services. The project has a site area of approximately 200,000 sq.m.; the hospital has a total GFA of approximately 55,700 sq.m., and the nursing centres and the elderly care centres have a total GFA of approximately 450,000 sq.m.. It can provide 350 beds for medical treatment and 8,500 beds for the elderly healthcare. The total investment of the project is approximately RMB2.55 billion, of which approximately RMB1 billion has been invested. The project will be constructed in two phases, with the first phase comprising hospitals, 5 nursing centres and 10 blocks of elderly care community residence and the second phase including 21 blocks of elderly care community residence. Currently, the first phase of hospitals, 5 nursing centres and the part of the 10 blocks of elderly care community residence have been finished. It is expected to commence business in the fourth quarter of 2024, providing 350 beds for medical treatment and 4,000 beds for the elderly healthcare, as well as hospital visits and care services for the elderly. Construction of the second phase is planned to commence in the first quarter of 2025 and is expected to be completed by the end of 2025 to mid-2026. Jingbei Health City is committed to building the project into the largest mid-to-high-end healthcare industrial city in northwest Beijing.

## FINANCIAL REVIEW

### 1. Revenue

The revenue of the Group was primarily derived from two business segments: (i) construction contracting business; and (ii) property development business. Total revenue of the Group increased by 41% from approximately RMB1,924 million for the year ended December 31, 2022 to approximately RMB2,717 million for the year ended December 31, 2023.

#### *1.1 Construction contracting business*

The revenue of the Group's construction contracting business was primarily derived from the construction contracting services provided by the general contractors of building construction projects, infrastructure construction projects and industrial and commercial construction projects.

The overall increase in the revenue from the Group's construction contracting business was primarily attributable to the fact that with the end of the epidemic, the increase in the construction volume of the construction contracting business led to a rebound in revenue. The revenue from this segment increased by 49% from approximately RMB1,455 million for the year ended December 31, 2022 to approximately RMB2,170 million for the year ended December 31, 2023.

#### *1.2 Property development business*

The Group's revenue from property development business comprises sales of properties and rental income. Revenue from sales of properties is recognised only after properties have been sold to purchasers and after satisfying the requirements for delivery as stipulated in the purchase agreements. Consistent with industry practice, the Group usually enters into purchase agreements with purchasers while the properties are under development and fulfil the conditions for presales in accordance with PRC laws and regulations.

The aggregate GFA delivered increased from approximately 92,000 sq.m. for the year ended December 31, 2022 to approximately 112,000 sq.m. for the year ended December 31, 2023 and the recognised revenue increased from approximately RMB457 million for the year ended December 31, 2022 to approximately RMB538 million for the year ended December 31, 2023. The above changes were primarily attributable to the large-scale delivery of Tianbao Boyue Bay and Edelweiss City to purchasers, resulting in more area delivered during the year than that in 2022.

The rental income of the Group was primarily derived from lease of commercial investment properties. The Group holds these commercial investment properties for capital appreciation and leases them to generate rental income. As of December 31, 2023, the Group held one commercial investment property, Baoxin International Building and one shopping mall, Tianbao Plaza, with a total rentable GFA of 78,700.4 sq.m.

2. **Cost of sales**

The Group's costs of sales primarily represent the costs incurred in the construction contracting service rendered by the Group and the costs of property development and sales. The cost for construction contracting services primarily includes labor costs, raw material costs, machinery costs, subcontracting costs and other costs. The cost for property development business primarily includes land costs, construction costs and rent costs.

The Group's cost of sales increased from approximately RMB1,809 million for the year ended December 31, 2022 to approximately RMB2,555 million for the year ended December 31, 2023, representing an increase of 41%, which was in line with the changes of construction contracting business and property development business of the Group.

3. **Gross profit and gross profit margin**

The following table sets forth a breakdown of gross profit and gross profit margin by business segment for the years indicated:

| | For the year ended December 31 | | | | | |
|---|---|---|---|---|---|---|
| | **2023** | | | 2022 | | |
| | **Gross profit** *RMB'000* | **Percentage of gross profit** *(%)* | **Gross profit margin** *(%)* | Gross profit *RMB'000* | Percentage of gross profit *(%)* | Gross profit margin *(%)* |
| **Segment** | | | | | | |
| Construction contracting business | **100,085** | **61.8** | **4.6** | 76,651 | 66.8 | 5.3 |
| Property development business | **61,828** | **38.2** | **11.3** | 38,061 | 33.2 | 8.1 |
| Total | **161,913** | **100.0** | **6.0** | 114,712 | 100.0 | 6.0 |

The Group's gross profit increased from approximately RMB115 million for the year ended December 31, 2022 to approximately RMB162 million for the year ended December 31, 2023, representing an increase of 41%, which was primarily attributable to the increase in gross profit of the Group's construction contracting business from approximately RMB77 million for the year ended December 31, 2022 to RMB100 million for the year ended December 31, 2023. The Group's gross profit margin remained stable at approximately 6.0%. The gross profit margin of the construction contracting business remained relatively stable at 4.6% for the year ended December 31, 2023 (2022: 5.3%).

## 4. Other income and gains

The Group's other income and gains included the dividend income received from equity investments designated at fair value through other comprehensive income of approximately RMB10 million (2022: Nil) and realised loss of financial assets at fair value through profit or loss of approximately RMB12 million (2022: RMB108 million).

## 5. Selling and distribution expenses

The Group's selling and distribution expenses primarily consist of (i) advertising, marketing and business development expenses; and (ii) staff costs in relation to our salespersons.

Most of the selling and distribution expenses were capitalised to property development projects during the year.

## 6. Administrative expenses

The Group's administrative expenses primarily consist of staff costs in relation to the Group's administrative personnel, office expenses, depreciation and amortisation, traveling and other expenses.

The Group's administrative expenses decreased by 7.0% from approximately RMB65.9 million for the year ended December 31, 2022 to approximately RMB61.2 million for the year ended December 31, 2023. Staff costs (including Directors' remuneration) amounted to approximately RMB30.2 million (2022: RMB30.3 million). The Group exercised stringent cost control, resulting in a decrease in administrative expenses.

## 7. Impairment losses on financial assets and contract assets, net

The Group performs an impairment analysis as of December 31, 2023 using a provision matrix to measure expected credit losses ("ECLs"). The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date. An impairment analysis is performed at each reporting date using a provision matrix to measure ECLs.

For the year ended December 31, 2023, the Group's net reversal of impairment on financial assets amounted to approximately RMB18.2 million (2022: impairment loss of RMB162.7 million), primarily due to the Group's consideration of the impairment needs of financial and contract assets on a prudent basis.

8. **Finance costs**

The Group's finance costs primarily represent interest expenses on bank and other loans less the capitalised cost of interest on relevant loans incurred for property development.

The Group's finance costs increased by 0.9% from approximately RMB70.9 million for the year ended December 31, 2022 to approximately RMB71.5 million for the year ended December 31, 2023, as the loans obtained by the Group from banks and other institutions increased by approximately RMB141 million compared to 2022, resulting in an increase in interest expenses.

9. **Income tax expenses**

The Group's income tax expenses include payments and provisions made for corporate income tax and land appreciation tax ("LAT") by the PRC subsidiaries of the Group.

The Group's income tax expenses increased from the reversal of approximately RMB18.7 million for the year ended December 31, 2022 to the provision of approximately RMB33.3 million for the year ended December 31, 2023, which was mainly due to the increase in provision for the Group's taxable profit derived from the property development business and construction contracting business and the reversal of LAT previously provided for the property development business, which did not occur in the Year, due to the completion of settlement of LAT of some of the property projects in 2022.

10. **Underlying profit for the year**

For the year ended December 31, 2023, the Group's underlying profit amounted to approximately RMB31 million, as compared to the underlying loss of approximately RMB159 million for the year ended December 31, 2022.

## LIQUIDITY, FINANCE AND CAPITAL

The Group has historically met its liquidity requirements through cash flows from operations and bank and other borrowings. The Group's primary liquidity requirements are to finance working capital, fund capital expenditures and provide capital for the growth and expansion of operations. The Group expects these sources to continue to be its principal sources of liquidity.

**Cash position**

As at December 31, 2023, the Group's total deposits, cash and cash equivalents amounted to approximately RMB437 million (2022: RMB626 million), which are denominated in RMB and Hong Kong dollars, respectively, including pledged deposits of approximately RMB249 million as at December 31, 2023 (2022: RMB403 million).

**Future plans for material investments and acquisition of capital assets**

There was no material acquisition and disposal of subsidiaries and assets by the Group during the Reporting Period.

As at the date of this announcement, the Group did not have any major future investment plans. The relevant major investment plan will be announced in a timely manner if the Group thinks fit.

**Significant investments held**

For the year ended December 31, 2023, the Group did not hold any significant investments.

**Loan and pledge of assets**

| | As of December 31 | | | | | |
|---|---|---|---|---|---|---|
| | **2023** | | | 2022 | | |
| | **Effective interest rate** *(%)* | **Maturity** | ***RMB'000*** | Effective interest rate *(%)* | Maturity | *RMB'000* |
| **Current** | | | | | | |
| Secured other borrowings | **12.0** | **Over due** | **274,390** | 11.00-12.00 | 2023 | 270,464 |
| Unsecured other borrowings | **12.0** | **Over due** | **35,172** | 11.00-12.00 | 2023 | 34,675 |
| Current portion of secured long-term bank borrowings | **5.25-6.65** | **2024** | **231,000** | 5.50-8.70 | 2023 | 339,099 |
| | | | **540,562** | | | 644,238 |
| **Non-current** | | | | | | |
| Secured bank borrowings | **5.25-8.70** | **2025-2026** | **505,000** | 5.50-6.65 | 2024-2025 | 260,000 |
| | | | **1,045,562** | | | 904,238 |

The table below sets out the maturity of the interest-bearing bank and other borrowings of the Group as of the dates indicated:

| | As of December 31 | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| Bank and other borrowings repayable: | | |
| Within one year or on demand | **540,562** | 644,238 |
| In the second year | **503,000** | 110,000 |
| In the third to fifth years, both inclusive | **2,000** | 150,000 |
| Total | **1,045,562** | 904,238 |

The Group's interest-bearing bank and other borrowings are all denominated in RMB and US dollars.

The Group's interest-bearing bank and other borrowings are secured by various assets with aggregate carrying amounts as follows:

| | As of December 31 | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| Investment properties | **239,700** | 239,800 |
| Properties under development | **135,981** | 283,600 |
| Property, plant and equipment | **486,805** | 199,175 |
| Right-of-use assets | **7,891** | 8,120 |

**Key financial ratios**

The table below sets forth a summary of the Group's key financial ratios as of the dates or for the periods indicated:

| | Notes | As of December 31 or for the year ended December 31 | |
|---|---|---|---|
| | | **2023** | 2022 |
| Current ratio *(times)* | *1* | **0.96** | 1.11 |
| Gearing ratio *(%)* | *2* | **103.1** | 90.4 |
| Net gearing ratio *(%)* | *3* | **60.1** | 27.9 |
| Return on equity *(%)* | *4* | **1.1** | (29.6) |
| Return on total assets *(%)* | *5* | **0.2** | (5.3) |
| Gross profit margin *(%)* | *6* | **6.0** | 6.0 |
| Net profit margin *(%)* | *7* | **0.4** | (18.1) |

*Notes:*

1. Current ratios were calculated based on the total current assets as of the respective dates divided by the total current liabilities as of the respective dates.

2. Gearing ratios were calculated by total interest-bearing bank and other borrowings as of the respective dates divided by total equity as of the respective dates and multiplied by 100%.

3. Net gearing ratios were calculated as total interest-bearing bank and other borrowings as of the respective dates less cash and bank balances and pledged deposits as of the respective dates, divided by total equity as of the respective dates and multiplied by 100%.

4. Return on equity was calculated based on the reported profit (loss) for the respective periods divided by the average total equity as of the respective periods (sum of opening and closing balances of the total equity of the respective periods and then divided by two) and multiplied by 100%.

5. Return on total assets was calculated based on the reported profit (loss) profit for the respective periods divided by the average total assets of the respective periods (sum of opening and closing balances of the total assets of the respective periods and then divided by two) and multiplied by 100%.

6. Gross profit margin was calculated on gross profit divided by revenue for the respective periods.

7. Net profit margin was calculated on reported profit (loss) for the year divided by revenue for the respective periods.

**Commitments**

***Operating Lease Commitments***

*The Group as a lessor*

The Group leases its investment properties under operating lease arrangements with lease terms negotiated ranging from one to ten years. At the end of the Reporting Period, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within one year | **9,610** | 6,971 |
| In the second to fifth years, both inclusive | **34,145** | 10,801 |
| After five years | **7,813** | 2,063 |
| | **51,568** | 19,835 |

***Capital Commitments***

The Group had the following capital commitments at the end of the Reporting Period:

| | **2023** | 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Contracted, but no provision has been made: | | |
| Construction contracting | **261,912** | 241,695 |

## Contingent Liabilities

### *Mortgage guarantee*

The Group has provided guarantees in respect of mortgage facilities for certain purchasers of the Group's properties amounting to approximately RMB1,789.4 million (2022: RMB1,729.9 million) as of December 31, 2023. The Group's guarantee period starts from the dates of the grant of relevant mortgage loans and ends upon the issuance of real estate ownership certificates to the purchasers, which will generally be available within one to two years after the purchasers take possession of the relevant properties.

The Directors consider that the fair value of the guarantees is not significant, and in case of default on payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalties. Therefore, no provision for the guarantees has been made during the Reporting Period.

## OTHERS

### 1. Events after the Reporting Period

The Group has obtained a new long-term bank facility of RMB800,000,000 from China Construction Bank Corporation Huailai Sub Branch which was guaranteed by properties and controlling shareholder on January 12, 2024 and withdrew RMB440,000,000 as at the announcement date.

### 2. Foreign Currency Risk

The Group primarily operates in the PRC. The majority of the Group's transactions were denominated and settled in RMB. Currently, the Group had not entered into any hedging activities aimed at or intended to manage our exposure to foreign exchange risk and did not use any financial instruments for hedging purposes. The Group will continue to monitor foreign exchange activities and safeguard the cash value of the Group with its best effort.

### 3. Interest Rate Risk

The Group's interest rate risk arises from interest-bearing bank and other deposits and bank and other borrowings. Bank deposits and bank and other borrowings issued at variable rates expose the Group to cash flow interest rate risk. Bank and other borrowings bearing an interest at fixed rates expose the Group to fair value interest rate risk.

## 4. Corporate Governance

The Group is committed to achieving high standards of corporate governance to safeguard the interests of the Shareholders and enhance the corporate value as well as the responsibility commitments. The Company has adopted the Corporate Governance Code as its own code of corporate governance.

The Company has been in compliance with all applicable code provisions under the Corporate Governance Code. To the best knowledge of the Directors, the Company has complied with all applicable code provisions set out in the Corporate Governance Code during the Reporting Period and up to the date of this announcement, except for the deviation from provision C.2.1 of the Corporate Governance Code. The Directors will endeavor to procure the Company to continue to comply with the Corporate Governance Code.

A review of the corporate governance of the Group is set out in the section headed "Compliance with Corporate Governance Code".

## 5. Material Acquisitions and Disposals

During the year ended December 31, 2023, save as disclosed in "Future plans for material investments and acquisition of capital assets" in this section, there was no material acquisition and disposal of subsidiaries and assets by the Group.

## 6. Compliance with the Model Code for Securities Transactions

The Company has adopted the Model Code as a code for the Directors to deal in securities of the Company.

After making specific enquiries to all Directors, each of the Directors has confirmed that he/she has complied with the required standards set out in the Model Code during the year ended December 31, 2023.

The Company's employees, who are likely to be in possession of inside information of the Company, have also been subject to the Model Code for securities transactions. No incident of non-compliance of the Model Code by the Company's employees was noted by the Company during the year ended December 31, 2023.

## 7. Purchase, Sale or Redemption of the Listed Securities of the Company

During the year ended December 31, 2023, the Company and any of its subsidiaries did not purchase, sell or redeem any securities of the Company listed on the Stock Exchange.

## FUTURE PROSPECT

### Construction Contracting Business

We will adhere to the guidance of national policies, accurately understand the new stage of development. It will emphasise on the building of a solid economic foundation, coordinating market positioning, adjusting management structure, strengthening the management system, and exercising strict control over project management. These initiatives will facilitate our sustained, healthy and steady development.

### Property Business

We will adhere to the principle of seeking progress while maintaining stability, and promoting stability with progress. With a primary focus on "strengthening sales and promoting payment collection", we will also solidify and strengthen the favourable trends brought about by the economic recovery, driving transformative innovation and pursuing a comprehensive upgrade of the real estate sector.

### Healthcare Business

We will comprehensively embark on the transformation and upgrading of the healthcare and elderly care sector, aligning with national development policies. Starting with the prioritised elderly care projects in Hebei Province, we will continuously develop Tianbao Jingbei Health City into a mid-to-high-end, full-process and continuous healthcare community. Through tangible initiatives, we aim to achieve a new breakthrough in our transformation and upgrade efforts.

## FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended December 31, 2023 (for the year ended December 31, 2022: Nil).

## ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The Company proposes to hold the annual general meeting (the "**Annual General Meeting**") at 9:00 a.m. on May 23, 2024. For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from May 20, 2024 to May 23, 2024, both days inclusive, during which period no transfer of shares will be registered. All transfer documents of the Company accompanied by the relevant share certificates must be lodged with the share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716,17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on May 17, 2024.

## PURCHASE, SALE AND REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

During the year ended December 31, 2023, the Company and any of its subsidiaries did not purchase, sell or redeem any securities of the Company listed on the Stock Exchange.

## COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company had applied the principles and code provisions as set out in the Corporate Governance Code and has complied with all code provisions in the Corporate Governance Code set out in Appendix 14 to the Listing Rules during the year ended December 31, 2023, except for the deviation from code provision C.2.1 of the Corporate Governance Code.

Pursuant to code provision C.2.1 of the Corporate Governance Code, the responsibilities between the chairman and the chief executive officer should be separate and should not be performed by the same individual. Mr. Li Baotian has been serving as the chairman of the Board and the chief executive officer of the Company during the year ended December 31, 2023. However, the Board believes that vesting the roles of both chairman of the Board and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group.

The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

## COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as a code for the Directors to deal in securities of the Company.

After making specific enquiries to all Directors, each of the Directors has confirmed that he/she has complied with the required standards set out in the Model Code during the year ended December 31, 2023.

The Company's employees, who are likely to be in possession of inside information of the Company, have also been subject to the Model Code for securities transactions. No incident of non-compliance of the Model Code by the Company's employees was noted by the Company during the year ended December 31, 2023.

## SCOPE OF WORK OF THE AUDITOR

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended December 31, 2023 as set out in the annual results announcement of the Group have been compared by the Group's auditor, Ernst & Young ("**EY**"), to the amounts set out in the Group's consolidated financial statements for the Year and the amounts were found to be in agreement. The work performed by EY in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by EY.

## EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is the extract of the independent auditor's report from the external auditor of the Company:

**"OPINION**

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

**MATERIAL UNCERTAINTY RELATED TO GOING CONCERN**

We draw attention to note 2.1 to the consolidated financial statements, which states that as at December 31, 2023, the Group's current portion of interest-bearing bank and other borrowings amounted to RMB540,562,000, while its cash and cash equivalents amounted to RMB187,924,000 and its net current liabilities amounted to RMB165,023,000. USD39,870,000 (equivalent to RMB279,562,000) of the interest-bearing bank and other borrowings was due and unpaid as at the report date. This condition along with other matters as set forth in note 2.1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter."

## AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") consists of three independent non-executive Directors, namely Mr. Li Xu, Mr. Hou Liang and Mr. Li Qingxu. The chairman of the Audit Committee is Mr. Li Xu, who is with appropriate accounting and related financial management expertise. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group, oversee the audit process, provide advice and comments to the Board and perform other duties and responsibilities as may be assigned by the Board.

The Audit Committee has reviewed this results announcement and the audited consolidated financial statements for the year ended December 31, 2023 prepared under the IFRSs.

## PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the HKEXnews website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.chinatbjt.com. The 2023 annual report of the Company with all the information as required by the Listing Rules will be despatched to the Shareholders (the "**Shareholders**") of the Company and will be published on the websites of the Stock Exchange and the Company in due course.

## APPRECIATION

The Group would like to express its sincere gratitude to all Shareholders, customers and business partners for their continuing support, and wishes to sincerely thank all employees for their outstanding contribution to the development of the Group. The Group will continue to deliver sustainable business development, so as to create more values for all Shareholders.

## RESIGNATION OF CHAIRPERSON OF THE PREPARATORY COMMITTEE OF THE JINGBEI HEALTH CITY HEALTHCARE PROJECT

Reference is made to the Company's announcement dated March 8, 2023 in relation to the appointment of Ms. Ren Yiping ("**Ms. Ren**") as the chairperson of the preparatory committee of the Tianbao Jingbei Health City Healthcare Project.

The Board has received the written resignation tendered by Ms. Ren as the chairperson of the preparatory committee of the Tianbao Jingbei Health City Healthcare Project due to her personal reasons with effect from February 29, 2024.

The Board would like to express its gratitude to Ms. Ren for her valuable efforts and contributions to the Jingbei Health City Healthcare Project during her tenure of office.

By order of the Board
**China Tianbao Group Development Company Limited**
**Li Baotian**
*Chairman of the Board*

Hong Kong, March 28, 2024

*As at the date of this announcement, the executive Directors of the Company are Mr. Li Baotian, Ms. Shen Lifeng, Ms. Wang Xinling, Mr. Li Yaruixin, Ms. Wang Huijie and Mr. Zang Lin; and the independent non-executive Directors of the Company are Mr. Hou Liang, Mr. Li Qingxu and Mr. Li Xu.*