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, 2020

FINANCIAL HIGHLIGHTS

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Revenue		
– Property development and others business	**1,435,452**	1,294,539
– Construction contracting business	**1,933,889**	1,365,498
Gross profit	**628,099**	682,420
Profit for the year	**331,671**	317,710
	RMB	*RMB*
Earnings per share	**0.42**	0.51

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended December 31, 2020 (for the year ended December 31, 2019: Nil).

ANNUAL RESULTS

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, 2020 (the "**Reporting Period**" or "**year**") prepared under the International Financial Reporting Standards (the "**IFRSs**"), together with comparative figures for the year ended December 31, 2019, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended December 31, 2020

	Notes	2020 RMB'000	2019 RMB'000
CONTINUING OPERATIONS			
REVENUE	4	**3,369,341**	2,660,037
Cost of sales		**(2,741,242)**	(1,977,617)
Gross profit		**628,099**	682,420
Other income and gains	4	**26,537**	13,786
Selling and distribution expenses		**(1,172)**	(3,220)
Administrative expenses		**(55,678)**	(78,038)
Impairment losses on financial and contract assets, net		**(40,132)**	(24,274)
Fair value (loss)/gain on investment properties		**(700)**	4,700
Fair value gain/(loss) from financial assets through profit or loss		**22,276**	(910)
Other expenses		**(1,252)**	(2,673)
Finance costs		**(37,679)**	(21,788)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	5	**540,299**	570,003
Income tax expense	6	**(208,628)**	(252,231)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**331,671**	317,772
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	7	**–**	(62)
PROFIT FOR THE YEAR		**331,671**	317,710
Attributable to:			
Owners of the parent		**331,671**	317,710
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic and diluted			
– For profit for the year		**RMB0.42**	RMB0.51
– For profit from continuing operations		**RMB0.42**	RMB0.51

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2020

	2020	2019
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**331,671**	317,710
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**(14,773)**	1,085
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**(14,773)**	1,085
Other comprehensive income 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	**(5,000)**	7,000
Income tax effect	**1,250**	(1,750)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(18,523)**	6,335
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**313,148**	324,045
Attributable to:		
Owners of the parent	**313,148**	324,045

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2020

	Note	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**230,903**	218,978
Investment properties		**140,400**	141,100
Right-of-use assets		**11,298**	12,662
Other intangible assets		**1,930**	1,788
Equity investments designated at fair value through other comprehensive income		**138,000**	143,000
Financial assets at fair value through profit or loss		**205,687**	184,655
Deferred tax assets		**78,373**	69,136
TOTAL NON-CURRENT ASSETS		**806,591**	771,319
CURRENT ASSETS			
Inventories		**–**	16
Trade receivables	*10*	**515,034**	408,999
Contract assets		**1,306,539**	1,221,868
Properties under development		**2,162,785**	2,437,886
Completed properties held for sale		**885,530**	340,122
Prepayments, other receivables and other assets		**310,632**	475,000
Tax recoverable		**24,612**	15,074
Pledged deposits		**264,978**	130,417
Cash and cash equivalents		**183,919**	321,909
TOTAL CURRENT ASSETS		**5,654,029**	5,351,291

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
At December 31, 2020

	Note	**2020**	2019
		RMB'000	*RMB'000*
CURRENT LIABILITIES			
Trade payables	*11*	**2,075,486**	1,701,274
Other payables and accruals		**1,952,157**	2,194,094
Interest-bearing bank borrowings		**348,000**	619,000
Lease liabilities		**963**	1,004
Tax payable		**535,679**	349,489
TOTAL CURRENT LIABILITIES		**4,912,285**	4,864,861
NET CURRENT ASSETS		**741,744**	486,430
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,548,335**	1,257,749
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**232,450**	170,000
Lease liabilities		**–**	963
TOTAL NON-CURRENT LIABILITIES		**232,450**	170,963
NET ASSETS		**1,315,885**	1,086,786
EQUITY			
Equity attributable to owners of the parent			
Share capital		**7,281**	7,281
Reserves		**1,308,604**	1,079,505
		1,315,885	1,086,786
TOTAL EQUITY		**1,315,885**	1,086,786

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

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, Grand Cayman KY1-1108, Cayman Islands. The principal place of business in Hong Kong was located at Unit 3326, 33/F, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, 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) provision of 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 incorporated in the British Virgin Islands.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with IFRSs issued by the International Accounting Standards Board, accounting principles generally accepted in Hong Kong 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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the Conceptual Framework for Financial Reporting 2018 and the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions* (early adopted)
Amendments to IAS 1 and IAS 8	*Definition of Material*

The nature and the impact of the Conceptual Framework for Financial Reporting 2018 and the revised IFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "**Conceptual Framework**") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after January 1, 2020. The amendments did not have any impact on the financial position and performance of the Group.

(c) Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("**RFR**"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

(d) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i)the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before June 30, 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after June 1, 2020 with earlier application permitted and shall be applied retrospectively. The amendments did not have any significant impact on the financial position and performance of the Group.

(e) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The amendments did not have any significant impact on the financial position and performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform– Phase 2*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 17	*Insurance Contracts*[3]
Amendments to IFRS 17	*Insurance Contracts*[3, 6]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[3, 5]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Annual Improvements to IFRSs 2018-2020	*Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41*[2]

1 Effective for annual periods beginning on or after January 1, 2021

2 Effective for annual periods beginning on or after January 1, 2022

3 Effective for annual periods beginning on or after January 1, 2023

4 No mandatory effective date yet determined but available for adoption

5 As a consequence of the amendments to IAS 1, International Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

6 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before January 1, 2023

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

Amendments to IFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from January 1, 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after January 1, 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IFRS 10 and IAS 28 (2011) address an inconsistency between the requirements in IFRS 10 and in IAS 28 (2011) 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 when the sale or contribution of assets between an investor and its associate or joint venture 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 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after January 1, 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after January 1, 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after January 1, 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to IFRSs 2018-2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after January 1, 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

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 from continuing operations.

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, 2020	Construction contracting	Property development and others	Total
	RMB'000	*RMB'000*	*RMB'000*
Segment revenue *(note 4)*			
Sales to external customers	**1,933,889**	**1,435,452**	**3,369,341**
Intersegment sales	**609,696**	**–**	**609,696**
Total revenue	**2,543,585**	**1,435,452**	**3,979,037**
Reconciliation:			
Eliminations of intersegment sales – continuing			**(609,696)**
Revenue from continuing operations			**3,369,341**
Segment results	**48,042**	**588,518**	**636,560**
Reconciliation:			
Eliminations of intersegment results – continuing			**(96,261)**
Profit before tax from continuing operations			**540,299**
Segment assets	**6,533,409**	**8,100,367**	**14,633,776**
Reconciliation:			
Eliminations of intersegment receivables			**(8,173,156)**
Total assets			**6,460,620**
Segment liabilities	**3,950,335**	**6,393,907**	**10,344,242**
Reconciliation:			
Eliminations of intersegment payables			**(5,199,507)**
Total liabilities			**5,144,735**
Other segment information:			
Depreciation and amortisation	**903**	**6,940**	**7,843**
Impairment losses recognised in the consolidated statement of profit or loss, net	**36,225**	**3,907**	**40,132**
Capital expenditure*	**2,723**	**15,445**	**18,168**

Year ended December 31, 2019	Construction contracting	Property development and others	Total
	RMB'000	*RMB'000*	*RMB'000*
Segment revenue *(note 4)*			
Sales to external customers	1,365,498	1,294,539	2,660,037
Intersegment sales	540,606	–	540,606
Total revenue	1,906,104	1,294,539	3,200,643
Reconciliation:			
Eliminations of intersegment sales – continuing			(540,606)
Revenue from continuing operations			2,660,037
Segment results	30,974	540,950	571,924
Reconciliation:			
Eliminations of intersegment results – continuing			(1,921)
Profit before tax from continuing operations			570,003
Segment assets	4,708,750	8,944,276	13,653,026
Reconciliation:			
Eliminations of intersegment receivables			(7,530,416)
Total assets			6,122,610
Segment liabilities	3,509,968	6,594,219	10,104,187
Reconciliation:			
Eliminations of intersegment payables			(5,068,363)
Total liabilities			5,035,824
Other segment information:			
Depreciation and amortisation	1,223	4,531	5,754
Impairment losses recognised/(reversed) in the consolidated statement of profit or loss, net	25,525	(1,251)	24,274
Capital expenditure*	1,538	59,335	60,873

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

Geographical information

(a) Revenue from external customers

The Group has derived substantially all of its revenue in the People's Republic of China ("**PRC**"), and hence, geographical information is not considered necessary.

(b) Non-current assets

	2020	2019
	RMB'000	*RMB'000*
Hong Kong	**939**	1,964
Mainland China	**383,592**	372,564
	384,531	374,528

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

Information about major customers

Revenue from continuing operations of approximately RMB400,834,000 (2019: RMB380,787,000) 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:

	2020	2019
	RMB'000	*RMB'000*
Revenue from contracts with customers	**3,360,636**	2,650,169
Revenue from other sources		
Gross rental income from investment property operating leases:		
Other lease payments, including fixed payments	**8,705**	9,868
	3,369,341	2,660,037

Revenue from contracts with customers

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

For the year ended at December 31, 2020

	Construction contracting *RMB'000*	**Property development** *RMB'000*	**Total** *RMB'000*
Types of goods or services			
Construction contracting	**1,933,889**	**–**	**1,933,889**
Property development	**–**	**1,426,747**	**1,426,747**
Total revenue from contracts with customers	**1,933,889**	**1,426,747**	**3,360,636**
Geographical markets			
Mainland China	**1,933,889**	**1,426,747**	**3,360,636**
Timing of revenue recognition			
Goods transferred at a point in time	**–**	**1,426,747**	**1,426,747**
Services transferred over time	**1,933,889**	**–**	**1,933,889**
Total revenue from contracts with customers	**1,933,889**	**1,426,747**	**3,360,636**

For the year ended at December 31, 2019

	Construction contracting *RMB'000*	Property development *RMB'000*	Total *RMB'000*
Types of goods or services			
Construction contracting	1,365,498	–	1,365,498
Property development	–	1,284,671	1,284,671
Total revenue from contracts with customers	1,365,498	1,284,671	2,650,169
Geographical markets			
Mainland China	1,365,498	1,284,671	2,650,169
Timing of revenue recognition			
Goods transferred at a point in time	–	1,284,671	1,284,671
Services transferred over time	1,365,498	–	1,365,498
Total revenue from contracts with customers	1,365,498	1,284,671	2,650,169

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, 2020

Segments	**Construction contracting** *RMB'000*	**Property development** *RMB'000*	**Total** *RMB'000*
Revenue from contracts with customers			
External customers	**1,933,889**	**1,426,747**	**3,360,636**
Intersegment sales	**609,696**	**–**	**609,696**
	2,543,585	**1,426,747**	**3,970,332**
Intersegment eliminations	**(609,696)**	**–**	**(609,696)**
Total revenue from contracts with customers	**1,933,889**	**1,426,747**	**3,360,636**

For the year ended December 31, 2019

Segments	Construction contracting *RMB'000*	Property development *RMB'000*	Total *RMB'000*
Revenue from contracts with customers			
External customers	1,365,498	1,284,671	2,650,169
Intersegment sales	540,606	–	540,606
	1,906,104	1,284,671	3,190,775
Intersegment eliminations	(540,606)	–	(540,606)
Total revenue from contracts with customers	1,365,498	1,284,671	2,650,169

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:

	2020 *RMB'000*	2019 *RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Construction contracting	**114,273**	79,281
Property development	**1,227,799**	774,765
	1,342,072	854,046

(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:

	2020	2019
	RMB'000	*RMB'000*
Amounts expected to be recognised as revenue:		
Within one year	**2,598,702**	3,695,944
After one year	**1,886,782**	1,212,384
	4,485,484	4,908,328

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 five 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.

	2020	2019
	RMB'000	*RMB'000*
Other income		
Bank interest income	**1,811**	992
Dividend income from equity investments designated at fair value through other comprehensive income	**9,667**	10,845
Dividends income from financial assets at fair value through profit or loss	**2,872**	–
Government grants	**11,495**	–
	25,845	11,837
Gains		
Gain on disposal of subsidiaries	**–**	1,534
Others	**692**	415
	692	1,949
	26,537	13,786

5. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

	2020	2019
	RMB'000	*RMB'000*
Cost of construction contracting	**1,839,523**	1,292,724
Cost of properties development and others	**901,719**	684,893
Depreciation of property, plant and equipment	**6,173**	5,029
Depreciation of right-of-use assets	**1,364**	578
Amortisation of other intangible assets	**306**	147
Minimum lease payments under operating leases	**98**	65
Lease payments not included in the measurement of lease liabilities	**1,097**	93
Auditor's remuneration	**1,700**	1,600
Employee benefit expenses (excluding directors' and chief executive's remuneration):		
–Wages, salaries and allowances	**12,667**	12,138
–Social insurance	**3,997**	4,672
–Welfare and other expenses	**1,854**	673
	18,518	17,483
Impairment of trade receivables, net	**34,839**	13,604
Impairment of contract assets, net	**1,527**	11,835
Impairment losses/(reversal of impairment losses) of financial assets included in prepayments, other receivables and other assets	**3,766**	(1,165)
	40,132	24,274
Changes in fair value of investment properties	**700**	(4,700)
Dividend income from equity investments designated at fair value through other comprehensive income	**(9,667)**	(10,845)
Dividends income from financial assets at fair value through profit or loss	**(2,872)**	–
Bank interest income	**(1,811)**	(992)
Gain on disposal of items of property, plant and equipment	**–**	(8)

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 Mainland China were subject to the PRC corporate income tax rate of 25% in accordance with the PRC Corporation Income Tax during the year.

Land appreciation tax ("**LAT**") is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sale 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 Mainland China 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.

	2020	**2019**
	RMB'000	*RMB'000*
Current income tax	**119,777**	184,850
PRC LAT	**96,838**	143,476
Deferred income tax	**(7,987)**	(76,095)
Total tax charge for the year from continuing operations	**208,628**	252,231

7. DISCONTINUED OPERATIONS

In 2018, the Group decided to dispose of the entire interests in certain subsidiaries (the "**Disposal Group**") to the related parties and third parties in order to delineate other businesses operated by the Group from its principal businesses. As at December 31, 2018, the Disposal Group was classified as a disposal group held for sale and as discontinued operations. With the Disposal Group being classified as discontinued operations, the related businesses are no longer included in the note for operating segment information. The disposals of the Disposal Group were completed in 2019.

The results of the Disposal Group for each of the year are presented below:

	2019 *RMB'000*
REVENUE	339
Cost of sales	(321)
Other income and gains	–
Administrative expenses	(87)
Reversal of impairment losses on financial assets and contract assets, net	7
Loss before tax from the discontinued operations	(62)
Income tax expense	–
Loss for the year from the discontinued operations	(62)

The net cash flows incurred by the Disposal Group are as below:

	2019 *RMB'000*
Operating activities	(778)
Investing activities	–
Financing activities	(1,666)
Net cash outflow	(2,444)

8. DIVIDENDS

	2020 ***RMB'000***	2019 *RMB'000*
Interim – HK$0.05 (2019: Nil) per ordinary share	**36,426**	–

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the ordinary shares of 794,502,000 (2019: 627,967,000) in issue during the year, as adjusted to reflect the weighted average number of shares purchased under the share award scheme during the year.

The Group had no potentially dilutive ordinary shares in issue during the year ended December 31, 2020.

The calculation of earnings per share is based on:

	2020	2019
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:		
From continuing operations	**331,671**	317,772
From discontinued operations	**–**	(62)
Profit attributable to ordinary equity holders of the parent	**331,671**	317,710

	Number of shares	
	2020	**2019**
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**794,502,000**	627,967,000

10. TRADE RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Trade receivables	**574,022**	433,148
Impairment	**(58,988)**	(24,149)
	515,034	408,999

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:

	2020	2019
	RMB'000	*RMB'000*
Retentions included in trade receivables	**10,002**	6,730
Provision for impairment	**(2,537)**	(770)
Retentions included in trade receivables, net	**7,465**	5,960

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

	2020	2019
	RMB'000	*RMB'000*
Within 1 year	**274,309**	330,389
1 year to 2 years	**234,923**	64,311
2 years to 3 years	**34,092**	8,187
Over 3 years	**20,696**	23,531
	564,020	426,418

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:

	2020	2019
	RMB'000	*RMB'000*
Within 1 year	**272,007**	332,839
1 year to 2 years	**209,937**	57,959
2 years to 3 years	**29,699**	6,455
Over 3 years	**3,391**	11,746
	515,034	408,999

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

	2020	2019
	RMB'000	*RMB'000*
At beginning of year	**24,149**	10,545
Impairment losses, net	**34,839**	13,604
At end of year	**58,988**	24,149

11. TRADE PAYABLES

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

	2020	2019
	RMB'000	*RMB'000*
Within 6 months	**1,259,508**	863,373
6 months to 1 year	**127,757**	203,163
1 to 2 years	**518,189**	441,787
2 to 3 years	**158,673**	132,216
Over 3 years	**11,359**	60,735
	2,075,486	1,701,274

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

12. DISPOSALS OF SUBSIDIARIES

	2019
	RMB'000
Net assets disposed of:	
Property, plant and equipment	56
Intangible assets	7
Cash and bank balances	1,675
Trade receivables	2,163
Contract assets	36
Prepayments, deposits and other receivables	67,807
Trade payables	(2,465)
Other payables and accruals	(10,990)
Tax payable	(82)
Non-controlling interests	–
	58,207
Gain on disposal of subsidiaries	1,534
	59,741
Satisfied by:	
Other receivables	–
Cash	59,741
	59,741

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2019
	RMB'000
Cash consideration	60,541
Cash and cash equivalents disposed of	(1,675)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	58,866

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is a property developer and construction company based in Zhuozhou, a city in Hebei Province, the PRC. The Group engages in a wide range of property development activities, such as planning and design, construction, property sales, investment and operations.

The Group principally engages in the following businesses:

- 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.

- 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.

Financial Results

For the year ended December 31, 2020, the Group's revenue and net profit were approximately RMB3,369 million (2019: RMB2,660 million) and approximately RMB332 million (2019: RMB318 million), respectively.

Business Review

The Group's revenue for the year ended December 31, 2020 increased by 26.7% to approximately RMB3,369 million (2019: RMB2,660 million). The increase in revenue was mainly due to the facts that more sales were recognized after the completion of the property sales, resulting in an increase in the sales revenue of the property development business; and the construction contracting business completed more projects and both project volume and project scale increased, resulting in an increase in the revenue of this segment.

During the outbreak of COVID-19 in 2020, mass gatherings were prohibited, thus restricting the business trips of our business development staff to a certain extent. The number of new contracts signed in the construction contracting business had been affected, while the implementation and approval of the projects by clients has also been delayed. The Group had implemented additional pandemic prevention measures to various projects, which resulted in a slight increase in costs and has no significant impact on the net profit during the year.

The Group's net profit was approximately RMB332 million (2019: RMB318 million), an increase of 4.4% from last year, mainly due to an increase in the total revenue from the property development business and the construction contracting business this year, no listing expense was incurred in 2020, as well as, the decrease in income tax expense.

As at December 31, 2020, the net assets of the Group were approximately RMB1,316 million (2019: RMB1,087 million). The Group has bank deposits of approximately RMB449 million (2019: RMB452 million) and total bank loans of approximately RMB580 million (2019: RMB789 million). At December 31, 2020, the net debt (total borrowings minus bank deposits) of the Group was approximately RMB131 million (2019: RMB337 million). The Group's net assets and net debt have significantly improved compared to the corresponding period last year. The above financial indicators showed that the Group's financial position remained healthy.

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			
	2020		2019	
Segment	**Revenue**	**Percentage of total revenue**	Revenue	Percentage of total revenue
	RMB'000	***(%)***	*RMB'000*	*(%)*
Property development and others business	**1,435,452**	**42.6**	1,294,539	48.7
Construction contracting business	**1,933,889**	**57.4**	1,365,498	51.3
Total	**3,369,341**	**100.0**	2,660,037	100.0

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

(i) Property Development and Others Business

The Group's property development business consists of (i) the development and sales of residential properties; and (ii) leasing and operation of an investment property. The revenue of the Group is derived from sales of residential properties and rental income from investment property. As of December 31, 2020, the Group had a diverse portfolio of 20 property projects consisting of eighteen residential properties, one investment property and one 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, 10 projects were completed, 7 projects were under construction and 3 projects were held for future development. As of December 31, 2020, the Group had land reserves with a total gross floor area ("**GFA**") of approximately 1,986,481 sq.m., including (i) completed properties with a total unsold saleable GFA of approximately 158,038 sq.m. and a rentable GFA held for property investment of approximately 44,336 sq.m., accounting for approximately 10.2% of the Group's total land reserves; (ii) properties under development with a total planned GFA of approximately 964,537 sq.m., accounting for approximately 48.6% of the Group's total land reserves; and (iii) properties held for future development with a total planned GFA of approximately 819,570 sq.m., accounting for approximately 41.2% 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:

		Year ended December 31			
		2020		2019	
Business line	**Nature of income**	**Revenue**	**Percentage of revenue**	Revenue	Percentage of revenue
		RMB'000	***(%)***	*RMB'000*	*(%)*
Property development sales	Sales of residential properties	**1,426,747**	**99.4**	1,284,671	99.2
Commercial property investment and operations	Rental income	**8,705**	**0.6**	9,868	0.8
Total		**1,435,452**	**100.0**	1,294,539	100.00

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:

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, 2020, 872 units have been launched and 784 units have been sold for Tianbao Green City.

Project Ming Yang Phase I (明陽一期)

The project is located in Beixiguo Village, Matou Town, Zhuozhou, with the convenient surrounding transportation facilities. The area where the project is located can be reached through the Beijing-Hong Kong-Macao Expressway and the Beijing-Shijiazhuang High-speed Railway. The project covers a site area of 17,593.3 sq.m. and has a GFA of approximately 48,000 sq.m., including high-rise residential buildings. There are a total of 480 units in the project. As of December 31, 2020, 446 units have been sold for Project Ming Yang Phase I. The project has been delivered to purchasers in batches during the year.

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 six kilometers from Zhuozhou High-speed Railway Station, about 17 kilometers from Beijing Daxing International Airport and about one 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. The overall project has about 4,100 units, and the project is currently under construction. The project began its pre-sales in early 2021.

Baoxin International Building (保鑫國際大廈)

The project is located at No. 33 Guanyun East Road, Zhuozhou Development Zone, with a total site area of 17,792.4 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" for the construction industry in 2018 and the "Guang Xia Award" in 2019 for the property development industry. 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 (中都銀座). As of December 31, 2020, there are only a small amount of unsold sets in the first and second phases of Tianbao New City, and about 273 sets in the third phase are unsold.

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 which, named Tianbao Plaza (天保廣場), is a 5-storey diversified shopping hotspot with supermarkets, lifestyle stores, restaurants and cinemas, and was opened in December 2020. The rest of the project will be completed in 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. In 2020, the residential units of the project have begun to be delivered to purchasers.

Tianbao Edelweiss City (天保雪絨花都)

The project is located on the north side of Yuxian 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 an area of approximately 155,000 sq.m., with a total GFA of approximately 430,000 sq.m.. Star-rated hotels, Five-A-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 with a total of 1,228 residential units have been pre-sold in 2019. As of December 31, 2020, 685 units have been sold.

Tianbao Boyue Bay (天保鉑悅灣)

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 Libaozi Village in the north. The project includes middle-high-rise residential units, high-rise residential units and commercial properties, covering an 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 705 residential units, and 302 units have been sold.

Tianbao Jingbei Health City (天保京北健康城)

The project is located in Tumu Village, Tumu Town, Yanshan Cultural New City, Huailai County, adjacent to Guanting Lake to enjoy unique and spectacular scenery and within easy reach of Beijing-Tibet Expressway, Beijing-Xinjiang Expressway, 110 National Highway and Beijing-Zhangjiakou High-speed Railway to enjoy the capital's half-an-hour life circle. The project includes the residential part, named Tianbao Hushan Yard (天保湖山大院), and the commercial part including apartments and a hospital, named Jingbei Health City (京北健康城). The project covers a total area of approximately 200,000 sq.m., with a planned GFA of approximately 532,000 sq.m.. Tianbao Hushan Yard plans to build 31 residential buildings, and the construction has started in mid-2020 while pre-sales started at the end of 2020. Jingbei Health City is a medical and healthcare project consisting of apartments and a hospital, providing supporting facilities for the elderly and medical care. For the apartments, there are five smart health apartments with a saleable GFA of about 60,000 sq.m.. The hospital is a 13-story building with a GFA of approximately 60,000 sq.m.. Pre-sale of the apartments began in mid-2020.

Haiziwa Hotel (海子窪酒店)

Haiziwa Hotel is a project under development located in Zhangbei County, Zhangjiukou. As of December 31, 2020, the project was in the process of obtaining necessary permits and the Group had not commenced operations at Haiziwa Hotel. Conveniently located near Nasutu (那蘇圖) resort in Zhangjiakou, Hebei Province, Haiziwa Hotel will occupy a total site area of approximately 52,237.0 sq.m. and is expected to have an aggregate GFA of approximately 57,460.7 sq.m.. Haiziwa Hotel is wholly owned by the Group and the Group plans to recruit a well-known hotel operator to manage the hotel.

Land Reserves

The following table sets out the GFA breakdown of the Group's land reserves by geographical location as of December 31, 2020:

	Completed		Under development	Future development	Total land reserves	
Region	**Unsold saleable GFA**	**Rentable GFA held for property investment**	**Planned GFA under development**	**Planned GFA**	**Total GFA**	**Percentage of total land reserves by geographical location**
	(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(%)*
Zhuozhou	35,775	44,336	134,658	175,435	390,204	19.6
Zhangjiakou	122,263	–	829,879	644,135	1,596,277	80.4
Total	158,038	44,336	964,537	819,570	1,986,481	100.0

Commercial Property Investment and Operations

The Group owns and operates Baoxin International Building, which the Group developed for long-term investment purposes. The Group holds such property for capital appreciation and receives rental income. For the year ended December 31, 2020, the Group's rental income from investment property operating leases amounted to approximately RMB8.7 million (2019: approximately RMB9.9 million).

Baoxin International Building is an office building located in Zhuozhou, Hebei Province. The Group commenced the commercial operation of Baoxin International Building in 2016 and has been achieving stable rental income.

(ii) Construction Contracting Business

The Group has been engaged in the construction contracting business since 1998, as a general contractor for building, infrastructure and industrial and commercial construction projects (such as steel structure and preservation of antiquities and historical buildings). The Group generates the majority of its revenue from this business. For the year ended December 31, 2020, the Group generated the majority of its construction contracting revenue from construction projects located in Beijing-Tianjin-Hebei region, mainly in Hebei Province. The Group's construction projects in other geographical locations were mainly located in Beijing, Sichuan, Anhui and Jiangxi Provinces. The Group's aggregate backlog of construction projects was approximately RMB3,769 million.

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

	Year ended December 31			
	2020		2019	
Region	**Revenue**	**Percentage of revenue**	Revenue	Percentage of revenue
	RMB'000	***(%)***	*RMB'000*	*(%)*
Beijing-Tianjin-Hebei	**1,370,374**	**70.9**	930,044	68.1
Other	**563,515**	**29.1**	435,454	31.9
	1,933,889	**100.0**	1,365,498	100.0

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 project, coordinating the work of all parties, providing the major equipment and machinery, procuring raw materials and ensuring that the construction project remains on schedule. 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 expect 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 specialized 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 Group's construction contracting business mainly comprises (i) building construction and (ii) industrial, commercial and infrastructure construction. The following table sets forth the breakdown of revenue generated from the Group's construction contracting business by project type for the years indicated:

	Year ended December 31			
	2020		2019	
Project type	**Revenue**	**Percentage of revenue**	Revenue	Percentage of revenue
	RMB'000	***(%)***	*RMB'000*	*(%)*
Building construction	**1,203,360**	**62.2**	866,154	63.4
Industrial, commercial and infrastructure construction	**730,529**	**37.8**	499,344	36.6
Total	**1,933,889**	**100.0**	1,365,498	100.0

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

In addition to building construction, which has been the Group's core business, the Group also 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 structure, landscaping for gardens, industrial construction and preservation of antiquities and historical buildings. The Group's industrial and commercial construction customers are enterprises in diverse industries.

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

Renovation of Talent Apartments in Resettlement Area Along Ankang Road and Tianhe Road of Shanty Towns in Kuche County (庫車縣棚戶區改造安康路和天河路安置房、人才公寓建設項目)

The project is located in Kuche County, Akesu, Xinjiang, with a contract value of RMB1.64 billion, a site area of about 414.82 mu and a total GFA of about 500,000 sq.m.. The project consists of 62 residential buildings, five underground garages and street-facing businesses.

Yuxian Agricultural Products Processing Park Construction Project (蔚縣農產品加工園區項目工程)

The project is located in Yu County, Zhangjiakou, Hebei Province, with a contract value of approximately RMB152 million, a site area of approximately 78 mu and a total GFA of 58,434 sq.m.. This project is the first key poverty alleviation project of the Yu County Government, and has started in September 2020 and is expected to be completed in mid-2021.

Jasper Sky Phase II of Longfor in Shijiazhuang (石家莊龍湖九裡晴川二期項目)

The project, located in Shijiazhuang, Hebei Province, is the first cooperation project between the Group and Longfor. The project has a total of 11 residential buildings, underground garages and auxiliary facilities, with a contract value of approximately RMB149 million.

Construction Project of Training Base for Integration of Industry and Education of Anhui Jinzhai Technician College (安徽金寨技師學院產教融合實訓基地施工項目)

The project is located in Anhui Province, with a contract value of about RMB111 million. The construction target is Anhui Jinzhai Technician College. The total planned GFA of the project is approximately 90,000 sq.m.. The construction project is Building A of the Training Base for Integration of Industry and Education, with a GFA of 36,000 sq.m..

Tianquan County Grain and Cold Chain Logistics Center Project (天全縣糧食和冷鏈物流中心項目)

The project is located in Leba Village, Shiyang Town, Tianquan County, Ya'an City, Sichuan Province, with a contract value of approximately RMB88 million. The construction target is Tianquan County Grain and Oil Purchase, Sales and Reserve Corporation (天全縣糧油購銷儲備總公司). The project is a key new project at the municipal level in 2020, a key project of the provincial modern grain and cold chain logistics centers (2020-2022), a major project in the service industry ("**Three Hundred Projects (三百工程)**") in 2019 and among the Top Ten major landmark projects for the coordinated development of Economic Zone of Chengdu Plain.

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 Groups 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 outstanding contract value of projects in the backlog by geographical locations as of the end of the Reporting Period:

	As of December 31			
	2020		2019	
Region	**Contract value** *RMB million*	**Percentage of total contract value** *(%)*	Contract value *RMB million*	Percentage of total contract value *(%)*
Beijing-Tianjin-Hebei	**2,488.9**	**66.0**	2,295.1	62.8
Other	**1,279.7**	**34.0**	1,361.2	37.2
	3,768.6	**100.0**	3,656.3	100.0

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

	As of December 31			
	2020		2019	
Project type	**Contract value** *RMB million*	**Percentage of total contract value** *(%)*	Contract value *RMB million*	Percentage of total contract value *(%)*
Building construction	**2,441.2**	**64.8**	3,102.0	84.8
Industrial, commercial and infrastructure construction	**1,327.4**	**35.2**	554.3	15.2
	3,768.6	**100.0**	3,656.3	100.0

New Contract Value

New contract value represents the aggregate value of contracts entered into by the Group during the year 2020. 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:

	Year ended December 31			
	2020		2019	
Region	**Contract value** *RMB million*	**Percentage of total contract value** *(%)*	Contract value *RMB million*	Percentage of total contract value *(%)*
Beijing-Tianjin-Hebei	**1,737.7**	**76.5**	1,632.5	47.6
Other	**534.6**	**23.5**	1,798.6	52.4
	2,272.3	**100.0**	3,431.1	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:

	Year ended December 31			
	2020		2019	
Project type	**Contract value** *RMB million*	**Percentage of total contract value** *(%)*	Contract value *RMB million*	Percentage of total contract value *(%)*
Building construction	**664.9**	**29.3**	2,752.2	80.2
Industrial, commercial and infrastructure construction	**1,607.4**	**70.7**	678.9	19.8
	2,272.3	**100.0**	3,431.1	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 by the Group amounted to RMB2,272.3 million for the year ended December 31, 2020. The Group expanded the construction contracting business to regions other than Beijing-Tianjin-Hebei region during the year, including Sichuan, Anhui and Jiangxi.

Financial Review

1. Revenue

The revenue of the Group was primarily derived from two business segments: (i) property development business and (ii) construction contracting business. Total revenue increased from approximately RMB2,660 million for the year ended December 31, 2019 to approximately RMB3,369 million for the year ended December 31, 2020, representing an increase of 26.7%.

1.1 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 fulfill the conditions for presales in accordance with PRC laws and regulations.

The aggregate GFA delivered increased from approximately 178,000 sq.m. for the year ended December 31, 2019 to approximately 222,000 sq.m. for the year ended December 31, 2020 and the recognised revenue increased from approximately RMB1,285 million for the year ended December 31, 2019 to approximately RMB1,427 million for the year ended December 31, 2020. The above increments were primarily attributable to the completion and delivery of Tianbao Green City, Tianbao New City Phase III, Fuxinyuan in Zhangbei County and Project Ming Yang Phase I to purchasers during the year.

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, 2020, the Group held one commercial investment property, Baoxin International Building, which had a rentable GFA of 44,336.1 sq.m..

1.2 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 increased revenue from building construction and industrial, commercial and infrastructure construction projects due to an increase in project volume and scale of such construction projects.

2. Cost of sales

The Group's cost of sales primarily represents the costs which the Group incurs for the property development and sales as well as construction contracting services the Group rendered. The costs for property development business primarily include land costs, construction costs and rent costs. The costs for construction contracting business primarily include labor costs, raw material costs, machinery costs, subcontracting costs and other costs.

The Group's cost of sales increased from approximately RMB1,978 million for the year ended December 31, 2019 to approximately RMB2,741 million for the year ended December 31, 2020, representing an increase of 38.6%, which was in line with the growth of property development business and construction contracting 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:

	Year ended December 31					
	2020			2019		
	Gross Profit *RMB'000*	**Percentage of gross profit** *(%)*	**Gross profit margin** *(%)*	Gross Profit *RMB'000*	Percentage of gross profit *(%)*	Gross profit margin *(%)*
Segment						
Property development business	**533,733**	**85.0**	**37.2**	609,646	89.3	47.0
Construction contracting business	**94,366**	**15.0**	**4.9**	72,774	10.7	5.3
Total	**628,099**	**100.0**	**18.6**	682,420	100.0	25.7

The Group's gross profit decreased slightly from approximately RMB682 million for the year ended December 31, 2019 to approximately RMB628 million for the year ended December 31, 2020, representing a decrease of 8%, which was primarily attributable to the decrease in gross profit of the Group's property development business from approximately RMB610 million for the year ended December 31, 2019 to approximately RMB534 million for the year ended December 31, 2020. The Group's gross profit margin decreased from 25.7% for the year ended December 31, 2019 to 18.6% for the year ended December 31, 2020. Among the projects that have been delivered to the purchasers during the year, Zhangbei Fuxinyuan and Tianbao New City Phase III have delivered an area of approximately 150,000 s.q.m. with low average selling prices and low gross profit margins, resulting in the decrease in gross profit margin of the Group's property development business from 47.0% for the year ended December 31, 2019 to 37.2% for the year ended December 31, 2020. The gross profit margin of the construction contracting business remained relatively stable at 4.9% for the year ended December 31, 2020 (2019: 5.3%).

4. Other income and gains

The Group's other income and gains increased by 92.5% from approximately RMB13.8 million for the year ended December 31, 2019 to approximately RMB26.5 million for the year ended December 31, 2020, primarily due to the receipt of government funding of approximately RMB11.5 million (2019: Nil) and the dividend income received from equity investments designated at fair value through other comprehensive income of approximately RMB9.7 million (2019: RMB10.8 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.

The Group's selling and distribution expenses decreased by 63.6% from approximately RMB3.2 million for the year ended December 31, 2019 to approximately RMB1.2 million for the year ended December 31, 2020. Most of the selling and distribution expenses were capitalized 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 amortization, traveling and other expenses.

The Group's administrative expenses decreased by 28.7% from approximately RMB78.0 million for the year ended December 31, 2019 to approximately RMB55.7 million for the year ended December 31, 2020. The administrative expenses in 2019 included the listing expense of approximately RMB29.2 million, while we did not incur such expense in 2020. Other administrative expenses include staff costs (including directors' remuneration) of approximately RMB29.6 million (2019: RMB24.7 million), which was mainly due to the business expansion of the Group and an increase in the number of staff, thus a rise of staff costs.

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

The Group performs an impairment analysis as of December 31, 2020 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, 2020, the Group's net impairment losses on financial assets amounted to approximately RMB40.1 million (2019: RMB24.3 million), primarily due to the amount of financial assets that the Group considered not recoverable based on the ECLs analysis performed.

8. Fair value loss/gain on investment properties

Baoxin International Building, the Group's investment property, is located in Zhuozhou, Hebei Province, the PRC, and is held by the Group as long run investment to generate rental income.

For the year ended December 31, 2020, the Group recorded fair value loss on investment properties of approximately RMB0.7 million (2019: gain of RMB4.7 million), which was mainly due to the slight decrease in fair value of investment properties.

9. Finance costs

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

The Group's finance costs increased by 72.9% from approximately RMB21.8 million for the year ended December 31, 2019 to approximately RMB37.7 million for the year ended December 31, 2020, which was mainly due to a larger portion of interest expenses incurred from the loans raised were not capitalised to the property development projects during this year.

10. Income tax expenses

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

The Group's income tax expenses decreased by 17.3% from approximately RMB252.2 million for the year ended December 31, 2019 to approximately RMB208.6 million for the year ended December 31, 2020, which was mainly due to the increase in the Group's taxable profit derived from the property development business and construction contracting business and the provision of LAT for the units delivered to purchasers of the property development business.

11. Profit for the year

For the year ended December 31, 2020, the Group's profit amounted to approximately RMB331.7 million, representing an increase of 4.4% from RMB317.7 million for the year ended December 31, 2019.

Liquidity, Finance and Capital

The Group has historically met its liquidity requirements through cash flows from operations and bank 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, 2020, the Group's total deposits, cash and cash equivalents amounted to approximately RMB449 million (2019: approximately RMB452 million), which are denominated in RMB and Hong Kong dollar, including pledged deposits of approximately RMB265 million as at December 31, 2020 (2019: approximately RMB130 million).

Future plans for material investments and acquisition of capital assets

On January 6, 2020, Tianbao Real Estate Group Co., Ltd., an indirect wholly-owned subsidiary of the Company, entered into a contract for grant of the right of use of state-owned construction land with Zhuozhou Natural Resources and Planning Bureau* in respect of a land parcel situated north to Yongji East Road and east to Pengcheng Street in the High-Tech Development Zone, Zhuozhou, the PRC with a total area of 58,610.9 sq.m. The total consideration was RMB246,276,000, and the term of the land use right is 40 years and will be used for other commercial service purpose. The project, whose name is Tianbao Smart Building Technology Park Project, covers a total planned GFA of approximately 310,000 sq.m. and has commenced construction. The project began its pre-sales in early 2021. For further details, please refer to the announcement of the Company dated January 6, 2020.

Save as the aforesaid, there was no material acquisition and disposal of subsidiaries and assets by the Group during the Reporting Period.

Save as the aforesaid and disclosed in the prospectus of the Company dated October 30, 2019 (the "**Prospectus**"), the Group has no other plans for material investments and capital assets.

Significant investments held

For the year ended December 31, 2020, the Group did not hold any significant investments.

Loan and pledge of assets

	As of December 31					
	2020			*2019*		
	Effective interest rate ***(%)***	**Maturity**	***RMB'000***	Effective interest rate *(%)*	Maturity	*RMB'000*
Current						
Bank borrowings – secured	**5.66**	**2021**	**250,000**	5.66	2020	250,000
Current portion of long term bank borrowings – secured	**4.75-9.75**	**2021**	**98,000**	4.75-8.00	2020	369,000
			348,000			619,000
Non-current						
Bank borrowings – secured	**4.75-8.00**	**2022**	**232,450**	4.75-9.75	2021-2022	170,000
			580,450			789,000

The following table sets forth the maturity profile of the Group's interest-bearing bank borrowings as of the dates indicated:

	As of December 31	
	2020 ***RMB'000***	2019 *RMB'000*
Bank borrowings repayable:		
Within one year or on demand	**348,000**	619,000
In the second year	**232,450**	100,000
In the third to fifth years, both inclusive	**–**	70,000
Total	**580,450**	789,000

As at December 31, 2020, the Group's total interest-bearing bank borrowings amounted to approximately RMB580 million (2019: approximately RMB789 million). The Group's interest-bearing bank borrowings are all denominated in RMB.

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

	As of December 31	
	2020	2019
	RMB'000	*RMB'000*
Investment properties	**140,400**	141,100
Properties under development	**303,507**	593,895
Completed properties held for sale	**27,661**	–
Property, plant and equipment	**63,320**	68,176
Right-of-use assets	**8,579**	–

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:

		As of or for the year ended December 31	
	Notes	**2020**	2019
Current ratio *(times)*	*1*	**1.15**	1.10
Gearing ratio *(%)*	*2*	**44.1**	72.6
Net gearing ratio *(%)*	*3*	**10.0**	31.0
Return on equity *(%)*	*4*	**27.6**	23.0
Return on total assets *(%)*	*5*	**5.3**	5.1
Gross profit margin *(%)*	*6*	**18.6**	25.7
Net profit margin *(%)*	*7*	**9.8**	12.0

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 borrowings as of the end of the respective periods divided by total equity as of the end of the respective periods and multiplied by 100%.

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

4. Return on equity was calculated based on the profit for the respective periods divided by the 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 net 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 from the continuing operations for the respective periods.

7. Net profit margin was calculated on profit for the year divided by revenue from the continuing operations for the respective periods.

Commitments

Operating Lease Commitments

The Group as a lessor

The Group lease its investment properties under operating lease arrangements with leases negotiated from terms 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:

	2020	2019
	RMB'000	*RMB'000*
Within one year	**9,514**	9,011
In the second to fifth years, both inclusive	**16,889**	7,492
After five years	**4,957**	355
	31,360	16,858

Capital Commitments

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

	2020	2019
	RMB'000	*RMB'000*
Contracted, but no provision has been made:		
Construction contracting	**267,458**	229,572

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 RMB1,718.7 million (December 31, 2019: RMB816.4 million) as at December 31, 2020. 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. Use of Proceeds from Initial Public Offering ("IPO")

Trading of shares in the Company on the Stock Exchange commenced on November 11, 2019, and the Group raised net proceeds of approximately HK$489.18 million (equivalent to approximately RMB437.14 million) (including the net proceeds received upon partial exercise of the over-allotment options as set out in the Prospectus, the "**Net Proceeds**"), after deducting the underwriting commission and other expenses in connection with the IPO.

As of December 31, 2020, an analysis of the utilisation of proceeds from IPO is as follows:

Proposed use of Net Proceeds as set out in the Prospectus	Approximate percentage of Net Proceeds	Net Proceeds (including net proceeds from the exercise of the over-allotment option)	Cumulative amount of proceeds utilised as of December 31, 2019	Amount of proceeds utilised during the year
	(%)	*RMB million*	*RMB million*	*RMB million*
To increase land reserves by acquiring land parcels in cities in Beijing-Tianjin-Hebei Region	50	218.57	133.16	85.41
To construct property projects under development	20	87.42	48.08	39.34
Funds for construction projects of backlog	20	87.42	87.42	–
General working capital	10	43.73	19.26	24.47
Total	100	437.14	287.92	149.22

As of the year ended December 31, 2020, the Company has fully applied the proceeds in the manner and proportion set out in the Prospectus.

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 has 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 deposits and bank borrowings. Bank deposits and bank borrowings issued at variable rates expose the Group to cash flow interest rate risk. Bank borrowings and other borrowings bearing an interest at fixed rates expose the Group to fair value interest rate risk.

FUTURE PROSPECT

In 2020, with the COVID-19 pandemic gradually stabilizing, the industrial policy of the construction industry has switched from reducing debts and costs and enhancing production to guiding the high-quality development of the industry, which indicates the reform and innovation direction of the construction industry for the 14th Five Year Plan and promotes the high-quality development of the construction industry. In the new era, the key to the success of construction enterprises lies in accelerating transformation and upgrade, updating management concepts and optimizing management models according to market needs, so as to develop steadily in this competitive market. For the real estate sector, the central government has no intention of relaxing and continue to stick to the policy of "houses are built for living and not for speculation" in 2020. The central government will introduce policies aligning with local conditions with an aim to implement a long-term mechanism for the real estate in a steady and effective manner and promote stable and healthy development for the real estate market.

The Group will seize market opportunities and continue to implement the development strategy of "construction first and property development to follow", in order to promote the collaborative development of two major businesses of construction contracting and property development. For the property development business, the Group will continue to radiate relevant areas with the expansion strategy, adapt to projects with competitive edges and create newly-expanded areas, to promote the multi-format development of real estate and deepen the expansion of diversified industries. In view of the new infrastructure policy of China, the construction contracting business of the Group will take the opportunities brought by qualification reforms to achieve vertical and in-depth development, and realize the qualification potential of construction contracting business. In addition, the Group will center on its headquarters and concentrate on mature areas, to achieve horizontal development and seek nationwide expansion into the construction contracting market. Our operations will be based on the model of "responsibility areas + performance targets", striving to develop Guangdong-Hong Kong-Macau Greater Bay Area, Guangxi and other new areas, create new targets, liberate our potentials and promote independent operation.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended December 31, 2020 (for the year ended December 31, 2019: Nil).

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The Company proposes to hold the annual general meeting of the Company (the "**Annual General Meeting**") at 9:00 a.m. on May 25, 2021.

To ascertain the identity of the shareholders of the Company (the "**Shareholders**") who are entitled to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from May 20, 2021 to May 25, 2021, 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 branch 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 18, 2021.

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

During the year ended December 31, 2020, 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") during the year ended December 31, 2020, except for the deviation from code provision A.2.1 of the Corporate Governance Code.

Pursuant to code provision A.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, 2020. 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 for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (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 Model Code during the year ended December 31, 2020.

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, 2020.

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 other comprehensive income and the related notes thereto for the year ended December 31, 2020 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.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") consists of three independent non-executive Directors, namely Mr. Li Xu, Mr. Liu Kaixiang 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, 2020 prepared under the IFRSs.

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

The Group had no material events after the Reporting Period.

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 2020 annual report of the Company with all the information as required by the Listing Rules will be despatched to the Shareholders 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.

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

Hong Kong, March 23, 2021

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. Li Xu, Mr. Liu Kaixiang and Mr. Li Qingxu.