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: 01427

2021 ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Li Baotian
(Chairman of the Board and Chief Executive Officer)
Ms. Shen Lifeng
Ms. Wang Xinling
Mr. Li Yaruixin
Ms. Wang Huijie
Mr. Zang Lin

Independent Non-executive Directors

Mr. Li Xu
Mr. Liu Kaixiang
Mr. Li Qingxu

AUDIT COMMITTEE

Mr. Li Xu *(Chairman)*
Mr. Liu Kaixiang
Mr. Li Qingxu

REMUNERATION COMMITTEE

Mr. Li Qingxu *(Chairman)*
Mr. Li Xu
Mr. Liu Kaixiang
Ms. Wang Xinling
Mr. Li Yaruixin

NOMINATION COMMITTEE

Mr. Li Baotian *(Chairman)*
Mr. Li Xu
Mr. Liu Kaixiang
Ms. Shen Lifeng
Mr. Li Qingxu

INVESTMENT DECISION COMMITTEE

Mr. Li Baotian *(Chairman)*
Ms. Shen Lifeng
Ms. Wang Xinling
Mr. Li Yaruixin
Ms. Wang Huijie
Mr. Zang Lin
Mr. Li Xu
Mr. Liu Kaixiang
Ms. Liu Dandan *(Senior management)*
Mr. Li Zhengmao *(Management)*

STRATEGIC PLANNING COMMITTEE

Mr. Li Baotian *(Chairman)*
Ms. Shen Lifeng
Ms. Wang Xinling
Mr. Li Yaruixin
Ms. Wang Huijie
Mr. Zang Lin
Mr. Li Qingxu

LEGAL ADVISOR

Jia Yuan Law Office

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

REGISTERED OFFICE

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN CHINA

No. 33, Guanyun East Road
Zhuozhou County
Hebei Province
the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 3326, 33/F,
China Merchants Tower, Shun Tak Centre
168-200 Connaught Road Central
Sheung Wan
Hong Kong

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F, One Taikoo Place
979 King's Road, Quarry Bay
Hong Kong

JOINT COMPANY SECRETARIES

Mr. Du Hang
Mr. Lei Kin Keong (resigned on December 6, 2021)
Ms. Lin Sio Ngo (appointed on December 6, 2021)

AUTHORISED REPRESENTATIVES

Mr. Li Yaruixin
Mr. Lei Kin Keong (resigned on December 6, 2021)
Ms. Lin Sio Ngo (appointed on December 6, 2021)

PRINCIPAL BANKS

China Construction Bank Co., Ltd., Zhouzhou Wutan Branch
Bank of China (Hong Kong) Limited

COMPANY'S WEBSITE

www.chinatbjt.com

STOCK CODE

1427

COMMUNICATION WITH INVESTORS

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MAJOR HONORS AND AWARDS

ENTERPRISE BRAND

China Tianbao Group Development Company Limited

Number	Honors and awards	Awarding body
1	2021 China Property Award of Supreme Excellence (2021 優質中國房地產企業大獎)	Organising Committee of China Property Award of Supreme Excellence and China Property Management Award of Supreme Excellence (優質中國房地產企業及優質物業管理大獎籌委會)
2	Best Infrastructure and Public Utilities Company (最佳基建及公共事業公司)	Zhitongcaijing (智通財經), RoyalFlush Caijing (同花順財經)

Tianbao Real Estate Group Co., Ltd.

Number	Honors and awards	Awarding body
1	Baoxin International won the 9th (2019-2020) Guangsha Award– Industrialized Technology Application Excellence Award (保鑫國際榮獲第九屆(2019-2020年度)廣廈獎產業化技術應用優秀獎)	China Real Estate Association (中國房地產業協會)
2	Baoxin International won the 9th (2019-2020) Guangsha Award – Public Supporting and Operational Services Excellence Award (保鑫國際榮獲第九屆(2019-2020 年度)廣廈獎公共配套與運營服務優秀獎)	China Real Estate Association (中國房地產業協會)
3	Baoxin International won the 9th (2019-2020) Guangsha Award – Engineering Quality Excellence Award (保鑫國際榮獲第九屆(2019-2020 年度)廣廈獎工程質量優秀獎)	China Real Estate Association (中國房地產業協會)
4	2021 Recommended Brands for Property Development Enterprises in Hebei Province (2021 年度河北省房地產行業推薦品牌)	Hebei Province Housing and Property Development Industry Association (河北省住宅與房地產業協會)
5	Tianbao Green City Residential District won the 2021 Yanzhao Guangsha Cup (天保綠城住宅小區2021年度燕趙廣廈杯)	Hebei Province Housing and Property Development Industry Association (河北省住宅與房地產業協會)

MAJOR HONORS AND AWARDS

Number	Tianbao Construction Group Company Limited Honors and awards	Awarding body
1	2021 Construction Honesty Representative Companies (2021年度工程建設誠信典型單位)	China Association of Construction Enterprise Management (中國施工企業管理協會)
2	Corporate Credit Rating Certificate (3A) (企業信用等級證書(3A))	China Construction Industry Association (中國建築業協會)
3	2021 Advanced Organizations Implementing High Performance (2021年度實施卓越績效先進組織)	China Association for Quality (中國質量協會)
4	5A Trusted Enterprise for Tendering and Bidding in 2019 (2019年度誠實守信招投標5A級單位)	Hebei Construction Engineering Bidding Association (河北省建設工程招投標協會)
5	2020 Advanced Unit for Bidding and Tendering of Construction Projects in Hebei Province (2020年度河北省建設工程招投標工作先進單位)	Hebei Construction Engineering Bidding Association (河北省建設工程招投標協會)
6	5A Trusted Construction Enterprise of Hebei Province for Tendering and Bidding for Construction Projects in 2020 (2020年度河北省建設工程招投標誠實守信5A級施工企業)	Hebei Construction Engineering Bidding Association (河北省建設工程招投標協會)
7	Advanced Unit in Emergency Management and Work Safety in 2020 (2020年度應急管理與安全生產先進單位)	Emergency Management and Work Safety Association of Hebei Province (河北省應急管理與安全生產協會)
8	46th Among 2020 Hebei Province Top 100 Private Enterprises (2020年度河北省民營企業100強第46名)	Federation of Industry and Commerce of Hebei Province (河北省工商業聯合會)
9	The First Batch of Benchmark Enterprises on Bidding and Procurement Interconnection Platform in Hebei Construction Industry (河北建築業招採互聯平台首批標桿企業)	Hebei Construction Industry Association (河北省建築業協會)
10	3A Level Excellent Brand in Hebei (河北優品牌(3A))	Hebei Province Trademark Association (河北省商標品牌協會)
11	2021 Hebei Province Advanced Organizations Implementing High Performance (2021年度河北省實施卓越績效先進組織)	Hebei Association for Quality (河北質量協會)
12	Building 3# and 6# of Tianbao Lingyun City Residential District won the 2020 Anji Cup (Outstanding Construction of Hebei Province) (天保凌雲城住宅小區3#、6#樓2020年安濟杯獎(省優質工程))	Hebei Construction Industry Association (河北省建築業協會)
13	Building 1# and 3# of Tianbao Green City Residential District won the 2020 Anji Cup (Outstanding Construction of Hebei Province) (天保綠城住宅小區1#、3#樓2020年安濟杯獎(省優質工程))	Hebei Construction Industry Association (河北省建築業協會)

MAJOR HONORS AND AWARDS

Tianbao Construction Group Company Limited

Number	Honors and awards	Awarding body
14	National Market Quality Credit • Customer Satisfaction in Engineering 2021 (2021年度全國市場質量信用等級•工程類用戶滿意)	China Association for Quality (中國質量協會)
15	Building A15# and16# of Tianbao New City Residential District (Phase III) won the 2020 Anji Cup (Outstanding Construction of Hebei Province) (天保新城住宅小區(三期)A15#、16#樓2020年安濟杯獎(省優質工程))	Hebei Construction Industry Association (河北省建築業協會)
16	Baoding Integrity Education Center (Zhuozhou Base) Project recognized as the Customer Satisfaction Construction Project (保定市廉政教育中心(涿州基地)項目用戶滿意建築工程)	Hebei Association for Quality and Hebei User Committee (河北省質量協會、河北省用戶委員會)
17	Mingyang Residential Community Phase I Project (Building 1# and 3#) recognized as the Customer Satisfaction Construction Project (明陽住宅小區一期項目(1#、3#樓工程)用戶滿意建築工程)	Hebei Association for Quality and Hebei User Committee (河北省質量協會、河北省用戶委員會)
18	Building A12 and A22 of Tianbao New City Residential District (Phase III) and Shopping Malls (Zhongdu Ginza) recognized as the Customer Satisfaction Construction Project (天保新城住宅小區(三期)A12、A22、商場(中都銀座)用戶滿意建築工程)	Hebei Association for Quality and Hebei User Committee (河北省質量協會、河北省用戶委員會)
19	Fuxinyuan Shanty-town Reconstruction and Resettlement Community Construction Project in Zhangbei County recognized as the Customer Satisfaction Project (張北縣福馨苑棚戶區改造安置小區建設項目用戶滿意建築工程)	Hebei Association for Quality and Hebei User Committee (河北省質量協會、河北省用戶委員會)
20	Building 1# to 4# of Tianbao Green City and Underground Garage Project recognized as the National Market Quality Credit A and Customer Satisfaction Project (天保綠城1#-4#樓及地下車庫工程全國市場質量信用A等用戶滿意工程)	Hebei Construction Industry Association (河北省建築業協會)

CORPORATE SOCIAL RESPONSIBILITY

Number	Honors and awards	Awarding body
1	The Most Socially Responsible Prize (最具社會責任獎)	Gelonghui (格隆匯)
2	2021 Outstanding Enterprises in Rural Revitalization (2021年度助力鄉村振興優秀企業)	Federation of Industry and Commerce of Yu County (蔚縣工商業聯合會), Chamber of Commerce of Yu County (蔚縣總商會)

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of China Tianbao Group Development Company Limited, I hereby present the 2021 annual results and business review for the year ended December 31, 2021 (the "Year") and future outlook of the Company and its subsidiaries.

MARKET OVERVIEW

In 2021, under the guidelines of macro policies, the property industry of China has entered into a period of in-depth adjustment. Adhering to the policy of "houses are for living", the state accelerated the adjustment of the property industry through a series of powerful policies such as credit restrictions, purchase restrictions, price restrictions, new policy of "Two Concentration (兩集中)" and school district restructuring. Local governments implemented "differentiated policies for different places" and the goal of "stable land prices, housing prices and market expectations", and jointly promoted the economic structure of real estate towards long-term, standardized and steady development. According to data released by the National Bureau of Statistics of the PRC, in 2021, the national real estate development investments reached RMB14,760.2 billion, representing an increase of 4.4% and 11.7% as compared with the previous year and 2019, respectively, indicating an average increase of 5.7% over a two-year span; the floor space under construction of real estate development enterprises was 9,753.87 million square meters ("sq.m."), representing an increase of 5.2% as compared with the previous year; the sales area of commercial housing was 1,794.33 million sq.m., representing an increase of 1.9% and 4.6% as compared with the previous year and 2019, respectively, indicating an average increase of 2.3% over a two-year span; and the sales amount of commercial housing was RMB18,193.0 billion, representing an increase of 4.8%.

In 2021, in face of the impact of the epidemic and under the situation of downward pressure on the economy, the construction industry forged ahead. With the influence of the policies and driven by the market, the pace of the transformation and upgrading of the industry and green development accelerated to achieve stable and healthy development of the entire industry. All major indicators showed a good momentum of stability and progress. According to data released by the National Bureau of Statistics, in 2021, the gross domestic product (GDP) of the PRC amounted to RMB114,367.0 billion, representing an increase of 8.1% as compared with the previous year on a constant price basis, in which the gross product of the construction industry amounted to RMB29.3 trillion, representing a year-on-year increase of 11%.

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

Against the backdrop of huge downward pressure on the global economy and increasingly complex national economic environment, the senior management of the Group studied and judged the situation, thoroughly implemented the development strategy of "construction first and property development to follow", actively explored the in-depth development of the industry, deepened the layout of extended industries such as tourism and medical care and commercial operations, focused on creating new service patterns such as quality community and EPC engineering, and solidly advanced towards its established goal step by step, having achieved steady growth in the performance of the Group.

Breaking the ice, the real estate set sail with heavy duty

In the face of the domestic property market turmoil and the successive defaults of leading real estate companies, Tianbao Real Estate Group repositioned the three functions of "control-service-guidance", realized the internal management mechanism of process standards, unified resources and information sharing, and firmly grasped the pulse of capital in the process of "investment-financing-production-supply-marketing", with cash flow protection as the core, diversified financing as the means, and taking the shaping of product sales force as a breakthrough, supplemented by engineering cost reduction, design optimization and upgrading, to ensure a smooth transition and accumulate development energy. Tianbao Edelweiss City and Boyue Bay were successfully handed over; Tianbao Jingxifu project was well positioned; the product sales of Tianbao Smart City and Tianbao New City maintained the leading position in the local industry; the industry scale of Tianbao Hotel increased steadily, and it has reached strategic cooperation with well-known hotel brands in Zhangbei, Yu County and Zhuozhou .

In 2021, Tianbao Real Estate Group continued to promote brand building, and won the "Recommended Brands for Property Development Enterprises in Hebei Province"; Tianbao Smart City was included in the 2021 Catalogue for Key Construction Project in Hebei Province; Tianbao Green City and Tianbao Lingyun City successfully passed the provincial-level review of the "Guangsha Award", and Tianbao Green City won the "Yanzhao Guangsha Cup". While improving the corporate brand, Tianbao Real Estate Group improved the comprehensive service level of the enterprise by creating "star employees" with outstanding business fields and high recognizable deeds and images. Many employees of the Group have been selected into the expert database of real estate industry of Hebei province.

Steering the rudder, the construction business made stable and good achievements

Tianbao Construction Group closely follows the pace of the "14th Five-Year Plan" of China, continues to take high-quality development as the overall keynote, coordinates the layout of the national market, comprehensively improves project management, and stands in the overall situation while examines the situation, promotes development with reform and adds dynamic energy with innovation. In terms of market development, we strengthen the development of provincial areas and deploy operations in provinces of Guangxi, Guangdong, Hubei and Zhejiang, covering more than 20 provinces and cities across the country; in terms of operation management, we continue to improve and innovate our management system, deeply integrate quality, occupational health and safety and excellence performance management models; in terms of project construction, we strengthen the management of the entire life cycle of construction projects, with cost management as the core, focusing on re-upgrading safety management and strengthen the management of the project progress.

CHAIRMAN'S STATEMENT

In 2021, Tianbao Construction Group strived to be the first and best and has been successively awarded the "National Advanced Organization for Performance Excellence", "Advanced Enterprise in the Construction Industry of Hebei Province", "AAA Grade Social Credit Enterprise", "The First 'Yanzhao Cup' Best Organization Award", "Hebei Excellent Brand", "Baoding Municipal Government Quality Award Organization Award" and other honors; The employees of the Group have won personal honors such as the Outstanding Manager of Construction Industry in Hebei Province, the Outstanding Project Manager of Construction Industry in Hebei Province, the Excellent Project Manager of Municipality in Hebei Province, the Technology Expert of China Association of Construction Enterprise Management, the Expert of Construction Industry in Hebei Province and the Top Young Scholar.

In terms of operating results, as of December 31, 2021, revenue for the Year amounted to approximately RMB2,900 million, representing a year-on-year decrease of 13.9%; profit for the Year amounted to approximately RMB42 million, representing a year-on-year decrease of 87.4%; gross profit amounted to approximately RMB240 million, representing a year-on-year decrease of 61.2%; gross profit margin was 8.4%, decreasing by 10.2 percentage points as compared to last year; and profit for the Year attributable to Shareholders amounted to approximately RMB42 million. The Board did not recommend the payment of a final dividend for the year ended December 31, 2021. The Group recorded a decrease in the revenue and the gross profit for the Year. In particular, the aggregate delivered residential GFA of the property development business decreased from approximately 222,000 sq.m. for the year ended December 31, 2020 to approximately 135,000 sq.m. for the year ended December 31, 2021, and the recognised revenue decreased from approximately RMB1,420 million for the year ended December 31, 2020 to approximately RMB680 million for the year ended December 31, 2021. The above changes were primarily attributable to the completion and delivery to purchasers of Tianbao Green City, Tianbao New City Phase III, Fuxinyuan and Xinyue Bay in 2020, while there are no other major projects delivered to purchasers in 2021 except for the large-scale delivery of partial Edelweiss City (Residential). In addition, Edelweiss City (Residential) had delivered approximately 78,200 sq.m. out of approximately 135,000 sq.m. delivered for the Year, whose average selling price and gross profit margin were relatively low, resulting in a lower gross profit. The increase in volume of construction contracting business was attributable to an increased revenue from building construction and industrial, commercial and infrastructure construction projects due to an increase in project volume and scale of such projects.

FUTURE OUTLOOK

In 2022, while the real estate industry accelerates into a new normal, it's still in a period of strategic opportunity. As a national pillar industry, the real estate industry will change from extensive to meticulous as well as from investment-oriented to growth-oriented. Real estate enterprises need to adapt to the new normal, achieve upgrades and continuously optimise their own economic structure in order to achieve intensive and long-term development under the new normal, and also to better grasp the new strategic opportunities in the real estate industry.

CHAIRMAN'S STATEMENT

With the development and maturity of the Internet, 5G and other related technologies, construction enterprises are gradually getting rid of labels such as extensive, basic and traditional. The "14th Five-Year Plan" for the Development of the Construction Industry clearly points out the theme of promoting high-quality development of the construction industry, with deep supply-side structural reform as the main line, and promoting the synergistic development of intelligent construction and new building industrialisation as the driving force to accelerate the transformation and upgrading of the construction industry and achieve green and low-carbon development. On the basis of focusing on technology integration, the future construction industry will increase the integration and innovative application of Building Information Model (BIM) technology in the entire construction process, promote digital collaborative design, and build a standardised design and production system for assembled buildings.

The Group will closely follow the theme of high-quality development, strive to build a "specialised and new" development breeding platform, adhere to the "collaborative development of two major businesses" of construction and real estate, focus on optimising the main businesses of the two segments, and effectively enhance the core competitiveness, brand influence and sustainable development capacity of the main businesses of construction and real estate. In the real estate segment, the Group will adhere to the development strategy of seeking progress and refinement while maintaining stability, strengthen brand activities, improve product experience and project quality, focus on solving housing functional needs, work hard on design and seek benefits from quality. In the construction segment, under the background of the "dual carbons" goal, the Group will promote the standardization of projects and digital site development, deepen cost control, create an optimal supply chain, seize new opportunities with new ideas and achieve enterprise transformation and upgrading with new actions.

APPRECIATION

The steady development of the Group depends on the trust and support of all Shareholders, investors and business partners, as well as the dedication of all employees.

Finally, on behalf of the Board, I would like to express my sincere gratitude to all Shareholders for their continuing support and all colleagues for their devotion and hardworking over the past year.

China Tianbao Group Development Company Limited

Li Baotian
Chairman of the Board, Executive Director and Chief Executive Officer
Hong Kong
March 23, 2022

BREAKDOWN OF PROPERTIES

BREAKDOWN OF PROPERTIES AS OF DECEMBER 31, 2021

		Completed				Under development				Held for future development			
Name and location of project	Site area (sq. m.)	GFA completed (sq. m.)	Saleable/ rentable GFA (sq. m.)	Unsold saleable GFA (sq. m.)	Rentable GFA held for property investment (sq. m.)	GFA under development (sq. m.)	Saleable GFA (sq. m.)	Saleable GFA pre-sold (sq. m.)	Development stage	Planned GFA (sq. m.)	Use	Completion time/ estimated completion time	Equity holders' equity
I. Residential and commercial properties													
Zhuozhou													
1. Tianma Jingyuan (天馬景苑) No. 5-1 Huayangzhong Road	45,926.8	200,403.4	195,676.1	210.9	-	-	-	-	-	-	Residential	July 2015	100%
2. Tianhe Penghua (田合鵬華) No. 128 Huayang Road	36,950.1	71,863.7	66,861.2	4,000.4	-	-	-	-	-	-	Residential	November 2017	100%
3. Tianbao Green City (天保綠城) The northern side of Guanyun Road and the western side of Xuyi Village	33,764.1	105,173.3	78,320.0	11,050.4	-	-	-	-	-	-	Residential	November 2019	100%
4. Tianbao Lingyun City (天保凌雲城) The northern side of Songgao Road, Songlindian Town	26,666.7	89,120.8	60,902.6	8,714.5	-	-	-	-	-	-	Residential	April 2019	100%
5. Tianbao Xinyue Bay (天保馨悅灣) (also known as Project MingYang Phase I (明陽一期)) Xiguo Village, Matou Town	17,593.3	48,665.5	45,147.4	5,276.0	-	-	-	-	-	-	Residential	November 2020	100%
6. Tianbao Smart Building Technology Park Project (天保智慧建築科技園項目) North to Yongji East Road and east to Pengcheng Street in the High-Tech Development Zone	58,610.9	-	-	-	-	134,658.2	109,417.8	21,749.1	Main structure under construction	175,434.5	Commercial	September 2023	100%
Zhangjiakou													
7. Tianbao New City Phase I (天保新城一期) The eastern side of Zhongdu Street and the southern side of Xinghe Road, Zhangbei County	66,351.8	132,778.0	121,080.0	7,290.5	-	-	-	-	-	-	Commercial, Residential	December 2014	100%
8. Tianbao New City Phase II (天保新城二期) The eastern side of Zhongdu Street and the southern side of Xinghe Road, Zhangbei County	66,340.0	132,035.7	118,368.2	6,580.6	-	-	-	-	-	-	Commercial, Residential	January 2018	100%
9. Tianbao New City Phase III (天保新城三期) The eastern side of Zhongdu Street and the southern side of Xinghe Road, Zhangbei County	92,189.5	241,355.8	211,032.7	23,966.7	-	-	-	-	-	-	Commercial, Residential	December 2019	100%
10. Zhangbei Zhongdu Ginza (張北中都銀座) The eastern side of Zhongdu Street and the southern side of Xinghe Road, Zhangbei County	8,106.7	86,690.5	77,598.0	75,431.3	-	-	-	-	-	-	Commercial	June 2021	100%

BREAKDOWN OF PROPERTIES

		Completed				Under development				Held for future development			
Name and location of project	Site area (sq. m.)	GFA completed (sq. m.)	Saleable/ rentable GFA (sq. m.)	Unsold saleable GFA (sq. m.)	Rentable GFA held for property investment (sq. m.)	GFA under development (sq. m.)	Saleable GFA (sq. m.)	Saleable GFA pre-sold (sq. m.)	Development stage	Planned GFA (sq. m.)	Use	Completion time/ estimated completion time	Equity holders' equity
11. Zhangbei Fuxinyuan Shanty-town Improvement Project (張北縣福馨苑棚戶區改造項目) The eastern side of Jingdu Road, Zhangbei County	71,057.0	147,871.2	137,701.5	36,634.6	-	-	-	-	-	-	Commercial, Residential	June 2020	100%
12. Tianbao Edelweiss City (Residential) (天保雪絨花都(住宅)) The eastern side of Qilihe Village, Yu County	100,192.0	190,887.2	134,482.7	56,284.8	-	81,186.4	14,017.6	11,641.6	Main structure under construction	-	Residential	December 2021	100%
13. Tianbao Edelweiss City (Commercial) (天保雪絨花都(商業)) The eastern side of Qilihe Village, Yu County	54,709.0	-	-	-	-	10,238.4	8,410.0	639.1	Main structure under construction	154,020.1	Commercial	March 2022	100%
14. Tianbao Boyue Bay (天保鉑悅灣) Lipuzi Village, Yuzhou Town, Yu County	81,815.0	-	-	-	-	193,581.1	80,826.2	51,767.5	Main structure under construction	-	Residential	December 2022	100%
15. Tianbao Hushan Yard (天保湖山大院) Tumu Village, Tumu Town, Huailai County	145,569.5	-	-	-	-	223,540.0	172,389.8	5,086.5	Main structure under construction	167,388.4	Residential	October 2022	100%
16. Tianbao Jingbei Health City (Commercial Section) (天保京北健康城(商業部分)) Tumu Village, Tumu Town, Huailai County	54,168.9	-	-	-	-	140,863.7	59,758.7	6,787.4	Main structure under construction	-	Commercial	July 2022	100%
17. Zhangbei Zhongdu Garden (張北中都莊園) The western side of Zhanghua Highway and the northern side of Zhangshang Highway, Zhangbei County	99,513.0	-	-	-	-	-	-	-	-	119,415.6	Commercial	August 2023	100%
18. Zhangbei Haiziwa Land Lot (張北海子窪地塊) The western side of Haiziwa Scenic Area, Zhangbei County	48,742.0	-	-	-	-	-	-	-	-	48,742.0	Other commercial services	December 2025	100%
19. Tianbao Jingxifu (天保京西府) Nanfanzhuang Village, Yuzhou Town, Yu County	43,242.0	-	-	-	-	-	-	-	-	86,484.0	Commercial, Residential	December 2024	100%
II. Investment property													
Zhuozhou													
20. Baoxin International Building (保鑫國際大廈) (Note 1) No. 33 Guanyun East Road	17,792.4	50,039.7	44,336.1	-	44,336.1	-	-	-	-	-	Commercial	May 2016	100%
III. Other property													
Zhangjiakou													
21. Haiziwa Hotel (海子窪酒店) The southern side of Haiziwa County, Zhangbei County	52,237.0	-	-	-	-	33,967.5	-	-	-	-	Other commercial services	December 2022	100%

Note 1: The land use rights of Baoxin International Building (保鑫國際大廈) have been granted for a term expiring on December 2, 2053.

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, 2021, the Group's revenue was approximately RMB2,900 million, representing a decrease of 13.9% comparing to RMB3,369 million in 2020.

The underlying profit of the Group decreased by 74.6% to RMB79 million (2020: RMB310 million).

The reported profit amounted to approximately RMB42 million, representing a decrease of 87.4% comparing to RMB332 million in 2020, mainly attributable to a decrease of gross profit in property development business and a fair value loss on financial assets through profit or loss recorded in the year.

Reconciliation of underlying profit and reported profit is as follows:

	For the year ended December 31	
	2021	**2020**
	RMB'000	**RMB'000**
Reported profit	**41,808**	331,671
Fair value loss on investment properties	**–**	700
Fair value loss/(gain) on financial assets at fair value through profit or loss	**36,824**	(22,276)
Underlying profit	**78,632**	310,095

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's revenue for the year ended December 31, 2021 decreased by 13.9% to approximately RMB2,900 million (2020: RMB3,369 million). Such decrease was attributed to the decrease in revenue of the property development business which was mainly due to the fact that smaller amount of sales were recognised after the completion of the property sales, resulting in a decrease in the sales revenue of the property development business; the construction contracting business expanded to 19 provinces and cities, with the addition of Guangdong Province, Guangxi Province, Hubei Province, Zhejiang Province and other provinces and cities. More projects were completed and both project volume and project scale increased, resulting in an increase in the revenue of this segment.

The Group's underlying profit was approximately RMB79 million (2020: RMB310 million), a decrease of 74.6% from last year, mainly due to (i) the outbreak of the COVID-19; (ii) China's regulatory policies imposed on the real estate market (including the restrictions on purchase and pricing of houses), which resulted in a decrease in the number of properties sold at a price lower than expected, ultimately resulted in lower revenue and gross profit from the delivery of certain properties during the year; and (iii) the fewer areas of properties delivered by the Group during the year than that in 2020.

As at December 31, 2021, the net assets of the Group were approximately RMB1,346 million (2020: RMB1,316 million). The Group has bank deposits of approximately RMB472 million (2020: RMB449 million). Total bank and other loans of approximately RMB796 million (2020: RMB580 million). As at December 31, 2021, the net debt (being total borrowings minus bank deposits) of the Group was approximately RMB324 million (2020: RMB131 million). The Group's net assets and net debt have both increased compared to year 2020. The above financial indicators showed that the Group's financial position remained stable.

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			
	2021		2020	
Segment	Revenue RMB'000	Percentage of total revenue (%)	Revenue RMB'000	Percentage of total revenue (%)
Property development and others business	**690,819**	**23.8**	1,435,452	42.6
Construction contracting business	**2,208,722**	**76.2**	1,933,889	57.4
Total	**2,899,541**	**100.0**	3,369,341	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, 2021, the Group had a diverse portfolio of 21 property projects consisting of 19 residential and commercial properties, one investment property and one hotel, which are all owned and developed by the Group. Among the 21 property projects, 7 projects are located in Zhuozhou and the remaining 14 projects are located in Zhangjiakou. Among these 21 projects, 12 projects were completed, 6 projects were under construction and 3 projects were held for future development. As of December 31, 2021, the Group had land reserves with a total GFA of approximately 1,849,927 sq.m., including (i) completed properties with a total unsold saleable GFA of approximately 236,071 sq.m. and a rentable GFA held for property investment of approximately 44,336 sq.m., accounting for approximately 15.2% of the Group's total land reserves; (ii) properties under development with a total planned GFA of approximately 818,035 sq.m., accounting for approximately 44.2% of the Group's total land reserves; and (iii) properties held for future development with a total planned GFA of approximately 751,485 sq.m., accounting for approximately 40.6% of the Group's total land reserves.

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

		For the year ended December 31			
		2021		2020	
Business line	**Nature of income**	**Revenue RMB'000**	**Percentage of total revenue (%)**	**Revenue RMB'000**	**Percentage of total revenue (%)**
Property development and sales	Sales of residential properties	**679,768**	**98.4**	1,426,747	99.4
Commercial property investment and operations	Rental income	**11,051**	**1.6**	8,705	0.6
Total		**690,819**	**100.0**	1,435,452	100.0

MANAGEMENT DISCUSSION AND ANALYSIS

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

Projects in Zhuozhou

Tianbao Green City (天保綠城)

Located on the north side of Guanyun Road and the west side of Xuyi Village in Zhuozhou, the project covers a total site area of 33,764.1 sq.m. The project has convenient transportation facilities connecting Beijing-Shijiazhuang High-speed Railway and Beijing-Hong Kong-Macao Expressway. The GFA of the project is approximately 105,000 sq.m., including high-rise residential buildings, commercial properties and parking lots. As of December 31, 2021, 872 units have been launched and 816 units have been sold for Tianbao Green City.

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

The project is located in Beixiguo Village, Matou Town, Zhuozhou, with the convenient surrounding transportation facilities. The project can be reached through the Beijing-Hong Kong-Macao Expressway and the Beijing-Shijiazhuang High-speed Railway. The project covers a site area of approximately 17,593.3 sq.m. and has a GFA of approximately 48,000 sq.m., including high-rise residential buildings. There are 480 units in the project. As of December 31, 2021, 447 units have been sold for Tianbao Xinyue Bay. The project has been delivered to purchasers in batches since 2020.

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

The project is located at the intersection of Yongji East Road and Pengcheng Street in Zhuozhou. It covers a site area of 58,610.9 sq.m. and a GFA of approximately 310,000 sq.m. The project is about 6 kilometers from Zhuozhou High-speed Railway Station, about 17 kilometers from Beijing Daxing International Airport and about 1 kilometer from Zhuozhou City Terminal of Beijing Daxing International Airport. This project is a high-end complex integrating business office, corporate headquarters office, commerce, micro-movie bar, catering and conferences. There are approximately 4,100 units in this project, and it is in the main construction stage. As of December 31, 2021, 1,816 units were available for sale and 386 units have been sold for this project.

Baoxin International Building (保鑫國際大廈)

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

Projects in Zhangjiakou

Tianbao New City (天保新城)

The project is located in the core area of Zhangbei County, at the intersection of Zhongdu Street and Xinghe Road in Zhangbei County. It covers a site area of approximately 230,000 sq.m., with a total GFA of approximately 600,000 sq.m. The project is developed and constructed in three phases, mainly high-rise and middle-high-rise buildings, consisting of 46 residential buildings, community clubs, kindergartens and a large-scale commercial complex Zhongdu Ginza (中都銀座). As of December 31, 2021, there were only a small amount of unsold units in the first and second phases of Tianbao New City, and about 136 units in the third phase were 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 the project, named Tianbao Plaza (天保廣場), is a 5-storey diversified shopping hotspot with supermarkets, lifestyle stores, restaurants and cinemas. High-rise apartments started pre-sale in September 2020, with the portions sold to be delivered to purchasers during the Reporting Period.

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

Fuxinyuan residential community is project constructed in response to Zhangbei County Government's shanty-town reconstruction project, located on the north side of Zhangbei County Family Planning Bureau and east of Jingdu Street. The construction of the project started in September 2017 with a total of 1,272 units, including 1,252 residential units and 20 commercial units available for sale. As of December 31, 2021, 1,055 residential units were sold.

Tianbao Edelweiss City (天保雪絨花都)

The project is a residential and commercial project located on the north side of Yu County Economic Development Zone, with urban planning roads in the south, Edelweiss Avenue in the north, Industrial Street in the east and urban planning roads in the west. It consists of residential communities and commercial facilities. The project covers a site area of approximately 155,000 sq.m., with a total GFA of approximately 430,000 sq.m. Star-rated hotels, AAAAA-level office buildings and high-end communities will be built to create a multi-functional and high-efficiency urban complex integrating commercial offices, landmark buildings, residence, catering and entertainment. Pre-sale of Tianbao Edelweiss City with a total of 1,228 residential units was launched in 2019. As of December 31, 2021, 930 units have been sold, and were delivered to purchasers in the 4th quarter of 2021.

Tianbao Boyue Bay (天保鉑悦灣)

The project is located in the southwest of the urban area of Yu County, with West Outer Ring Road in the east, Qianjin West Road in the west, Heping West Road in the south and Lipuzi Village in the north. The project includes middle-high-rise residential units, high-rise residential units and commercial properties, covering a site area of approximately 81,815 sq.m. and a total planned GFA of approximately 193,000 sq.m. The construction work of the project started in 2019, and the pre-sale began in 2020. Tianbao Boyue Bay has a total of 720 residential units available for sale, and as of December 31, 2021, 535 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 site 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 has a 13-storey inpatient department, and a 4-storey outpatient department, each with two underground floors, with a GFA of approximately 60,000 sq.m. Pre-sale of the apartments began in mid-2020. During the Reporting Period, the project was constructed according to the predetermined work schedule. The interior and exterior finishes of the apartments were completed and greening work was underway.

Tianbao Jingxifu (天保京西府)

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

Haiziwa Hotel (海子窪酒店)

Haiziwa Hotel is a self-owned project located in Zhangbei County, Zhangjiakou. As of December 31, 2021, the project has obtained most of necessary certificates and it is expected that its completion filing certificate will be granted by mid 2022. Conveniently located near Nasutu (那蘇圖) resort in Zhangjiakou, Hebei Province, Haiziwa Hotel occupies a total site area of approximately 52,237 sq.m. and is expected to have an aggregate GFA of approximately 33,967.5 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, 2021:

	Completed		Under development	Future development	Total land reserves	
Region	Unsold saleable GFA (sq. m.)	Rentable GFA held for property investment (sq. m.)	Planned GFA under development (sq. m.)	Planned GFA (sq. m.)	Total GFA (sq. m.)	Percentage of total land reserves by geographical location (%)
Zhuozhou	29,252	44,336	134,658	175,435	383,681	20.7
Zhangjiakou	206,819	–	683,377	576,050	1,466,246	79.3
Total	236,071	44,336	818,035	751,485	1,849,927	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 this property for capital appreciation and generating rental income. For the year ended December 31, 2021, the Group's rental income from investment property operating leases amounted to approximately RMB8.0 million (2020: approximately RMB8.7 million).

(ii) Construction Contracting Business

The Group has been engaged in the construction contracting business since 1998, as a general contractor for building, industrial, commercial and infrastructure construction projects. The Group generates the majority of its revenue from this business. For the year ended December 31, 2021, the Group generated the majority of its construction contracting revenue from construction projects located in Beijing-Tianjin-Hebei region, mainly in Hebei Province and in Beijing. The Group's construction projects in other geographical locations were mainly located in Xinjiang, Anhui, Inner Mongolia and Sichuan Provinces. For the year ended December 31, 2021, the Group entered into new contracts with the aggregate value of approximately RMB5,330.1 million. As at December 31, 2021, the Group's aggregate backlog of construction projects was approximately RMB6,915.6 million.

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

	For the year ended December 31			
	2021		2020	
Region	**Revenue RMB'000**	**Percentage of total revenue (%)**	**Revenue RMB'000**	**Percentage of total revenue (%)**
Beijing-Tianjin-Hebei	**1,678,344**	**76.0**	1,370,374	70.9
Other	**530,378**	**24.0**	563,515	29.1
	2,208,722	**100.0**	1,933,889	100.0

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

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

Project Types

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

	For the year ended December 31			
	2021		2020	
Project type	**Revenue RMB'000**	**Percentage of total revenue (%)**	**Revenue RMB'000**	**Percentage of total revenue (%)**
Building construction	**1,170,426**	**53.0**	1,203,360	62.2
Industrial, commercial and infrastructure construction	**1,038,296**	**47.0**	730,529	37.8
Total	**2,208,722**	**100.0**	1,933,889	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 project, 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 structures, landscaping for gardens, industrial buildings 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:

Indoor Ceiling Project for Station Buildings Project of Xi'an Railway Station Reconstruction and Expansion Project of the Xi'an Railway Hub (西安鐵路樞紐西安站改擴建工程站房工程室內吊頂工程)
The project is located in Xincheng District, Xi'an City, Shaanxi Province, with a contract value of RMB30 million. The project covers the processing, fabrication and installation of aluminum ceilings, the construction of the ceiling surface lamp troughs and various moulding grooves in the public areas of the north station building and the elevated waiting room of Station Building Project under Xi'an Railway Station Reconstruction and Expansion Project of the Xi'an Railway Hub.

Xiaguan Xinju Project in Yu County (蔚縣下關馨居工程)
North Area
The project is located in Yu County, Zhangjiakou City, with a contract value of RMB87 million. The project includes three high-rise residential buildings, gates and underground garages, with an aggregate GFA of 35,620 sq.m.

South Area
The contract value of the project is RMB172 million. The project includes five residential buildings, two auxiliary buildings, one commercial building, kindergartens and underground garages (south area), with an aggregate GFA of 67,062 sq.m.

Ordos Polytechnic School Maintenance Project (鄂爾多斯理工學校維修項目)
The project is located in Dongsheng District, Ordos City, with a contract value of RMB60 million. The project covers roof waterproofing project, office building basement waterproof repair, replacement of sunshine boards of office building entrance and exit, strong boards and sunroof glass repairs of cultural and sports center, etc.

Beijing Longhu Shijiazhuang Metallurgical Research Institute Old Factory Area Project (北京龍湖石家莊冶金研究院舊廠區地塊項目)
The project is located in the old factory area of the Metallurgical Research Institute of Tangu Street, Chang'an District, Shijiazhuang City, Hebei Province, with a contract value of RMB268 million. The project covers frame shear wall structure, 1st floor underground, and 7th – 26th floors above ground, with a GFA of approximately 150,397 sq.m..

Civic Center Project in Yu County (蔚縣市民中心項目)
The project is located in the Economic and Technological Development Zone, South Edelweiss Avenue, Yu County, Zhangjiakou City, with a contract value of RMB233 million. The project covers a total land area of approximately 28.7 mu, with an aggregate GFA of approximately 70,000 sq.m., of which approximately 41,000 sq.m. is above ground, including 16 floors above ground of the main building in frame shear wall structure, 4 floors above ground with podium in frame structure; while approximately 29,000 sq.m. is underground, with 2 floors underground in frame structure; and corresponding ancillary facilities such as parking lots, roads, pipelines, and green landscapes.

Rescue and Reinforcement Project for the Southwest Turret of the Ancient City Wall in Baoding City (保定市古城牆西南角台搶險加固項目)

The project is an ancient construction project located in Baoding City, with a contract value of RMB3.19 million. The rescue and reinforcement and preservation project for the southwest turret of the ancient city wall of Baoding City aims to maintain antiquities and historical buildings.

Rescue and Preservation and Historic Environment Rescue and Renovation Project of Jianping Gate in Xichang City (西昌市建平門搶救修繕和歷史環境搶救整治項目)

The project is an ancient construction project located in Xichang City, with a contract value of RMB23.5 million. The project mainly includes the rescue and preservation and historic environment rescue and renovation of Jianping Gate in Xichang City, and the scope of maintenance mainly covers the design of the barbican, moat, stone bridge, surrounding greenery and hydropower facilities of Jianping Gate in Xichang.

Linyi Xinghe City Sheng Mansion Phase II Project of CIFI Yinshengtai Group (旭輝銀盛泰集團臨沂星河城盛府二期項目)

The project is located in Luozhuang District, Linyi City, being the Xinghe City Sheng Mansion Phase II Project, with a contract value of RMB176 million. The project includes civil works and installation works such as the construction of eight high-rise residential buildings, kindergartens and underground garages, with a total GFA of approximately 100,000 sq.m.

Standardized Plants Construction Project (2021) in Yudu Industrial Park in Jiangxi (江西於都工業園區2021年標準廠房建設項目)

The project is located in the Yudu Industrial Park in Jiangxi Province, with a contract value of RMB1.921 billion. The project covers a civil work regarding the construction of a plant with a GFA of approximately 860,000 sq.m.

"Five Galleries and Five Centers" Construction Project in Yu County (蔚縣「五館五中心」建設項目)

The project is located in the west side of the museum in the Economic Development Zone, Yu County, Zhangjiakou City, with a contract value of RMB213 million and a total GFA of approximately 38,000 sq.m. The Five Galleries and Five Centers include a library, an archive, a culture gallery, an art gallery, a science and technology museum, a new-era civilization practice center, a fitness center, a senior entertainment center, a youth entertainment center, and an entertainment center for women and children in Yu County. The construction of the project optimizes, integrates, improves and upgrades the existing public cultural resources, which will not only effectively enhance the public cultural service of Yu County, but also protect the basic rights and interests of the general public to enjoy public cultural services.

Backlog and New Contract Value

Backlog value

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

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

	As of December 31			
	2021		2020	
Region	Contract value RMB million	Percentage of total contract value (%)	Contract value RMB million	Percentage of total contract value (%)
Beijing-Tianjin-Hebei	**2,466.1**	**35.7**	2,488.9	66.0
Other	**4,449.5**	**64.3**	1,279.7	34.0
	6,915.6	**100.0**	3,768.6	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			
	2021		2020	
Project type	Contract value RMB million	Percentage of total contract value (%)	Contract value RMB million	Percentage of total contract value (%)
Building construction	**2,277.1**	**32.9**	2,441.2	64.8
Industrial, commercial and infrastructure construction	**4,638.5**	**67.1**	1,327.4	35.2
	6,915.6	**100.0**	3,768.6	100.0

New Contract Value

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

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

	For the year ended December 31			
	2021		2020	
Region	**Contract value RMB million**	**Percentage of total contract value (%)**	**Contract value RMB million**	**Percentage of total contract value (%)**
Beijing-Tianjin-Hebei	**1,646.8**	**30.9**	1,737.7	76.5
Other	**3,683.3**	**69.1**	534.6	23.5
	5,330.1	**100.0**	2,272.3	100.0

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

	For the year ended December 31			
	2021		2020	
Project type	**Contract value RMB million**	**Percentage of total contract value (%)**	**Contract value RMB million**	**Percentage of total contract value (%)**
Building construction	**1,006.1**	**18.9**	664.9	29.3
Industrial, commercial and infrastructure construction	**4,324.0**	**81.1**	1,607.4	70.7
	5,330.1	**100.0**	2,272.3	100.0

After obtaining the Premium Class Certificate in 2017, the Group has been involving in larger-scale building construction projects with increased complexity and higher returns nationwide. The value of the new contracts entered into by the Group amounted to RMB5,330.1 million for the year ended December 31, 2021. The Group expanded the construction contracting business to regions other than Beijing-Tianjin-Hebei region during the year, including Guangdong Province, Guangxi Province, Hubei Province and Zhejiang Province.

MANAGEMENT DISCUSSION AND ANALYSIS

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 decreased by 13.9% from approximately RMB3,369 million for the year ended December 31, 2020 to approximately RMB2,900 million for the year ended December 31, 2021.

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 decreased from approximately 222,000 sq.m. for the year ended December 31, 2020 to approximately 135,000 sq.m. for the year ended December 31, 2021 and the recognised revenue decreased from approximately RMB1,427 million for the year ended December 31, 2020 to approximately RMB680 million for the year ended December 31, 2021. The above changes were primarily attributable to the completion and delivery to purchasers of Tianbao Green City, Tianbao New City Phase III, Fuxinyuan and Xinyue Bay in 2020, while there are no other major projects delivered to purchasers in 2021 except for the large-scale delivery of partial Edelweiss City (Residential), resulting in less area delivered in the current year than in 2020.

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, 2021, 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 increase in the number and scale of the building construction and industrial, commercial and infrastructure construction projects, as a result, revenue from this segment increased by 14.1% from approximately RMB1,934 million for the year ended December 31, 2020 to approximately RMB2,209 million for the year ended December 31, 2021.

2. Cost of sales

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

The Group's cost of sales decreased from approximately RMB2,741 million for the year ended December 31, 2020 to approximately RMB2,656 million for the year ended December 31, 2021, representing a decrease of 3.1%, which was in line with the changes 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:

	For the year ended December 31					
	2021			2020		
	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	**125,580**	**51.5**	**18.2**	533,733	85.0	37.2
Construction contracting business	**118,054**	**48.5**	**5.3**	94,366	15.0	4.9
Total	**243,634**	**100.0**	**8.4**	628,099	100.0	18.6

The Group's gross profit decreased from approximately RMB628 million for the year ended December 31, 2020 to approximately RMB244 million for the year ended December 31, 2021, representing a decrease of 61.2%, which was primarily attributable to the decrease in gross profit of the Group's property development business from approximately RMB534 million for the year ended December 31, 2020 to approximately RMB126 million for the year ended December 31, 2021. The Group's gross profit margin decreased from 18.6% for the year ended December 31, 2020 to 8.4% for the year ended December 31, 2021. Among the projects that have been delivered to the purchasers during the year, Edelweiss City has delivered an area of approximately 78,200 sq.m. with low average selling prices and low gross profit margin, resulting in the decrease in gross profit margin of the Group's property development business from 37.2% for the year ended December 31, 2020 to 18.2% for the year ended December 31, 2021. The gross profit margin of the construction contracting business remained relatively stable at 5.3% for the year ended December 31, 2021 (2020: 4.9%).

4. Other income and gains

The Group's other income and gains decreased by 39.3% from approximately RMB26.5 million for the year ended December 31, 2020 to approximately RMB16.1 million for the year ended December 31, 2021, primarily due to the recognition of government funding of approximately RMB1.5 million (2020: RMB11.5 million) and the dividend income received from equity investments designated at fair value through other comprehensive income of approximately RMB10.7 million (2020: RMB9.7 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 increased by approximately RMB2.4 million from approximately RMB1.2 million for the year ended December 31, 2020 to approximately RMB3.6 million for the year ended December 31, 2021. Most of the selling and distribution expenses were capitalised to property development projects during the year.

6. Administrative expenses

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

The Group's administrative expenses increased by 12.9% from approximately RMB55.7 million for the year ended December 31, 2020 to approximately RMB62.9 million for the year ended December 31, 2021. Staff costs (including directors' remuneration) was approximately RMB31.4 million (2020: RMB29.6 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, 2021 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, 2021, the Group's net impairment losses on financial assets amounted to approximately RMB46.3 million (2020: RMB40.1 million), primarily due to the amount of financial assets that the Group considered not recoverable based on the ECLs analysis performed.

8. Finance costs

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

The Group's finance costs increased by 53.9% from approximately RMB37.7 million for the year ended December 31, 2020 to approximately RMB58.0 million for the year ended December 31, 2021, as the loans obtained by the Group from banks and other institutions increased by approximately RMB216 million compared to 2020, resulting in an increase in interest expenses.

9. Income tax expenses

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

The Group's income tax expenses decreased by 96.7% from approximately RMB208.6 million for the year ended December 31, 2020 to approximately RMB7.0 million for the year ended December 31, 2021, which was mainly due to the decrease in provision for the Group's taxable profit derived from the property development business and construction contracting business and the reversal of LAT previously provided for the property development business due to the completion of settlement of LAT of some of the projects.

10. Underlying profit for the year

For the year ended December 31, 2021, the Group's underlying profit amounted to approximately RMB79 million, representing a decrease of 74.6% from RMB310 million for the year ended December 31, 2020.

LIQUIDITY, FINANCE AND CAPITAL

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

Cash position

As at December 31, 2021, the Group's total deposits, cash and cash equivalents amounted to approximately RMB472 million (2020: RMB449 million), which are denominated in RMB and Hong Kong dollar, including pledged deposits of approximately RMB223 million as at December 31, 2021 (2020: RMB265 million).

Future plans for material investments and acquisition of capital assets

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

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

Significant investments held

For the year ended December 31, 2021, the Group did not hold any significant investments.

Loan and pledge of assets

	As of December 31					
	2021			2020		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Secured bank borrowings	–	–	–	5.66	2021	250,000
Secured other borrowings	11.00	2022	253,974	–	–	–
Unsecured other borrowings	11.00	2022	31,733	–	–	–
Current portion of secured long-term bank borrowings	4.75-9.75	2022	166,000	4.75-9.75	2021	98,000
			451,707			348,000
Non-current						
Secured bank borrowings	5.50-8.70	2023	344,000	4.75-8.00	2022	232,450
			795,707			580,450

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

	As of December 31	
	2021	**2020**
	RMB'000	**RMB'000**
Bank and other borrowings repayable:		
Within one year or on demand	**451,707**	348,000
In the second year	**344,000**	232,450
Total	**795,707**	580,450

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

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

	As of December 31	
	2021	**2020**
	RMB'000	**RMB'000**
Investment properties	**140,400**	140,400
Properties under development	**500,197**	303,507
Completed properties held for sale	**–**	27,661
Property, plant and equipment	**58,784**	63,320
Right-of-use assets	**8,349**	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:

	Notes	As of or for the year ended December 31 2021	2020
Current ratio (times)	1	**1.17**	1.15
Gearing ratio (%)	2	**59.1**	44.1
Net gearing ratio (%)	3	**24.1**	10.0
Return on equity (%)	4	**3.1**	27.6
Return on total assets (%)	5	**0.6**	5.3
Gross profit margin (%)	6	**8.4**	18.6
Net profit margin (%)	7	**1.4**	9.8

Notes:

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

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

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

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

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

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

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

Commitments

Operating Lease Commitments

The Group as a lessor

The Group lease its investment properties under operating lease arrangements with lease terms negotiated ranging from one to fifteen 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:

	2021 RMB'000	2020 RMB'000
Within one year	**9,179**	9,514
In the second to fifth years, both inclusive	**18,670**	16,889
After five years	**2,400**	4,957
	30,249	31,360

Capital Commitments

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

	2021 RMB'000	2020 RMB'000
Contracted, but no provision has been made:		
Construction contracting	**176,148**	267,458

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 RMB1,380.3 million (2020: RMB1,718.7 million) as at December 31, 2021. The Group's guarantee period starts from the dates of the grant of relevant mortgage loans and ends upon the issuance of real estate ownership certificates to the purchasers, which will generally be available within one to two years after the purchasers take possession of the relevant properties.

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

OTHERS

1. Events after the Reporting Period

On January 21, 2022, the Company granted a total of 19,848,000 Awarded Shares (as defined below) pursuant to the Share Award Scheme (as defined below) to 20 selected employees (the "Selected Employees") with an exercise price of HK$3.50 (equivalent to RMB2.85) per share payable by such employees. The aggregate market value of the 19,848,000 Awarded Shares was approximately HK$68,873,000 (equivalent to RMB56,144,000). The Selected Employees shall continue to serve the Group for at least five years from the date of grant.

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

4. Corporate Governance

The Group is committed to achieving high standards of corporate governance to safeguard the interests of the Shareholders and enhance the corporate value as well as the responsibility commitments. The Company has adopted the Corporate Governance Code as set out in Appendix 14 to the Listing Rules as its own code of corporate governance.

The Company has been in compliance with all applicable code provisions under the Corporate Governance Code. To the best knowledge of the Directors, the Company has complied with all applicable code provisions set out in the Corporate Governance Code during the Reporting Period and up to the date of this report, except for the deviation from the Corporate Governance Code provision A.2.1 (which has been renumbered as code provision C.2.1 with effect from January 1, 2022). The Directors will endeavor to procure the Company to continue to comply with the Corporate Governance Code.

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

5. Material Acquisitions and Disposals

During the year ended December 31, 2021, save as disclosed in "Future plans for material investments and acquisition of capital assets" in this section, there was no material acquisition and disposal of subsidiaries and assets by the Group.

6. Compliance with the Model Code for Securities Transactions

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

After making specific enquiries to all Directors, each of the Directors has confirmed that he/she has complied with the Model Code during the year ended December 31, 2021.

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, 2021.

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

During the year ended December 31, 2021, the Company and any of its subsidiaries did not purchase, sell or redeem any securities of the Company listed on the Stock Exchange.

FUTURE PROSPECT

China's economy maintains stable and healthy development. With the implementation of various measures by the PRC government aimed to achieve stable growth, as far as the current situation is concerned, the real estate industry will be able to continue to develop in a "well-founded and well-conditioned" environment in the coming year. In the circumstances, the increasing favourable factors in the capital market will drive the industry to seek progress while maintaining stability.

The development of the real estate industry will keep pace with the times. Together with the emerging industries (such as 5G and other technologies), the real estate industry plays a "dual support" role. Although the global fundamental situation will inevitably have an uncontrollable impact on the industry in the future, in line with the in-depth advancement of the "14th Five-Year Plan", it is believed that the economic vitality of the real estate industry will continue to strengthen despite of external market fluctuations. The Group will continue to take the national policy as the fulcrum and the international trend as its direction, adhering to the development keynote of "no speculation on residential properties, stabilizing land prices, stabilizing housing prices and stabilizing expectations and a virtuous circle" to achieve breakthroughs under the new trend, with an aim to move towards a new era of transformation and upgrading of the real estate industry.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended December 31, 2021 (for the year ended December 31, 2020: Nil).

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Executive Directors

Mr. Li Baotian (李保田先生), aged 66, is the Chairman of the Board, an executive Director and chief executive officer of the Company. Mr. Li was appointed as a Director on November 16, 2018 and was redesignated as an executive Director on April 17, 2019. Mr. Li has over 36 years of experience in property development and construction contracting industry. Mr. Li is the Controlling Shareholder as well as the father of Mr. Li Yaruixin (李亞睿鑫先生) and uncle-in-law of Ms. Wang Xinling (王新玲女士).

Mr. Li is a representative of the 15th People's Congress, Baoding City (保定市第十五屆人民代表大會代表), a member of the presidium of the People's Congress, Zhuozhou City (涿州市人大代表主席團成員) and has been a vice president of Federation of Industry and Commerce of Zhuozhou City (涿州市工商業聯合會) since 1998. On June 13, 2019, Mr. Li was appointed as the president of Zhuozhou Entrepreneurs Association. Since September 2019, Mr. Li has served as an expert of construction material procurement of the property industry in Hebei Province for a term of two years. In April 2020, Mr. Li was elected as the vice president of the Emergency Management and Work Safety Association of Hebei Province (河北省應急管理與安全生產協會). On June 1, 2020, Mr. Li was appointed as the Honorary President of Zhuozhou City Supporting Army Volunteers Association (涿州市擁軍志願者協會).

Mr. Li has received various awards in recognition of his achievements. In November 2009, he was awarded the 4th Outstanding Builder of Socialism with Chinese Characteristics of Hebei Province (第四屆河北省優秀中國特色社會主義事業建設者稱號). In 2010, he was named as the Advanced Worker of the Quality Management of Construction (全國工程建設質量管理先進工作者) by China Construction Industry Association (中國建築業協會). In 2011, he was honored as the Senior Occupational Manager in China's construction industry of 2011 (2011年度中國建築業優秀高級職業經理人). In December 2014, he was conferred as the Outstanding Entrepreneur in Hebei province (河北傑出企業家). In 2016, he was awarded the 2015 Excellent Enterprise Manager in Construction Industry in Hebei province (2015年度河北省建築業優秀企業管理者) and the 2016 Outstanding Entrepreneur in Hebei province (2016年度河北省優秀企業家). In 2018, he was awarded the 2017 National Outstanding Entrepreneur in Construction Industry (2017年度全國優秀施工企業家). In April 2019 and July 2020, he was awarded the 2018 Excellent Enterprise Manager in Construction Industry in Hebei province (2018年度河北省建築業優秀企業管理者) and the 2019 Excellent Enterprise Manager in Construction Industry in Hebei province (2019年度河北省建築業優秀企業管理者), respectively. In November 2019, he was named as the Advanced Worker of Enterprise Culture Construction at the 70th Anniversary of the Founding of the PRC (新中國70年企業文化建設先進工作者). In December 2019, he was awarded the Individual Prize of Quality Award of the Zhuozhou Government (涿州市政府質量獎個人獎). In November 2020, he was named as the Advanced Worker of Enterprise Culture Construction in the 13th Five-year Plan Period ("十三五"中國企業文化建設先進工作者). In December 2020, he won the title of Hebei Province Outstanding Private Entrepreneur of 2020 (2020年度河北省優秀民營企業家) conferred by the Hebei Provincial People's Government. In January 2021, he was awarded the Individual Prize of Quality Award of the Baoding Government (保定市政府質量獎個人獎). In April 2021, he was named as the 2020 Advanced Individual in Emergency Management and Safety Production in Hebei Province (2020年度河北省應急管理與安全生產先進個人).

Mr. Li obtained an adult higher education certificate (成人高等教育專業證書) in urban construction issued by Hebei Agricultural University (河北農業大學) in June 2002. Mr. Li obtained an Executive Master of Business Administration (EMBA) degree from Community Business College (美國加州商業大學) in September 2021.

Ms. Shen Lifeng (申麗鳳女士), aged 56, is an executive Director and vice president of the Group. Ms. Shen was appointed as an executive Director on April 17, 2019. Ms. Shen has more than 35 years of experience in law, investment and financing management and corporate management.

Ms. Shen has been a founding arbitrator of the Arbitration Committee of Langfang City (廊坊市仲裁委員會) since June 2017. She was an executive committee member of the Federation of Industry and Commerce of Hebei Province (河北省工商業聯合會) and a vice president of the General Chamber of Commerce of Hebei Province (河北省總商會) until August 2017. From February 2019 to April 2019, she served as the chief executive officer of Porda Havas International Finance Communications (Group) Holdings Company Limited (博達浩華國際財經傳訊(集團)控股有限公司).

Ms. Shen's previous work experience includes serving as a teaching assistant in the department of law of Hebei University (河北大學) from September 1987 to October 1989; the director of the legal department, an assistant to the general manager and a vice general manager of Hebei Textiles Import and Export (Group) Company (河北省紡織品進出口(集團)公司) from October 1989 to May 2006; a standing vice general manager and a member of the discipline-inspection committee of Shenglun International Industrial Group Co., Ltd. (聖侖國際實業集團股份有限公司), responsible for the reorganisation and restructuring of the state-owned enterprise from May 2006 to December 2007; an executive director and the general manager of Shaanxi Kunzheng Mining Co., Ltd. (陝西坤正礦業股份有限公司) from September 2008 to August 2014; and the chief director in charge of PRC businesses of Chong & Partners LLP from September 2016 to February 2019. Ms. Shen has been an independent non-executive Director of Hebei Construction Group Corporation Limited (河北建設集團股份有限公司) (stock code: 1727.HK), a company listed on the Main Board of the Stock Exchange, since December 15, 2017.

Ms. Shen obtained a bachelor of degree in law from Hebei University in July 1987 and obtained a master degree of economics in world economy from Hebei University in June 1999. She also obtained a Ph.D. Degree in civil and commercial law from Peking University Law School in June 2005 and a master's degree in Buddhist Studies from University of Hong Kong in November 2015. Ms. Shen obtained the qualifications of lawyer from the Lawyer's Qualification Review Committee of the Ministry of Justice (司法部律師資格審查委員會) in June 1998 and senior economist from the Office of the Leading Group for Professional Title Reforms in Hebei Province (河北省職稱改革領導小組辦公室) in November 1998, respectively. Ms. Shen was accredited the 2004 "Top Ten Excellent Youth of Hebei (河北十大傑出青年)" and the first-class merit for individuals (個人一等功) by the China Communist Youth League Committee of Hebei Province (共青團河北省委員會) and Hebei Provincial Department of Human Resources and Social Security (河北省人力資源和社會保障廳) and the "Top Ten Excellent Youth of Enterprises contributed by Hebei SASAC (河北省國資委所出資企業十大傑出青年)" by Hebei SASAC in 2005, respectively. Ms. Shen was also elected and served as the representative of the 6th and 7th sessions of the Party Congress of Hebei Province.

Ms. Wang Xinling (王新玲女士), aged 39, is an executive Director and vice president of the Group. Ms. Wang was appointed as an executive Director on April 17, 2019. Ms. Wang is the niece-in-law of Mr. Li Baotian. She is a director and the general manager of Tianbao Construction Group. Ms. Wang joined Tianbao Construction Group as a safety officer of project department in June 2001 and was the manager of safety and environmental protection department from January 2002 to February 2005 and held the positions of vice general manager and the standing vice manager from February 2007 to January 2018. She has over 20 years of experience in construction industry.

Ms. Wang is currently a standing committee member of the Zhuozhou City 9th Chinese People's Political Consultative Conference (政協涿州市第九屆委員會常委) and a representative of the 15th People's Congress, Zhangjiakou City (張家口第十五屆人大代表). Ms. Wang has been the deputy president of Construction Association in Hebei Province (河北省建築業協會) since 2016 and a deputy president of the Construction Association in Baoding City (保定市建築業協會) since December 30, 2016. On September 8, 2020, Ms. Wang was appointed as a corporate culture expert of China Association of Construction Enterprise Management (中國施工企業管理協會) for a five-year term. On December 24, 2020, Ms. Wang was elected as the vice president of the third session of council of Baoding Building Decoration Association (保定市建築裝飾協會). In July 2021, Ms. Wang was engaged as a construction industry expert (enterprise management) of Hebei Province (河北省建築業專家 (企業管理)) by the Construction Association in Hebei Province (河北建築業協會).

In 2011, Ms. Wang was awarded the March 8th Flag Bearer of 2010 (2010年度三八紅旗手) by Women's Federation of Zhuozhou (涿州市婦女聯合會). In 2013, she was honored as the outstanding leader of the quality management group of the national construction of 2013 (2013年度全國工程建設質量管理小組活動卓越領導者) by the Committee on the China Construction Quality Award (國家工程建設質量獎審定委員會). In 2017, she was honored with the Outstanding Contribution Award of National High Quality Project Award of 2016-2017 (2016至2017年度國家優質工程獎突出貢獻者) by the China Construction Enterprise Management Association (中國施工企業管理協會). In 2018, she was awarded as the outstanding leader of the Quality Management Group of Construction (工程建設質量管理小組活動卓越領導者) by the China Construction Enterprise Management Association (中國施工企業管理協會). In 2018, 2019 and 2020, she was conferred as the excellent enterprise manager in construction industry in Hebei Province (河北省建築業優秀企業管理者) by the Construction Association in Hebei Province (河北省建築業協會), respectively. In March 2020, she was awarded the title of the Most Beautiful Families of 2019 in Zhuozhou (2019年度涿州市最美家庭) by Women's Federation of Zhuozhou (涿州市婦女聯合會). In 2021, he was awarded the 2021 Individual Prize of Quality Award of the Zhuozhou Government (2021年度涿州市政府質量獎 (個人獎)).

Ms. Wang completed the Executive Business Administration Studies Course (高級工商管理課程研修班) organised by the School of Continuing Education, Tsinghua University (清華大學繼續教育學院) in November 2011. She also obtained the graduation certificate in urban economics and management via the Self-taught Higher Education and Examination (高等教育自學考試) from Hebei Agricultural University (河北農業大學) in December 2004. Ms. Wang obtained a Qualification Certificate of Intermediate Professional Technical Position (中級專業技術職務任職資格證書) as an engineer of construction from the Office of the Leading Group for Professional Title Reforms in Hebei Province (河北省職稱改革領導小組辦公室) in December 2016. Ms. Wang obtained a bachelor degree in civil engineering from Hebei University of Science and Technology Higher Adult Education (河北科技大學成人高等教育) via online learning in June 2019. Ms. Wang obtained a master's degree in management programme from Australian National University in December 2020, which is a part-time programme taught in Tsinghua University, Beijing in Mandarin. In December 2021, Ms. Wang passed the qualification evaluation of senior professional technical position as an engineer of construction (建築工程師高級專業技術職務任職資格評審) organized by the Office of the Leading Group for Professional Title Reforms in Hebei Province (河北省職稱改革領導小組辦公室).

Mr. Li Yaruixin (李亞睿鑫先生), aged 37, is an executive Director and vice president of the Group. Mr. Li Yaruixin was appointed as an executive Director on April 17, 2019. Mr. Li Yaruixin is the son of Mr. Li Baotian. He is the director and the general manager of Tianbao Real Estate Group. Mr. Li Yaruixin joined Tianbao Construction Group as an officer of planning department in June 2007. From July 2009 to June 2010, he served as vice manager of Tianbao Real Estate Group. He has been the director and general manager of Zhangbei Tianbao Hengqi Property since October 2013, the director of Zhuozhou City Mingyang Property since June 2016 and the director and manager of Chengdu Tianbao Property Development since April 2018. Mr. Li Yaruixin has over 14 years of experience in construction industry. He has been a director of Hebei Zhuozhou Agricultural Commercial Bank Co., Ltd (河北涿州農村商業銀行股份有限公司) since June 19, 2017.

Mr. Li Yaruixin currently serves as a representative of the 16th People's Congress, Baoding City (保定市第十六屆人民代表大會代表), and a member and standing committee member of the Zhuozhou City 8th Chinese People's Political Consultative Conference (政協涿州市第八屆委員會委員及常委). In December 2021, he was engaged as a financial expert by Hebei Province Housing and Property Development Industry Association (河北省住宅與房地產協會).

In 2005, Mr. Li Yaruixin was awarded as the New Long March Pioneer of Zhuozhou City (涿州市新長征突擊手) by the Zhuozhou Committee of Youth League of China (中國共產主義青年團涿州市委員會). In 2012, he was awarded as the Excellent Committee Member of Zhuozhou City (涿州市優秀青聯委員) by Zhuozhou Youth Federation (涿州市青年聯合會). In 2013, he was conferred as the Outstanding Communist Youth League member of Hebei Province (河北省優秀共青團幹部) by the Hebei Committee of Youth League (中國共產主義青年團河北省委員會). In 2014, he was named as the Model Worker of 2011-2012 (2011 至2012 年度勞動模範) by the People's Government of Zhuozhou City (涿州市人民政府). In April 2019, he was awarded as the excellent enterprise manager in Construction Industry in Hebei Province of 2018 (2018年度河北省建築業優秀企業管理者) by the Construction Association in Hebei Province (河北省建築業協會). In December 2019, he was awarded as an individual with outstanding contribution to the property industry ini Hebei Province of 2019 (河北省房地產行業突出貢獻個人). In December 2020, he was awarded as the Individual for Special Contribution to the Fight against New Coronary Pneumonia in Baoding (保定市抗擊新冠肺炎疫情特殊貢獻個人) by the Baoding Municipal Committee of Jiusan Society (九三學社保定市委員會). On January 30, 2021, he was awarded as the outstanding member of the Zhuozhou City Chinese People's Political Consultative Conference of 2020 (2020年度涿州市優秀政協委員) by the Zhuozhou City Chinese People's Political Consultative Conference (政協涿州市委員會).

Mr. Li Yaruixin obtained the graduation certificate from Hebei Agricultural University (河北農業大學) majoring in urban planning (城鎮規劃) in June 2007, and he was admitted to the degree of Master of Business Administration by Business School of Netherlands, which is a part-time programme taught in China, in September 2015. Mr. Li Yaruixin was qualified as a structural engineer (結構工程師) in December 2014 and as a municipal engineer (市政工程師) in December 2016 by the Office of the Leading Group for Professional Title Reforms in Hebei Province (河北省職稱改革領導小組辦公室), and passed the qualification evaluation of senior professional technical position as an engineer of construction (建築工程師高級專業技術職務任職資格評審) organized by the Office of the Leading Group for Professional Title Reforms in Hebei Province (河北省職稱改革領導小組辦公室) in December 2021.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Wang Huijie (王慧杰女士), aged 53, is an executive Director and vice president of the Group. Ms. Wang was appointed as an executive Director on April 17, 2019. She is the secretary of the party committee and union president of Tianbao Construction Group. Ms. Wang joined Tianbao Construction Group as the union president and deputy secretary of the Party Committee in January 2001. She was a deputy secretary of the Party Committee of Tianbao Construction Group from January 2001 to October 2006, a deputy secretary of general party committee of Tianbao Construction Group from October 2006 to April 2009, and a deputy secretary of the party committee of Tianbao Construction Group from April 2009 to January 2018.

Ms. Wang is a representative of the 12th Party Congress, Baoding City (保定市第十二次黨代會代表), a representative of the 8th Party Congress, Zhuozhou City (涿州市第八次黨代會代表), a member of Zhuozhou City 8th Chinese People Political Consultative Conference (涿州市政協第八屆委員), an executive member of the Women's Federation of Zhuozhou (涿州市婦聯執委). In July 2021, she was engaged by China Association of Construction Enterprise Management (中國施工企業管理協會) as an evaluation expert for the party building of engineering construction enterprises (工程建設企業黨建工作評審專家), and was engaged by the Construction Association in Hebei Province (河北省建築業協會) as a construction industry expert (Party building) of Hebei Province (河北省建築業專家(黨的建設)).

In 2006, Ms. Wang was accredited as a Construction and Installation Flag Bearer of 2004-2005 (2004至2005年度生產建設紅旗手) by the Baoding City General Workers' Union (保定市總工會). From 2006 to 2016, she was awarded as the Excellent Worker of Workers' Union (優秀工會工作者) by the Zhuozhou City General Workers' Union (涿州市總工會) for 11 consecutive years. In 2007, she was awarded as the Advanced Female Worker in Hebei Province (河北省先進女職工工作者) by the General Workers' Union in Hebei Province (河北省總工會). In 2011, she was awarded as the Model Worker of Baoding (保定市勞動模範) by the People's Government of Baoding (保定市人民政府). In 2013, she was awarded as the National Outstanding Worker of the Labor Union (全國優秀工會工作者) by the All – China Federation of Trade Unions (中華全國總工會). In 2014, she was awarded as the Model Worker of Hebei Province (河北省勞動模範) by the People's Government of Hebei Province (河北省人民政府). In 2016, she was awarded as the National May-One Labor Medal (全國五一勞動獎章) by All-China Federation of Trade Unions (中華全國總工會). In December 2018, she was awarded as the Excellent Worker of Workers' Union (優秀工會工作者) by the General Workers' Union of Hebei Province (河北省總工會). In March 2019, she was awarded as the March 8th Flag Bearer of Baoding City (保定市三八紅旗手) by the Women's Federation of Baoding City (保定市婦聯). In June 2019, she was awarded as one of the "Top 1000 Secretaries of Party Branch" of Hebei Province (河北省"千名好支書") by the Organisation Department of the Hebei Provincial Party Committee of the Communist Party of China (中共河北省委組織部).

Ms. Wang graduated from Huabei Petroleum College of Finance and Economics (華北石油財經學校) with a diploma majoring in marketing through distance learning in July 1998 and she was qualified as an Intermediate Policy Analyst (中級政工師) in April 2016.

Mr. Zang Lin (臧凜先生), aged 42, is an executive Director and vice president of the Group. Mr. Zang was appointed as an executive Director on April 17, 2019. Mr. Zang joined Tianbao Construction Group in October 1999 and served various positions in Tianbao Construction Group, including manager of technical and quality department from October 1999 to June 2005 and standing vice manager from June 2005 to March 2010. He has been the vice general manager of Tianbao Construction Group since March 2010, director of Tianbao Real Estate Group Co., Ltd. since March 2019 and manager and executive director of Zhangjiakou Tianbao Plaza Commercial Management Co., Ltd. (張家口天保廣場商業管理有限公司) since November 2019. He has over 22 years of experience in construction industry.

Mr. Zang is a member of the Zhangbei County 16th Chinese People's Political Consultative Conference (中國人民政治協商會議張北縣第十六屆委員會) and a member of the 18th People's Congress, Zhangbei County (張北縣第十八屆人民代表大會).

In 2008, Mr. Zang was awarded as the Constructor of Chinese Characteristic Socialism (中國特色社會主義事業建設者) by the United Front Work Department of Zhuozhou City of China (中國涿州市委統戰部) and the Federation of Industry and Commerce of Zhuozhou City (涿州市工商業聯合會). In 2009, he was awarded as the Excellent Worker for Management of Construction Engineering, Economy and Technology in Baoding City (保定市優秀建設工程經濟技術管理工作者) by Construction Association in Baoding City (保定市建築業協會). In 2015, he was the project manager of Zhuozhou 107 National Road and Connection Line Transformation Project (涿州市107國道至連接線改造項目) and such project was awarded the outstanding construction of Hebei Province with Anji Cup for Construction Engineering of Hebei Province in 2015 (2015年度河北省建設工程安濟杯獎) by the Construction Association in Hebei Province (河北省建築業協會). In 2017, he was awarded as the Outstanding Project Manager of the Construction Enterprises of China (全國建築業企業優秀項目經理) by China Construction Industry Association (中國建築業協會). In 2018 and 2020, he was awarded as the outstanding project manager in construction industry in Hebei Province of 2017 and 2019 (2017年度及2019年度河北省建築業優秀項目經理) by the Construction Association in Hebei Province (河北省建築業協會). In December 2021, he was awarded as an individual with outstanding contribution to the property industry of 2021 (2021年度房地產行業突出貢獻個人) by Hebei Province Housing and Property Development Industry Association (河北省住宅與房地產業協會).

Mr. Zang passed the Self-taught Higher Education and Examination (高等教育自學考試) of Engineering of Industrial and Civil Buildings (工業與民用建築工程) and was approved for graduation by Hebei Agricultural University (河北農業大學) in June 1999. He obtained the graduation certificate on Adult Higher Education program (成人高等教育) majoring in Civil Engineering (土木工程) from Hebei University (河北大學) via distance learning in January 2017. He was qualified as an engineer in architectural engineering (建築工程工程師) in November 2013 by The Office of the Leading Group for Professional Title Reforms in Hebei Province (河北省職稱改革領導小組辦公室). He was qualified as a senior engineer in civil engineering technology (土木建築工程技術高級工程師) in December 2019 by the Office of the Leading Group for Professional Title Reforms in Hebei Province (河北省職稱改革領導小組辦公室).

DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Xu (李煦先生), aged 47, is an independent non-executive Director. He was appointed as our independent non-executive Director on June 25, 2019. Mr. Li Xu is primarily responsible for providing independent advice on the operations and management of the Group.

Mr. Li Xu was a financial analyst of Lucent Technologies Inc., a company which was formerly listed on the New York Stock Exchange, in 1999. Prior to joining the University of Hong Kong, he served as an assistant professor of Lehigh University in the U.S. from August 2010 to August 2012 and was the assistant professor of the University of Texas at Dallas in the U.S. from August 2004 to August 2010. He has been the associate professor of the Faculty of Business and Economics at the University of Hong Kong since July 2012, where he was mainly involved in imparting practical knowledge in the commercial world during the teaching of accounting and financial management courses. He is currently the program director of executive master of business administration offered by the University of Hong Kong where he is responsible for project management and promoting accounting, business and finance education towards the development of the business and finance profession and human capital.

Mr. Li Xu has been an independent non-executive Director of China Kangda Food Company Limited, a company listed on the Stock Exchange (stock code: 834) and on the Singapore Exchange Securities Trading Limited (stock code: P74), since August 24, 2020.

Mr. Li Xu has become a member of the American Accounting Association since September 2002. Mr. Li Xu has obtained the Certified Financial Analyst (CFA) qualification from the Association for Investment Management and Research, now known as CFA Institute, since October 2003.

Mr. Li Xu received a bachelor's degree in Economics (International Business Management profession) from the University of International Business and Economics in Beijing (北京對外經濟貿易大學) in July 1997, a master degree in Finance from the Boston College in December 1998 and a degree of doctor of philosophy in accounting from Massachusetts Institute of Technology's Sloan School of Management in June 2004.

Mr. Liu Kaixiang (劉凱湘先生), aged 57, an independent non-executive Director. Mr. Liu was appointed as our independent non-executive Director on June 25, 2019. He is primarily responsible for providing independent advice on the operations and management of the Group.

He is also a professor and doctoral supervisor of Peking University Law School (北京大學法學院), vice president of China Commercial Law Research Society (中國商法學研究會) and an arbitrator of China International Economic and Trade Arbitration Commission (中國國際經濟貿易仲裁委員會) and Singapore International Arbitration Centre (新加坡國際仲裁中心). From June 2014 to May 2020, Mr. Liu was the independent director of Beijing Hanjian Heshan Pipe Co., Ltd. (北京韓建河山管業股份有限公司) (stock code: 603616.SH), a company listed on the Shanghai Stock Exchange. Mr. Liu has been the independent director of each of People.cn Co., Ltd. (人民網股份有限公司) (stock code: 603000.SH) since December 2016 and Chongqing Sokon Industry Group Stock Co.,Ltd. (重慶小康工業集團股份有限公司) (stock code: 601127.SH) since April 2017, all of which are listed on the Shanghai Stock Exchange. Mr. Liu served as an independent director of each of GuangZhou Seagull Kitchen And Bath Products Co.,Ltd. (廣州海鷗住宅工業股份有限公司) (stock code: 002084.SZ) from July 2006 to August 2009, Taiji Computer Corporation Ltd. (太極計算機股份有限公司) (stock code: 002368.SZ) from September 2008 to June 2017, Beijing Ultrapower Software Co., Ltd. (北京神州泰岳軟件股份有限公司) (stock code: 300002.SZ) from June 2010 to May 2016 and Beijing Orient Landscape Co., Ltd. (北京東方園林股份有限公司) (stock code: 002310.SZ) from December 2011 to December 2017, all of which are listed on the Shenzhen Stock Exchange. Mr. Liu was the independent non-executive director of BAIC Motor Corporation Limited (北京汽車股份有限公司) (stock code: 1958.HK), a company listed on the Main Board of the Stock Exchange, from December 2014 to March 2021.

Mr. Liu served in the faculty of law of Beijing Technology and Business University (北京工商大學) from July 1987 to May 1999 and has been a professor and doctoral supervisor of Peking University Law School since June 1999.

Mr. Liu obtained a bachelor's degree in law from Southwest University of Political Science & Law (西南政法大學) in July 1984, and a master's degree and doctoral degree in law from Peking University (北京大學) in July 1987 and June 2001, respectively. Mr. Liu has received various awards, including the "National Outstanding Teachers Award" (全國優秀教師) and "Contemporary Chinese Law Expert" (當代中國法學名家).

Mr. Li Qingxu (李清旭先生), aged 66, an independent non-executive Director. Mr. Li Qingxu was appointed as our independent non-executive Director on June 25, 2019. He is primarily responsible for providing independent advice on the operations and management of the Group.

Mr. Li Qingxu served in the People's Liberation Army from December 1973 to March 1997. He worked as the director of the general office (辦公室主任) of China Construction Enterprise Management Association (中國施工企業管理協會) from August 1997 to April 2009. He worked as the deputy secretary of China Construction Enterprise Management Association (中國施工企業管理協會) from April 2009 to April 2015. He has been the vice president, the head of commission of science and technology and the head of informatisation committee of China Construction Enterprise Management Association (中國施工企業管理協會) since April 2015.

Mr. Li Qingxu graduated from the People's Liberation Army Armored Force Engineering Institute (中華人民共和國解放軍裝甲兵技術學院) with a bachelor's degree in engineering in May 1982.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management and operation of our business.

Our executive Directors, namely Mr. Li Baotian, Ms. Shen Lifeng, Ms. Wang Xinling, Mr. Li Yaruixin, Ms. Wang Huijie and Mr. Zang Lin, concurrently hold senior management positions in the Group. For each of their biographies, please refer to the section above.

Mr. Li Guodong (李國棟先生), aged 37, is the vice president of the Group and deputy general manager of Tianbao Construction Group. Mr. Li Guodong joined Tianbao Construction Group in February 2004 and served various positions in Tianbao Construction Group, including as safety and environmental protection officer from February 2004 to February 2005 and as the manager of safety and environmental protection department from February 2005 to February 2011. He has been the deputy general manager of Tianbao Construction Group since February 2011. Mr. Li Guodong has over 17 years of experience in safety and environmental protection field.

In July 2021, Mr. Li Guodong was engaged by the Construction Association in Hebei Province (河北省建築業協會) as a construction industry expert of Hebei Province (河北省建築業專家).

In 2011, Mr. Li Guodong was awarded as the excellent worker for management of construction engineering projects of Baoding City (保定市優秀建設工程項目管理工作者) by Construction Association in Baoding City (保定市建築業協會). In 2011, he was awarded as the excellent manager (promoter) of group activity for engineering construction quality management in Hebei Province of 2010 (2010年度河北省工程建設質量管理小組活動優秀管理者 (推進者)) by the Construction Association in Hebei Province (河北省建築業協會). In 2013, he was awarded as the advanced worker for engineering construction quality management in Hebei Province of 2012 (2012年度河北省工程建設質量管理先進工作者) by Construction Association in Hebei Province (河北省建築業協會). In 2014, he was awarded as the Excellent Enterprise Manager in Construction Industry in Hebei Province of 2013 (2013年度河北省建築業優秀企業管理者) by Construction Association in Hebei Province (河北省建築業協會). In 2015 and 2016, he was awarded as the outstanding project manager in construction industry in Hebei Province of 2014 and 2015 (2014年度及2015年度河北省建築業優秀項目經理) by Construction Association in Hebei Province (河北省建築業協會). In 2017, he was awarded as the outstanding project manager of the construction enterprises of China (全國建築業企業優秀項目經理) by China Construction Industry Association (中國建築業協會). In 2019, he was awarded as the outstanding project manager in construction industry in Hebei Province of 2018 (2018年度河北省建築業優秀項目經理) by Construction Association in Hebei Province (河北省建築業協會). In May 2019, he was awarded as the Hebei Province Excellent Communist Youth League Cadre of 2018 (2018年度河北省優秀共青團幹部稱號) by the Hebei Committee of Youth League (共青團河北省委). In May 2020, he was awarded as the National Excellent Communist Youth League Cadre (全國優秀共青團幹部) by the Central Committee of the Communist Youth League (共青團中央). In January 2021, he was named as the Advanced Individual in Emergency Management and Safety Production in Hebei Province (河北省應急管理與安全生產先進個人) by the Emergency Management and Work Safety Association of Hebei Province (河北省應急管理與安全生產協會).

Mr. Li Guodong has completed the Executive Business Administration Studies Course (高級工商管理課程研修班) by the School of Continuing Education, Tsinghua University (清華大學繼續教育學院) in November 2011 and completed the Adult Higher Education program (成人高等教育) majoring in engineering management by Hebei Construction Engineering College (河北建築工程學院) via distance learning in January 2013.

Mr. Li Guodong obtained the registration Certificate of Second Grade Constructor (二級建造師註冊證書) issued by the Department of Development of Hebei Province (河北省建設廳) in March 2008. He was qualified as a senior engineer of architectural engineering from the Office of the Leading Group for Professional Title Reforms in Hebei Province (河北省職稱改革領導小組辦公室) in December 2016.

Mr. Yang Yanqing (楊艷青先生), aged 40, is the vice president of the Group and deputy general manager of Tianbao Construction Group. He joined Tianbao Construction Group in June 2006 and served various positions in Tianbao Construction Group, including as assistant to chairman from September 2006 to June 2014 and the project manager from June 2014 to February 2017. He has been a deputy general manager of Tianbao Construction Group since February 2017. Mr. Yang has over 15 years of experience in construction industry.

Mr. Yang Yanqing was engaged as an expert of Hebei Province BIM Technical Expert Committee (河北省BIM技術專家委員會) in 2020. In April 2021, he was engaged by China Association of Construction Enterprise Management (中國施工企業管理協會) as a scientific and technological expert of China Association of Construction Enterprise Management. He has been the vice president of the Supply Chain Branch of the Construction Association in Hebei Province (河北省建築業協會供應鏈分會) since May 2021. In June 2021, he was engaged by the Construction Association in Hebei Province (河北省建築業協會) as a construction industry expert of Hebei Province.

In 2017 and 2018, Mr. Yang was awarded as the outstanding project manager in construction industry in Hebei Province of years 2016 and 2017 (2016年度及2017年度河北省建築業優秀項目經理) by Construction Association in Hebei Province (河北省建築業協會). In 2017, he was awarded as the outstanding leader of the quality management group of construction of 2017 (2017年度工程建設質量管理小組活動卓越領導者) by China Construction Enterprise Management Association (中國施工企業管理協會). In April 2019, he was awarded as the outstanding leader of the quality management group of construction in Hebei Province of 2018 (2018年度河北省工程建設質量管理小組活動卓越領導者) by the Building and Construction Professional Committee under the Quality Association of Hebei Province (河北省質量協會建築與施工專業委員會), and as the outstanding project manager in construction industry in Hebei Province of year 2018 (2018年度河北省建築業優秀項目經理) by Construction Association in Hebei Province (河北省建築業協會). In June 2019, he was awarded as the outstanding leader of the quality management group in Hebei Province of 2019 (2019年河北省質量管理小組活動卓越領導者) by Hebei Administration for Market Regulation (河北省市場監督管理局) and other entities. In April 2020, he won the Excellence Award in the Building Decoration BIM Competition (建築裝飾BIM大賽優秀獎) organised by China Building Decoration Association (中國建築裝飾協會). In July 2020, he was awarded as the 2019 Hebei Province Construction Industry Excellent Chief Engineer (2019年度河北省建築業優秀總工程師) by the Hebei Construction Industry Association (河北省建築業協會). In September 2020, he was awarded as the outstanding leader of the quality management group in Hebei Province of 2020 (2020年河北省質量管理小組活動卓越領導者).

Mr. Yang graduated from Hebei University (河北大學) with a bachelor degree in engineering mechanics in June 2006. He obtained the Certificate of Registration of Constructor issued by the Ministry of Housing and Urban-Rural Construction of China (中國住房和城鄉建設部) in September 2013. He was qualified as an engineer of architectural engineering from the Office of the Leading Group for Professional Title Reforms in Hebei Province (河北省職稱改革領導小組辦公室) in December 2014. He has been a part-time postgraduate of the business administration profession in China University of Geosciences (中國地質大學) from September 2019 and expects to graduate in June 2022. He was qualified as a senior engineer in civil engineering technology by the Office of the Leading Group for Professional Title Reforms in Hebei Province (河北省職稱改革領導小組辦公室) on December 20, 2019.

Ms. Liu Dandan (劉丹丹女士), aged 33, was appointed as the chief financial officer on April 17, 2019. Ms. Liu is primarily responsible for overall financial and fund management of the Group.

Ms. Liu joined the Group in November 2012 and served various positions, including as officer of finance department of Zhangbei branch of Tianbao Construction Group from November 2012 to June 2013, as finance manager of Zhangbei branch of Tianbao Construction Group from June 2013 to November 2014 and as finance manager of Zhangbei branch of Tianbao Real Estate Group from December 2014 to October 2018. She has been the manager of finance and monitoring department of Tianbao Construction Group since November 2018.

In March 2020, Ms. Liu was awarded the March 8th Flag Bearer of Zhuozhou City of 2019 (2019年度涿州市三八紅旗手) by Women's Federation of Zhuozhou (涿州市婦女聯合會).

Ms. Liu obtained a junior college graduation certificate in accountancy from Hebei Finance University (河北金融學院) in June 2011. She graduated with a bachelor's degree in construction management in Hebei University of Architecture (河北建築工程學院) through distance learning in June 2019. She obtained a bachelor degree in financial management from Hebei University of Science and Technology (河北科技大學) through distance learning in June 2020.

Ms. Liu has passed all subjects under the futures qualification examination of the China Futures Association (中國期貨業協會) and securities qualification examination of the Securities Association of China (中國證券業協會) in May 2011 and March 2014, respectively. Ms. Liu was accredited as a certified public accountant by The Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in April 2016. She obtained her intermediate accountant qualification from the Ministry of Human Resources and Social Security of the PRC (中國人力資源和社會保障部) in September 2016 and tax advisor qualification issued by The China Certified Tax Agents Association (中國註冊稅務師協會) in November 2017. She was qualified as a First Grade Constructor (一級建造師) by the Ministry of Human Resources and Social Security of the PRC in September 2021. In 2021, she passed the National Technical Advanced Qualification Examination for Accounting Major (全國會計專業技術高級資格考試).

JOINT COMPANY SECRETARIES

Mr. Du Hang and Ms. Lin Sio Ngo are the joint company secretaries of the Company.

Mr. Lei Kin Keong was one of the joint company secretaries of the Company from April 10, 2019 to December 6, 2021.

Mr. Du Hang (杜航先生), aged 29, was appointed as one of the joint company secretaries of the Company on April 10, 2019.

Mr. Du Hang joined Tianbao Construction Group as an officer of the department of corporate planning in July 2015. He served various positions in Tianbao Construction Group, including the assistant to the general manager of Tianbao Construction Group and deputy manager of the department of corporate planning of Tianbao Construction Group from September 2016 to June 2018. He has been a deputy manager of the department of development and planning of Tianbao Construction Group from June 2018 to December 2020. He has been a manager of the international capital division of Tianbao Group (天保集團國際資本部) since December 2020. Mr. Du has over six years of experience in management and finance.

Mr. Du is a member of scientific technology and talent skills sector of 13th China Communist Youth League Baoding Committee (保定市青年聯合會).

Mr. Du obtained the graduation certificate from Langfang Normal University (廊坊師範學院) majoring in international economics and trade in June 2015, and has been studying the Adult Higher Education Program (成人高等教育) majoring in civil engineering in Hebei GEO University (河北地質大學) via correspondence course since March 2017, and graduated in June 2019. Mr. Du was qualified as an assistant engineer in architectural engineering in December 2016 by the Office of the Leading Group for Professional Title Reforms in Hebei Province (河北省職稱改革領導小組辦公室). Mr. Du obtained the registration Certificate of Second Grade Constructor (二級建造師註冊證書) issued by the Department of Development of Hebei Province (河北省建設廳) in May 2021.

Ms. Lin Sio Ngo (練少娥) was appointed as the other joint company secretary of the Company on December 6, 2021.

Ms. Lin is a manager of SWCS Corporate Services Group (Hong Kong) Limited with over 20 years of working experience in corporate secretarial and administration areas. She is an associate member of The Hong Kong Chartered Governance Institute (香港公司治理公會) (formerly known as The Hong Kong Institute of Chartered Secretaries (香港特許秘書公會)) and The Chartered Governance Institute (特許公司治理公會) (formerly known as The Institute of Chartered Secretaries and Administrators (特許秘書及行政人員公會)).

Ms. Lin holds a degree of bachelor of business administration and a degree of master of corporate governance both from Hong Kong Metropolitan University (香港都會大學) (formerly known as The Open University of Hong Kong (香港公開大學)). She is also currently the joint company secretary of various companies listed on the Stock Exchange.

DIRECTORS' REPORT

The Board hereby presents the Shareholders with the Group's annual report and audited consolidated financial statements for the year ended December 31, 2021.

The Company is an exempted company incorporated under the laws of the Cayman Islands with limited liability on November 16, 2018. The Company's Shares were listed on the Main Board of the Stock Exchange on November 11, 2019.

PRINCIPAL BUSINESS

The Group is a property developer and construction company in Zhuozhou, a city in Hebei Province, China. The Group operates through property development and construction contracting businesses. For property development business, the Group engages in development and sales of residential properties, and leasing and operation of an investment property. For construction contracting business, the Group provides construction contracting services mainly as a general contractor for building construction projects, infrastructure construction projects, and industrial and commercial construction projects.

RESULTS

The Group's results for the year ended December 31, 2021 and financial position as at December 31, 2021 are set out on pages 132 to 135 in the consolidated financial statements.

DIVIDEND PAYMENT

The Board does not recommend the payment of a final dividend for the year ended December 31, 2021 (for the year ended December 31, 2020: nil). Together with an interim dividend of nil (June 30, 2020: HK$0.05 per Share), total dividend for the year ended December 31, 2021 was nil (2020: HK$0.05 per Share).

There was no arrangement under which a Shareholder has waived or agreed to waive any dividends.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The Company will hold the Annual General Meeting of the Company at 9:00 a.m. on May 26, 2022.

For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from May 23, 2022 to May 26, 2022, 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 20, 2022.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended December 31, 2021 are set out in note 29 to the consolidated financial statements.

For the year ended December 31, 2021 and up to the date of this Annual Report, there has not been any movements in the share capital of the Company.

RESERVES

Details of movements in the reserves of the Group during the year ended December 31, 2021 are set out in the consolidated statement of changes in equity on page 137 in this Annual Report. As at December 31, 2021, the distributable reserves of the Company available for distribution amounted to approximately RMB398,616,000.

DONATION

During the year ended December 31, 2021, the Group made charitable and other donations of approximately RMB3,100,000.

FIVE-YEAR FINANCIAL SUMMARY

The Group's financial summary for the last five financial years is set out on pages 233 to 234 of this Annual Report.

TAX RELIEF

The Directors are not aware that the Shareholders are entitled to any tax relief by holding the Company's securities.

MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in the section headed "Management Discussion and Analysis – Material Acquisitions and Disposals" in this Annual Report, during the year ended December 31, 2021 and up to the date of this Annual Report, the Group did not have any material acquisition and disposal of subsidiaries and associated companies.

INTEREST-BEARING BANK AND OTHER BORROWINGS

Details of the Group's interest-bearing bank and other borrowings are set out in note 28 to the consolidated financial statements.

FINANCE COSTS

Details of the Group's capitalised interest and other borrowing cost during the year are set out in note 7 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of the movements in property, plant and equipment and investment properties of the Group during the year ended December 31, 2021 are set out in notes 13 and 14 to the consolidated financial statements, respectively.

SUBSIDIARIES

Details of the Company's subsidiaries as of December 31, 2021 are set out in note 1 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and to the knowledge of the Directors of the Company, the Company's Shares in public hands are no less than 25% of the entire share capital in issue from January 1, 2021 and up to the date of this Annual Report.

BUSINESS REVIEW

(a) Business Review for the Year

A review of the business of the Group during the Year, a discussion on the Group's future business development and an analysis of the Group's performance during the Year using financial key performance indicators are set out in the section headed "Management Discussion and Analysis". Save as disclosed in the section headed "Directors' Report – Subsequent Events" in this Annual Report, the Group has no significant events after the end of the financial year ended December 31, 2021 and up to the date of this Annual Report.

(b) Environmental Policy and Performance

The laws and regulations governing the environmental requirements for the construction industry property development in China include the Environmental Protection Law of the PRC (中華人民共和國環境保護法), the Prevention and Control of Atmospheric Pollution Law of the PRC (中華人民共和國大氣污染防治法), the Prevention and Control of Water Pollution Law of the PRC (中華人民共和國水污染防治法), the Prevention and Control of Environmental Pollution by Solid Waste Law of the PRC (中華人民共和國固體廢物污染環境防治法), the Construction Law of the PRC (中華人民共和國建築法), the Prevention and Control of Noise Pollution Law of the PRC (中華人民共和國環境噪聲污染防治法), the Environmental Impact Assessment Law of the PRC (中華人民共和國環境影響評價法), the Administrative Regulations on Environmental Protection for Development Projects (建設項目環境保護管理條例) and the Administrative Regulations on Environmental Protection for Acceptance Examination Upon Completion of Buildings (建設項目竣工環境保護驗收管理辦法). Pursuant to these laws and regulations, depending on the impact of the project on the environment, an environmental impact study report, an environmental impact analysis table or an environmental impact registration form shall be submitted by a developer before the relevant authorities will grant approval for the commencement of construction of the property development. In addition, upon completion of the property development, the relevant environmental authorities will also inspect the property to ensure compliance with the applicable environmental standards and regulations before the property can be delivered to the purchasers.

The Group has established and implemented an environmental compliance system to specify various environmental protection procedures and measures and ensure the Group's compliance with international standards and the relevant PRC laws and regulations. The Group has adopted corresponding environmental protection measures to ensure compliance with relevant laws and regulations, including noise control and air pollution control, as well as solid waste and waste water treatment.

The Group maintains ISO14001:2015 (environmental management standards published by the International Organisation for Standardisation) certifications for the construction contracting business to ensure that the Group adopts appropriate environmental management measures.

During the year ended December 31, 2021, the Group did not violate any national or local environmental laws and regulations that would materially and adversely affect the Group's business operations. The Group was not subject to any material environmental claims, lawsuits, penalties or disciplinary actions during the same period.

(c) Social Responsibility

The Group has entered into employment contracts with its employees and maintains social insurance for them in accordance with the applicable PRC laws and regulations. The Group maintains insurance (including group personal accident insurance and personal injury insurance) for the on-site staff of its construction projects in accordance with the relevant PRC laws and regulations.

All employees of the Group are entitled to benefits of the Group including paid leaves, marriage leaves and maternity leaves.

(d) Occupational Health and Safety

The Group has in place stringent internal safety policies to ensure our safe operations and ensure our compliance with relevant PRC laws and regulations. The Group's production safety department is responsible for overseeing the Company's compliance with relevant PRC laws and regulations, conducting regular reviews and inspections of our safety performance, reviewing the circumstances of any material accidents, and ensuring that the Group maintains the necessary licenses, approvals and permits to operate. The Group maintains GB/T28001-2011 Occupational Health and Safety Management System certificates (a recommended standard in China for an occupational health and safety management system) for our construction contracting business, and conducts regular assessment and safety inspection to continuously improve the working environment and safeguard the health of employees.

The Group first obtained the certificate for our construction contracting business on December 15, 2011 and renewed such certificate on December 14, 2018. The Group also organizes accident prevention and management training sessions for employees on a regular basis and for new employees on an as needed basis. The Group implements an occupational health and safety management system. The Group's production safety department is responsible for formulating health and safety standards. The Group's project management teams ensure that our subcontracted workers are adequately trained and have received the requisite licenses and certificates to perform special operations. The Group's project management teams also address safety issues before commencing each work day, and conduct weekly safety inspections of the Group's operations and those of the Group's subcontractors.

The Group's occupational health and safety management system includes a reporting and record system for unsafe conditions at our construction sites. All accidents occurred within the Group must be immediately reported to the responsible project management team, who reports the accident to our branch office and production safety department. Personnel from the responsible project management team are required to arrive on site immediately to oversee the handling of the accident. Any accident that resulted in any fatalities or major injuries will be promptly reported to the production safety department. The Group will report the accident to the relevant government authority as required by PRC laws and regulations and cooperate with local government authorities to investigate such accident.

The Board confirms that, during the year ended December 31, 2021, neither did the Group nor its sub-contractors have any material workplace accidents and fatalities with respect to our construction contracting projects and property development projects, and the Group had not been subject to any fines, public criticism or warnings in relation to any incidents relating the safety of workers.

(e) Compliance with Laws and Regulations

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations which have a significant impact to the Group. As at the date of this Annual Report, except as disclosed in the Annual Report, the Group complied with, in all material respects, all the relevant and applicable PRC laws and regulations governing the business of property development and management and the Group has obtained all licenses, permits and certificates for the purpose of operating its business.

(f) Relationship with Stakeholders

(1) Relationship with Employees

The Group believes that its long-term growth depends on the expertise and experience of its employees. The Group mainly recruits through the labor market, recruitment fairs and on-campus recruitment. The Group have established a comprehensive training system for our employees, based on their responsibilities, covering professional knowledge, technical, operational and managerial skills, corporate culture, internal control and other areas. Such programs are designed to foster career development for employees and thus to invest in the future of the Group's human resources.

The Group offers its employees salaries and make contributions to social insurance fund, including pension, medical, unemployment, maternity and occupational injury insurance, and housing provident fund for employees.

The Group contracts with labor unions that protect employees' rights, help fulfill economic objectives of the Group, encourage employee participation in management decisions and assist the Group in mediating disputes with union members. The labor unions have established branches at the Group's operating units. The Group did not experience any material labor dispute as of December 31, 2021.

(2) Relationship with Sub-contractors or Suppliers

The Group also strives to develop strategic business relationship and long-term business partnership with its sub-contractors or suppliers to ensure resource quality and stable development of the Group's business. The Group reinforces business partnerships with its sub-contractors through active communication such as regular meetings with its suppliers.

(3) Relationship with Customers

The Group recognizes the importance of maintaining good relationship with its customers and provides products to meet the needs and requirements of the customers. The Group communicates with its customers to understand the changes of product preference in the market, which enables the Group to actively meet the market demand, thereby improving the relationship with its customers. The Group strives to enhance customer satisfaction with our property development projects through fine construction workmanship and strict quality control measures.

(g) Principal Risks and Uncertainties

The Group's business is subject to extensive governmental regulation and, in particular, the Group is sensitive to policy changes related to the PRC property development industry and construction industry, including those that affect the supply of land for property development, project financing and taxation, as well as local government budgets and the policies regarding regulation and control of the property market.

Principal risks and uncertainties faced by the Group include but are not limited to:

(i) The Group's business operation is subject to PRC laws and regulations and, in particular, the Group is sensitive to policy changes related to the PRC property development industry and construction industry, including those that affect the supply of land for property development, project financing and taxation, as well as local government budgets and the policies regarding regulation and control of the property market. The Group cannot guarantee that the PRC government will relax existing restrictive measures, impose and enhance restrictive measures, or impose other restrictive policies, regulations or measures in the future. The existing and other future restrictive measures may limit our access to capital, reduce market demand for the Group's products and increase the Group's finance costs, and any easing measures introduced may also not be sufficient. If the Group fails to adapt its operations to new policies, regulations and measures that may come into effect from time to time, or such policy changes negatively impact the Group's business, the Group's financial condition, results of operations and prospects may be materially and adversely affected.

The Group cannot guarantee that its internal control measures will always be sufficient and effective. Certain legal uncertainties in, and inconsistent interpretations and enforcement of, current PRC laws and regulations expose the Group to the risk of non-compliance. If deemed non-compliant, the Group could be subject to administrative or regulatory fines and penalties, including the suspension or revocation of the Group's licenses, and the Group's operations may be hindered or halted, which could have a material and adverse effect on the Group's business and results of operations. As the PRC legal system and the property development and construction industries continue to evolve, changes in the relevant laws and regulations or in their interpretation or enforcement may also make the Group exposed to the risk of the difficulty in complying with the laws and regulations.

The Group will closely monitor relevant regulations issued by the PRC government, and will try its best to response by adopting appropriate strategies.

(ii) The Group's business and prospects depend on economic conditions and performance of property market in the PRC. In particular, the Group has many property development projects at various stages of development in Zhuozhou and Zhangjiakou, and the Company plans to expand to cities in Beijing-Tianjin-Hebei Region. As such, the Group's business continues to be heavily dependent on the property markets in such areas. Such property markets may be affected by local, regional, national and global factors, including economic and financial development, speculative activities in local markets, demand for and supply of properties, availability of alternative investment choices for property buyers, inflation, government policies, interest rates and availability of capital. Any adverse development in the overall property market of the PRC or in the property markets of the cities in which the Group has or expects to have business operations may adversely affect the Group's business, financial condition, results of operations and prospects. The Group will closely monitor the sales position at all times and adopt strategies with flexibilities to cope with the risks.

(iii) The growth and success of the Group's business depend on its ability to continue acquiring land reserves located in desirable locations at commercially reasonable prices. The Group's ability to acquire land depends on a variety of factors that the Group cannot control, such as general economic conditions, the Group's effectiveness in identifying and acquiring land parcels suitable for development and the competition for such land parcels. Rapid property development in Zhuozhou and Zhangjiakou and other parts of Hebei Province in recent years has resulted in a shortage in the supply of undeveloped land in desirable locations and increased land acquisition costs, which is one of the largest components of the Group's cost of sales. Any increase in the Group's land costs resulting from shortages of supply or our inability to procure land could have a material and adverse effect on the Group's business, financial condition, results of operations and prospects. The Group will acquire sufficient land reserves through various methods, including merger and acquisition, public tender, auction or listing-for-sale process, to control the availability of land acquisition.

Fluctuations in the Group's operating results may be caused by other factors, including fluctuations in expenses, such as land grant premium, development costs, administrative expenses, and selling and marketing expenses, and changes in market demand for our properties. In addition, the cyclical PRC property market affects the optimal timing for the acquisition of land, the planning of development and the sales of properties. This cyclicality, combined with the lead time required for the completion of projects and the sales of properties, means that the Group's results of operations relating to property development activities may be susceptible to significant fluctuations from period to period. Furthermore, the Group's property development projects may be delayed or adversely affected by a combination of factors beyond its control, which may in turn adversely affect revenue recognition and consequently the cash flow and results of operations, particularly for the property development business.

(iv) PRC law allows property developers to pre-sell properties prior to their completion upon satisfaction of certain requirements. The Group depends on cash flows from the pre-sale of properties as an important source of funding for its property projects. Under current PRC laws and regulations, property developers must fulfill certain conditions before they can commence pre-sale of properties and the use of pre-sale proceeds may be subject to certain limitations. The pre-sale proceeds of properties may only be used to fund the property development costs of the relevant projects. There is no guarantee that the PRC government will not adopt any restrictions to or will not abolish current pre-sale practices. The future implementation of any restrictions on the Group's ability to pre-sell its properties, including any requirements to increase the amount of up-front expenditures the Group must incur prior to obtaining a pre-sale permit, would extend the time required for recovery of the Group's capital outlay and would force the Group to seek alternative means to finance the various stages of the Group's property developments, including increasing borrowings, which would in turn increase the Group's interest payments. This could have a material adverse effect on the Group's business, cash flow, financial condition and results of operations.

In addition, the Group may experience delays in the completion of pre-sold property developments, in which case the Group may be liable to purchasers for their losses. Furthermore, pursuant to the pre-sale agreements the Group enters into with our customers, if a pre-sold property development is not delivered on time, the purchaser may be entitled to damages. If the delay extends beyond the contractually specified period, the purchaser may terminate the pre-sale agreement, reclaim the payment and claim damages in accordance with the contract.

(v) Most purchasers of the Group's properties apply for bank borrowings and mortgages to fund their purchases. In accordance with industry practice, banks require the Group to guarantee mortgage loans taken out by purchasers of the properties that the Group develops. Typically, the Group guarantees the full value of mortgage loans taken out by purchasers, as well as accrued interest and penalties for defaults in mortgage payments, up until the issuance of the relevant property ownership certificates and the registration of the mortgage in favor of the mortgagee bank. These are contingent liabilities not reflected on the Group's balance sheets. If a purchaser defaults on a mortgage loan, the Group may be required to repurchase the underlying property by paying off the mortgage. If the Group fails to do so, the mortgagee bank may auction the underlying property and recover any additional amount outstanding from the Group as the guarantor of the mortgage loans. In line with industry practice, the Group does not conduct any independent credit checks on its customers and rely on the credit evaluations conducted by the mortgage banks for such customers.

(vi) The Group normally receives progress payments from its customers based on the site works done, or milestone payments from its customers based upon our achievement of key milestones of the project as stipulated in the project contract. Furthermore, the Group's customers generally retain up to 5% of the total contract sum as retention fees. The retention fees are generally returned to the Group in full upon expiry of the defects liability period if there are no material quality issues with the Group's works during such period. In most of the Group's construction contracts, the defects liability period ranges from six months to two years following the completion of the construction contracting project, depending on the type of construction work the Group undertakes. As such, if the Group fails to achieve any key milestone as stipulated in the project contract on time, the Group will not receive any milestone payments until it achieves such milestone, which may materially and adversely affect the Group's cash flows and financial position. Should the customers fail to or delay in making progress payments or milestone payments, or in releasing retention fees, the Group may need to recognize such default payment as bad debts and the Group's cash flow position and working capital may be materially and adversely affected.

(vii) The Group subcontracts certain of its construction services from time to time. The Group conducts regular quality inspections of its subcontractors' work; however, the Group cannot guarantee the performance and work quality of its construction subcontractors as the Group may not be able to monitor the operations of its subcontractors as directly and efficiently as the Group does its own operations. If a construction subcontractor fails to meet the Group's quality standards or breaches our subcontracting agreement, and if the Group is unable to hire alternative construction subcontractors in a timely manner or on favorable terms, or at all, the Group's operations may be delayed, which could harm its reputation and adversely affect the Group's business, financial condition and results of operations. Moreover, the Group may be subject to additional costs if it is required to hire alternative construction subcontractors, which would lower the efficiency and profitability of the Group's operations.

In addition, the Group may be required to bear the liability arising from any defects in its construction subcontractors' work and thus may be subject to claims arising from any such defective work. The Group may attempt to seek indemnity from the relevant construction subcontractors in the event a liability claim is brought against the Group with respect to their performance, but the Group may be required to compensate its customers before it is able to recover such amounts. If the Group is unable to seek indemnity from its construction subcontractors or the Group remains uncompensated for a protracted period of time, the Group may be required to bear significant financial burdens, in which case the Group's business, financial condition and results of operations could be materially and adversely affected.

(viii) The Group operates heavily regulated businesses that require the Group to obtain, maintain and renew a number of licenses, qualifications, approvals and permits including, but not limited to, qualification certificates for property development enterprise and construction contracting enterprise, land use rights certificates, construction work planning permits, construction works commencement permits, pre-sale permits and completion certificates. The Group must meet specific conditions in order for the government authorities to issue or renew any certificate, license or permit. Further, the Group is subject to regular inspections, examinations, inquiries and audits, as well as periodic and spot inspections by the relevant governmental authorities, to maintain or renew such licenses, qualifications and permits. The Group cannot guarantee that it will be able to obtain, maintain or renew the requisite licenses, qualifications and permits, or comply with any new licensing requirements, if new laws or regulations are promulgated or existing laws or regulations are amended, which may subject the Group to resulting penalties, limitations or costs and, in turn, may have a material and adverse effect on the Group's business, financial condition and results of operations. Further, extensive government regulation and related delays in seeking the requisite licenses, qualifications and permits can significantly delay the introduction of additional services or products, which could materially and adversely affect the Group's competitiveness. Even if the Group does obtain the requisite licenses, qualifications and permits from the relevant authorities, they may be granted on a limited basis or be subject to modification of the Group's services or products, which could increase the Group's operational costs.

OUTLOOK

Details of the future development of the Company's business are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" in this Annual Report.

BOARD COMPOSITION

During the Reporting Period and up to the date of this Annual Report, the Board consists of nine Directors with details as follows:

Executive Directors

Mr. Li Baotian *(Chairman of the Board and Chief Executive Officer)*
Ms. Shen Lifeng
Ms. Wang Xinling
Mr. Li Yaruixin
Ms. Wang Huijie
Mr. Zang Lin

Independent Non-Executive Directors

Mr. Li Xu
Mr. Liu Kaixiang
Mr. Li Qingxu

According to Article 108(a) of the Articles of Association, at each annual general meeting of the Company, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office.

According to Article 108(a) of the Articles of Association, Ms. Wang Xinling, Mr. Li Yaruixin and Mr. Li Xu will retire from the directorships at the Annual General Meeting, and are eligible and will offer themselves for re-election.

No Director proposed for re-election at the Annual General Meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out in the section headed "Directors and Senior Management" of this Annual Report.

CHANGES IN DIRECTORS' INFORMATION

On March 24, 2021, Mr. Liu Kaixiang ceased to be an independent non-executive director of BAIC Motor Corporation Limited (北京汽車股份有限公司) (stock code: 1958).

Save as disclosed above, there was no other information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS' SERVICE CONTRACTS

On October 21, 2019, each of Mr. Li Baotian, Ms. Shen Lifeng, Ms. Wang Xinling, Mr. Li Yaruixin, Ms. Wang Huijie and Mr. Zang Lin, being our executive Directors, has entered into a service contract with the Company for an initial term of three years commencing from the date of signing contract and subject to renewal in accordance with the Articles of Association of the Company and the applicable laws, rules and regulations.

Each of Mr. Li Xu, Mr. Liu Kaixiang and Mr. Li Qingxu, being our independent non-executive Directors, has entered into a letter of appointment with the Company on October 21, 2019. Each letter of appointment is for a term of three years commencing from the Listing Date. The letters of appointment may be renewed in accordance with the Articles of Association of the Company and the applicable laws, rules and regulations.

None of the Directors has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As of December 31, 2021, the interests or short positions of the Directors or the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be entered in the register required to be kept by the Company pursuant to section 352 of the SFO, or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code under the Listing Rules, are set out below:

Name of Director	Member/Associated Corporation of the Group	Capacity/ Nature of Interest	Number of Shares [1]	Approximate Percentage of Shareholding in the Company
Mr. Li Baotian [2]	the Company	Interest in controlled corporation	594,000,000	73.38%

Notes:

(1) All interests stated are long positions.

(2) Mr. Li Baotian holds the entire interests in Jixiang International Industrial Company Limited. Under the SFO, Mr. Li Baotian is deemed to be interested in the Shares held by Jixiang International Industrial Company Limited.

Save as disclosed above, as at December 31, 2021, none of the Directors or the chief executives of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be entered in the register required to be kept by the Company pursuant to section 352 of the SFO, or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as is known to the Company, as of December 31, 2021, as recorded in the register required to be kept by the Company under section 336 of the SFO, the following persons, other than a Director or chief executive of the Company, had an interest of 5% or more in the Shares or underlying Shares:

Name of Shareholder	Capacity	Number of Ordinary Shares or Securities of the Company Held (shares) [1]	Approximate Percentage of Shareholding in the Company
Jixiang International Industrial Company Limited [2]	Beneficial owner	594,000,000	73.38%
Ms. Zhou Chunlan [3]	Interest of spouse	594,000,000	73.38%

Notes:

(1) All interests stated are long positions.

(2) Jixiang International Industrial Company Limited is wholly owned by Mr. Li Baotian.

(3) Ms. Zhou Chunlan is the spouse of Mr. Li Baotian. Therefore, under the SFO, Ms. Zhou Chunlan is deemed to be interested in all the Shares in which Mr. Li Baotian is interested.

Save as disclosed herein, as of December 31, 2021, the Directors are not aware of any persons (other than a Director or chief executive of the Company) who had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or would be required, pursuant to section 336 of the SFO, to be entered in the register required referred to therein.

ACQUISITION OF SHARES OR DEBENTURES BY DIRECTORS

During the year ended December 31, 2021, there were no any rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, nor were there any such rights exercised by them. Also, there was no arrangement to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries is a party that would enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As of December 31, 2021, none of the Controlling Shareholders of the Group or the Directors was engaged or had interest in any business, apart from the business of the Group, which competes or is likely to compete, directly or indirectly, with the Group's business, which would require disclosure under Rule 8.10 of the Listing Rules.

Compliance with Non-Competition Undertakings

Deed of Non-Competition

To ensure that competition does not develop between the Company and other business activities and/or interests of the Controlling Shareholders (being Mr. Li Baotian and Jixiang International Industrial Company Limited, which is wholly owned by Mr. Li Baotian), each of our Controlling Shareholders (collectively, the "Covenantors" and each, a "Covenantor") has entered into a Deed of Non-competition in favor of the Group on October 21, 2019, pursuant to which, each of the Covenantors has, among other things, irrevocably and unconditionally undertaken, jointly and severally, with the Company that at any time during the Relevant Period (as defined below), the Covenantor shall not, and shall procure that its/his/her close associates (other than members of the Group) shall not, directly or indirectly, carry on, engage in, invest in, participate in, attempt to participate in, render any services to, provide any financial support to or otherwise be involved in or interested in, whether alone or jointly with another person and whether directly or indirectly or on behalf of or to assist or act in concert with any other person, any business or investment activities, whether in or outside the PRC, which are the same as, similar to or in competition or likely to be in competition with the business carried on or contemplated to be carried on by any member of the Group from time to time (the "Restricted Business").

Each of the Covenantors has also undertaken to refer, or to procure the referral of, any investment or commercial opportunities relating to any Restricted Business ("New Business Opportunities" and each, a "New Business Opportunity") to us (for ourselves and as trustee for the benefit of each of our subsidiaries from time to time).

The relevant Covenantor shall be entitled to but shall not be obliged to carry on, engage, invest, participate or be interested (economically or otherwise) in the New Business Opportunity (whether individually or jointly with another person and whether directly or indirectly or on behalf of or to assist any other person) on the same, or less favorable, terms and conditions in all material respects as set out in the Offer Notice if:

(i) it/he/she has received a written notice from us declining the New Business Opportunity; or

(ii) it/he/she has not received any written notice from the Company of its decision to pursue or decline the New Business Opportunity within 30 business days from the Company's receipt of the Offer Notice, or if it/he/she has extended the Offer Notice Period, within such other period as agreed by it, in which case the Company shall be deemed to have declined the New Business Opportunity.

If there is a change in the nature or proposal of the New Business Opportunity pursued by the relevant Covenantor, it/he/she shall refer the New Business Opportunity as revised and shall provide to the Company details of all available information for the Company to consider whether to pursue the New Business Opportunity as revised.

When considering whether or not to pursue any New Business Opportunities, the independent non-executive Directors of the Company will form their views based on a range of factors, including but not limited to, the estimated profitability, investment value and permits and approval requirements. The Covenantors, for themselves and on behalf of their respective close associates (except any members of the Group), have also acknowledged that the Company may be required by the relevant laws, regulations and rules and regulatory bodies to disclose, from time to time, information on the New Business Opportunities, including but not limited to disclosure in public announcements or annual reports of the Company its decisions to pursue or decline the New Business Opportunities, and have agreed to disclose to the extent necessary to comply with any such requirements.

For the purposes of the above, the "Relevant Period" means the period commencing from the Listing Date of the Company and shall expire on the earlier of (i) the date when the Covenantors and any of their respective close associates, cease to hold, or otherwise be interested in, beneficially in aggregate whether directly or indirectly, 30% or more (or such other percentage of shareholding as stipulated in the Listing Rules to constitute a Controlling Shareholder) of the issued share capital of the Company or (ii) the date on which our Shares cease to be listed on the Stock Exchange (except for temporary suspension of trading of our Shares).

Annual Review

The Covenantors have confirmed that they did not refer, or to procure the referral of, any investment or commercial opportunities relating to the Restricted Business to the Group during the year ended December 31, 2021.

The Company has received a written confirmation from each of the Covenantors in respect of the compliance by them and their close associates with the terms of the Deed of Non-Competition. Upon receipt of confirmation letters from the Controlling Shareholders, the independent non-executive Directors have conducted review as part of the annual review procedures. The independent non-executive Directors have assessed whether the Covenantors and their close associates have complied with the terms of the Deed of Non-Competition, and were satisfied that each of the Covenantors has complied with its/his undertakings under the Deed of Non-Competition during the year ended December 31, 2021.

CONTINUING CONNECTED TRANSACTIONS

Pursuant to Chapter 14A of the Listing Rules, details of the Company's continuing connected transactions are as follows:

Zhuozhou Tianbao Construction is a company established in China with limited liability and principally engaged in provision of construction materials. Zhuozhou Tianbao Construction was owned as to 70% by Mr. Li Baotian and 30% by Baoxin Industrial Co., Ltd. Baoxin Industrial Co., Ltd. was owned as to 80% by Ms. Zhou Chunlan, the spouse of Mr. Li Baotian and 20% by Mr. Li Yaruixin, the son of Mr. Li Baotian and an executive Director. Therefore, Zhuozhou Tianbao Construction is an associate of Mr. Li Baotian (being a Controlling Shareholder, Chairman of the Board, an executive Director and Chief Executive Officer) and thus is a connected person of the Company by virtue of Rule 14A.07(4) of the Listing Rules.

Renewed Construction Materials Purchase Framework Agreement

On December 30, 2020, the Company entered into a purchase framework agreement (the "Renewed Construction Materials Purchase Framework Agreement") with Zhuozhou Tianbao Construction for a period from January 1, 2021 to December 31, 2021, pursuant to which Zhuozhou Tianbao Construction agreed to provide construction materials, including but not limited to CL grid plates and weldmesh, to the Group according to the separate agreements in respect of the transactions to be entered into between the relevant member of the Group and Zhuozhou Tianbao Construction from time to time.

Annual Cap

The maximum annual amount payable by the Group to Zhuozhou Tianbao Construction for the year ended December 31, 2021 in relation to the purchase of construction materials under the Renewed Construction Materials Purchase Framework Agreement shall not exceed RMB8,282,000 (equivalent to approximately HK$9,856,000). For the year ended December 31, 2021, based on the expected progress of the Group's Tianbao Jingbei Health City project located at Huailai County in Zhangjiakou City, it is expected that approximately 25,000 sq.m. of CL grid plates and weldmesh will be needed during the construction process, and the comprehensive unit price is estimated to be approximately RMB198 per sq.m. based on the prevailing market rates; and based on the expected progress of Tianbao Smart Building Technology Park project located in Zhuozhou City, it is expected that approximately 17,000 sq.m. of CL grid plates and weldmesh will be needed during the construction process, and the comprehensive unit price is estimated to be approximately RMB196 per sq.m. based on the prevailing market rates. As such, the maximum annual amount payable by the Group to Zhuozhou Tianbao Construction for the purchase of construction materials has been determined to be approximately RMB8,282,000 (equivalent to approximately HK$9,856,000).

The actual incurred amount in relation to the purchase of construction materials under the Renewed Construction Materials Purchase Framework Agreement by the Group from Zhuozhou Tianbao Construction for the year ended December 31, 2021 was approximately RMB7,801,000.

Since the highest applicable percentage ratio under the Listing Rules in respect of the annual cap is expected to be more than 0.1% but less than 5%, the transactions under the Renewed Construction Materials Purchase Framework Agreement shall be subject to the reporting, annual review and announcement requirements but exempt from circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Details of the terms of the Renewed Construction Materials Purchase Framework Agreement are set out in the Company's announcement dated December 30, 2020.

According to the IFRSs, the transactions under the Renewed Construction Materials Purchase Framework Agreement constitute connected transactions of the Company, and the details of which are set out in note 35 to the consolidated financial statements.

2022 Construction Materials Purchase Framework Agreement

In view of the fact that the Renewed Construction Materials Purchase Framework Agreement entered into between the Company and Zhuozhou Tianbao Construction expired on December 31, 2021, on December 30, 2021, the Company and Zhuozhou Tianbao Construction entered into the 2022 Construction Materials Purchase Framework Agreement for a term from January 1, 2022 up to December 31, 2022 (the "2022 Construction Materials Purchase Framework Agreement"), pursuant to which Zhuozhou Tianbao Construction will provide construction materials (including but not limited to CL grid plates and weldmesh) to the Group according to separate agreements in respect of the transactions to be entered into between the relevant members of the Group and Zhuozhou Tianbao Construction from time to time.

Annual Cap

The maximum annual amount payable by the Group to Zhuozhou Tianbao Construction for the purchase of construction materials under the 2022 Construction Materials Purchase Framework Agreement shall not exceed RMB7,660,000 (equivalent to approximately HK$9,345,000) from January 1, 2022 to December 31, 2022.

As the highest applicable percentage ratio under the Listing Rules in respect of the annual cap is more than 0.1% but less than 5%, the transactions under the 2022 Construction Materials Purchase Framework Agreement shall be subject to the reporting, announcement and annual review requirements but exempt from circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Details of the terms of the 2022 Construction Materials Purchase Framework Agreement are set out in the Company's announcement dated December 30, 2021.

Confirmation from the Auditor

According to the requirements of Rule 14A.56 of the Listing Rules, the Company has engaged Ernst & Young ("EY") as its auditor to report on the continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Based on the works performed, EY has issued the letter to the Board confirming that, in respect of the continuing connected transactions disclosed above:

(a) nothing has come to their attention that causes them to believe that the continuing connected transactions have not been approved by the Company's board of directors;

(b) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

(c) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(d) with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to their attention that causes them to believe that the continuing connected transactions have exceeded the relevant annual cap.

Save as disclosed above, the Company and its connected persons did not enter into any other non-exempt connected transactions during the Reporting Period.

Confirmation from Independent Non-executive Directors

The independent non-executive Directors have reviewed the continuing connected transactions mentioned above and confirmed that the transactions have been entered into in the ordinary and usual course of the business of the Group, on normal commercial terms or better, and in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

RELATED PARTY TRANSACTIONS

The Group entered into certain transactions with "related parties" as defined under the applicable accounting standards, which includes transactions that constitute continuing connected transactions for which the requirements under the Listing Rules have been complied with.

Save as aforesaid, there were no other discloseable non-exempted connected transaction or non-exempted continuing connected transaction under the Listing Rules during the Year and up to the date of this Annual Report.

Save as aforesaid, none of the "Related Party Disclosures" as disclosed in Note 35 to the consolidated financial statements for the Year constituted a discloseable non-exempted connected transaction or a non-exempted continuing connected transaction under the Listing Rules.

To the extent that the above "Related Party Disclosures" constituted connected transactions or continuing connected transactions as defined in the Listing Rules, the Company had complied with the relevant requirements under Chapter 14A of the Listing Rules during the Year.

A summary of the related party transactions entered into by the Group during the year ended December 31, 2021 are disclosed in note 35 to the consolidated financial statements of this Annual Report.

CONTRACT OF SIGNIFICANCE

Save as disclosed in the section headed "Continuing Connected Transactions" above, no contract of significance was entered into between the Company, or one of its subsidiaries, and any of its Controlling Shareholders or their respective subsidiaries and no contract of significance was entered into for the services provided to the Company or any of its subsidiaries by the Controlling Shareholder or any of its subsidiaries during the year ended December 31, 2021.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACTS

Other than those transactions disclosed in note 35 to the consolidated financial statements of the Group in this Annual Report and in the paragraphs headed "Directors' Interests in Competing Business" and "Continuing Connected Transactions" in this section, no Director or Controlling Shareholder of the Company has any material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the Group's business to which the Company, any of its subsidiaries, fellow subsidiaries or its parent companies were a party subsisted at the end of the year or at any time during the year ended December 31, 2021.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year ended December 31, 2021.

DIRECTORS' PERMITTED INDEMNITY PROVISION

According to Article 191 of the Articles of Association and subject to Cayman Islands Company Law, the Directors are entitled to be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty as a Director, except such (if any) as they shall incur or sustain through their own dishonesty, wilful default or fraud. The Company has arranged appropriate directors' liability insurance coverage for the Directors of the Group.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The Directors and senior management members receive compensation from the Company in the form of salaries, bonuses and other benefits in kind such as contributions to pension plans.

The Directors' remuneration for the year ended December 31, 2021 as well as information on the highest paid individuals, please refer to notes 8 and 9 to the consolidated financial statements.

Our Board will review and determine the remuneration and compensation packages of the Directors and senior management and will receive recommendation from our remuneration committee (the "Remuneration Committee") which will take into account salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of the Company.

None of the Directors had waived or agreed to waive any remuneration during the year ended December 31, 2021.

During the Reporting Period, no emoluments were paid by the Group to any Director or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

EMPLOYMENT AND REMUNERATION POLICIES

The emolument of the Group's employees is mainly determined based on prevailing market level of remuneration and the individual performance and work experience of employees.

The remuneration policies of the executive Directors and senior management of the Company are determined with reference to various factors including (i) the Group's actual operation; (ii) remuneration of industry peers; (iii) position and duty of executive Directors; and (iv) adjustment of organisational structure, and are reviewed annually in order to offer a reasonable remuneration package to attract, retain and motivate the Directors and senior management to serve the Group. The fee of independent non-executive Directors is determined with reference to their respective duty and responsibility in the Company and is reviewed annually.

For the year ended December 31, 2021, the Group's total staff costs (excluding Directors' remuneration) amounted to RMB22,093,000, including salaries, wages, allowances and benefits.

The Group's long-term growth depends on the expertise and experience of our employees. The Group mainly recruits through on-campus recruitment, experienced hire and online recruitment.

In addition, the Group has adopted a Share Option Scheme (as defined below) and a Share Award Scheme (as defined below) for the purpose of providing incentives and rewards to eligible persons who contribute to the success of the Group's continual operation and development.

As of December 31, 2021, the Group had a total of 501 employees. The Group has established a comprehensive training system for our employees, based on their responsibilities, covering professional knowledge, technical, operational and managerial skills, corporate culture, internal control and other areas. Such programs are designed to foster career development for our employees and thus to invest in the future of the Group's human resources.

PENSION AND EMPLOYEE BENEFIT SCHEMES

The Group offers our employees in the PRC salaries and make contributions to social insurance fund, including pension, medical, unemployment, maternity and occupational injury insurance, and housing provident fund for the Group's employees. The Group has joined a mandatory provident fund scheme (the "MPF Scheme") for all employees in Hong Kong.

Pension plans

The Group has the social pension plans (the "Social Pension Plans") for its employees arranged by local government labour and security authorities. The Group makes contributions on a monthly basis to the Social Pension Plans. The contributions are charged to profit or loss as they become payable in accordance with the rules of the Social Pension Plans. Under such plans, the Group has no further obligation beyond the contributions made. Accordingly, no forfeited contribution under the Social Pension Plans is available to reduce the contribution payable in future years.

The MPF Schemes

The Group operates a MPF Scheme under the Mandatory Provident Fund Schemes Ordinance for those employees in Hong Kong who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the relevant income of employees in Hong Kong and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in independently administered funds. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme except for the Group's employer voluntary contributions forfeited when the employees leave employment prior to fully vesting in such contributions, which can be used to reduce the amount of future employer contributions or to offset against future administration expenses or to refund to the Group, in accordance with the rules of the MPF Scheme. Accordingly, no forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years.

Housing provident fund and other social insurances

The Group has participated in defined social security contribution schemes for its employees pursuant to the relevant laws and regulations of the PRC. These include housing provident fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes monthly contributions to the housing provident fund and other social insurances. The contributions are charged to profit or loss on an accrual basis. The Group has no further obligations beyond the contributions made.

SHARE OPTION SCHEME

The following is a summary of the principal terms of the share option scheme conditionally adopted by the Company through written resolutions on October 21, 2019 (the "Share Option Scheme"). The Share Option Scheme is subject to the provisions of Chapter 17 of the Listing Rules.

(a) Purpose

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. The Board believes the Share Option Scheme will enable the Group to reward our employees, our Directors and other selected participants for their contributions to the Group. Given that our Directors are entitled to determine the performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by our Directors, it is expected that grantees of an option will make an effort to contribute to the development of the Group so as to bring about an increased market price of the Shares in order to capitalize on the benefits of the options granted.

(b) Who may join

Our Directors may, at their absolute discretion, invite any person belonging to any of the following classes of participants, who our Board considers, in its sole discretion, have contributed or will contribute to the Group, to take up options to subscribe for Shares (collectively the "Eligible Participants"):

(i) any directors (including executive Directors, non-executive Directors and independent non-executive Directors) and employees of any member of the Group; and

(ii) any advisors, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture business partners, service providers of any member of the Group.

For the purposes of the Share Option Scheme, the options may be granted to any company wholly-owned by one or more persons belonging to any of the above classes of participants. For the avoidance of doubt, the grant of any options by the Company for the subscription of Shares or other securities of the Group to any person who falls within any of the above classes of participants shall not, by itself, unless our Directors otherwise so determine, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the above class of participants to the grant of any option shall be determined by our Directors from time to time on the basis of our Directors' opinion as to the participant's contribution to the development and growth of the Group.

(c) Maximum number of Shares

(i) The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group shall not in aggregate exceed 30% of the issued share capital of the Company from time to time.

(ii) The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Group shall not in aggregate exceed 10% of the aggregate of the Shares in issue as at the date of approval of the Share Option Scheme, and such 10% limit represents 60,000,000 Shares (the "General Scheme Limit").

(iii) Subject to paragraph (i) above and without prejudice to paragraph (iv) below, the Company may issue a circular to its Shareholders and seek approval of its Shareholders in a general meeting to extend the General Scheme Limit provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share options scheme of the Group shall not exceed 10% of the Shares in issue as of the date of approval of the limit and, for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of the Group) previously granted under the Share Option Scheme and any other share option scheme of the Group will not be counted. The circular sent by the Company to its Shareholders shall contain, among other information, the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(iv) Subject to paragraph (i) above and without prejudice to paragraph (iii) above, the Company may seek separate Shareholders' approval in a general meeting to grant options beyond the General Scheme Limit or, if applicable, the extended limit referred to in paragraph (iii) above to participants specifically identified by the Company before such approval is sought. In such event, the Company must send a circular to its Shareholders containing a general description of the identified participants, the number and terms of options to be granted, the purpose of granting options to the identified participants with an explanation as to how the terms of the options serve such purpose and all other information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(v) The exercise of any option shall be subject to our Shareholders in general meeting approving any increase in the authorised share capital of our Company. Subject thereto, our Board shall make available sufficient authorised but unissued share capital of our Company for purpose of allotment of shares upon exercise of option(s).

(d) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of the options granted and to be granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being (the "Individual Limit"). Any further grant of options to a participant in aggregate in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to our Shareholders and our Shareholders' approval in general meeting of the Company with such participant and his close associates abstaining from voting. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before Shareholders' approval and the date of board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 17.03(9) of the Listing Rules.

(e) Time of acceptance and exercise of option

An option may be accepted by a participant to whom the offer is made within 5 business days from the date on which the letter containing the offer is delivered to that participant. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination under the Share Option Scheme. Unless otherwise determined by our Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

An offer shall be deemed to have been accepted and the option to which the offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the offer letter comprising acceptance of the offer duly signed by the grantee with the number of Shares in respect of which the offer is accepted clearly stated therein, together with a remittance in favor of the Company of HK$1.00 by way of consideration for the grant thereof, which must be received by the Company within 5 business days from the date on which the offer letter is delivered to the grantee.

(f) Subscription price for Shares and consideration for the option

The subscription price per Share under the Share Option Scheme will be a price determined by our Directors, but shall not be less than the highest of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day;

(ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the offer of grant (provided that in the event that any option is proposed to be granted within a period of less than five business days after the trading of the Shares first commences on the Stock Exchange, the new issue price of the Shares for the Global Offering shall be used as the closing price for any business day falling within the period before listing of the Shares on the Stock Exchange); and

(iii) the nominal value of a Share on the date of grant.

(g) Period of the Share Option Scheme

The Share Option Scheme shall be effective for a period of ten years commencing from the date of adoption until October 20, 2029.

As of December 31, 2021, no option had been granted under the Share Option Scheme.

SHARE AWARD SCHEME

The Company has adopted the share award scheme on March 4, 2020 (the "Share Award Scheme") to recognise the contributions by certain employees and to provide them with incentives in order to retain them for the continual operation and development of the Group. With the Share Award Scheme, the Company also hopes to attract suitable personnel for further development of the Group. The following is a summary of the Share Award Scheme adopted by the Company:

Purposes, Duration and Administration

The purposes of the Share Award Scheme are (i) to recognise the contributions by certain employees and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group.

Subject to any early termination as may be determined by the Board pursuant to the terms of the Share Award Scheme, the Share Award Scheme shall be valid and effective for a term of five (5) years commencing on the adoption date. Such termination of the Share Award Scheme shall not affect any subsisting rights of any selected employee in respect of any award made to him prior to such termination.

The administration of the Share Award Scheme shall be subject to (i) the administration of the Board and the trustee in accordance with the rules of the Share Award Scheme and the trust deed; and (ii) compliance with the Articles and all applicable laws, regulations and rules (including without limitation, the Listing Rules and the Takeovers Code) from time to time.

Maximum Limit

The Board shall not make any further award of awarded shares which will result in the number of the Shares awarded by the Board under the Share Award Scheme exceeding 5% of the issued share capital of the Company from time to time.

Appointment of Trustee

The Company has entered into trust deed and appoint Victory Global Trustee Company Limited as the trustee for the administration of the Share Award Scheme pursuant to the scheme rules. To the best knowledge, information and belief of the Directors after making all reasonable enquires, the trustee and its ultimate beneficial owners are third parties independent of the Company and are not connected persons (as defined under the Listing Rules) of the Company. The trustee will administer the Share Award Scheme in accordance with the scheme rules and the trust deed.

According to the Share Award Scheme, the Board may from time to time instruct the trustee to purchase Shares in the open market for the purpose of the Share Award Scheme. The Shares purchased by the trustee and the returned shares will be held by the trustee until they are vested in the selected employees in accordance with the scheme rules and the trust deed.

Termination

The Share Award Scheme shall terminate on the earlier of (i) the 5th anniversary date of the adoption date; and (ii) such date of early termination as determined by the Board.

For details of the Share Awards Scheme, please refer to the Company's announcement dated March 4, 2020.

During the year ended December 31, 2021, the trustee did not purchase any Share in the market. No Shares were granted to eligible employees pursuant to the Share Award Scheme during the year ended December 31, 2021. As of December 31, 2021, no Awarded Shares had been granted under the Share Award Scheme. As at December 31, 2021, the trustee held 19,848,000 Shares (the "Awarded Shares").

Grant of Awarded Shares

On January 21, 2022, the Company granted a total of 19,848,000 Awarded Shares to 20 Selected Employees. The Board selected the Selected Employees by reference to the following principles:

(i) The Selected Employees are middle and junior level employees of the Group who have served the Group for five years or more; and

(ii) Each of the Selected Employees has made outstanding contributions to the technical and administrative work of the Group with good performance appraisal results.

Details of the grant of the Awarded Shares are set out below:

Date of grant:	January 21, 2022
Amount payable by the Selected Employees:	HK$3.50 per Awarded Share, representing 100.52% of the average closing price of HK$3.482 per Share as quoted in the daily quotations sheet issued by the Stock Exchange for the five trading days immediately preceding the date of grant. If the Awarded Shares are not vested, they can be returned.
Number of the Awarded Shares granted:	19,848,000 Awarded Shares
Vesting Date:	January 21, 2022
Conditions for grant:	1. If the Awarded Shares are accepted by the Selected Employees, the Selected Employees shall continue to serve the Group for at least five years from the date of grant (the "Restricted Period"). 2. In the event of early termination of the employment relationship between the Selected Employees and the Group (other than by cause of death, disability of the Selected Employees or liquidation/reorganisation/merger of the Company or relevant Subsidiaries) within the Restricted Period, the Selected Employees shall pay to the Company, within five business days of the date of termination of the employment, the difference between (a) the aggregate value of the Awarded Shares (calculated based on the closing price of the Shares on the date of termination of the employment) and the Awarded Amount (as defined in the announcement of the Company dated March 4, 2020); or (b) the aggregate value of the Awarded Shares (based on the closing price of the Shares on the last trading day prior to the date of grant) and the Awarded Amount; whichever is the higher. 3. The Selected Employees are subject to all applicable PRC taxes arising from the grant of the Awarded Shares and shall irrevocably authorise the Company to pay such taxes on their behalf and to deduct the same amount from their wages.

For details of the grant of the Awarded Shares, please refer to the Company's announcement dated January 21, 2022.

EQUITY-LINKED AGREEMENTS

Save for the Share Option Scheme and Share Award Scheme as set out in this Annual Report, no equity-linked agreements were entered into by the Group, or subsisted during the year ended December 31, 2021.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended December 31, 2021, the Group's revenue from its five largest customers accounted for less than 30% of the Group's total revenue for the Year. For the year ended December 31, 2021, the Group's purchase amount from its five largest suppliers accounted for less than 30% of the Group's total purchase amount for the year. The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total	
	Sales	**Suppliers (primarily raw material providers and labor force companies)**
The largest customer	8%	N/A
Five largest customers in aggregate	28%	N/A
The largest supplier	N/A	7%
Five largest suppliers in aggregate	N/A	19%

Save as disclosed in the section headed "Continuing Connected Transactions" on pages 63 to 66 of this Annual Report, at no time during the Year have the Directors, their close associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of issued share capital of the Company) had any interest in the Group's five largest customers and suppliers.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended December 31, 2021.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association, or the law of Cayman Islands being the jurisdiction in which the Company was incorporated under which would oblige the Company to offer new Shares on a pro-rata basis to existing shareholders.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code for dealing in securities in the Company by the Directors. The Directors have confirmed compliance with the required standard set out in the Model Code from January 1, 2021 to the date of this annual report.

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 from January 1, 2021 to the date of this annual report.

COMPLIANCE WITH CORPORATE GOVERNANCE PRACTICES

The Company had applied the principles and code provisions as set out in the Corporate Governance Code and has complied with the code provisions in the Corporate Governance Code during the year from January 1, 2021 to December 31, 2021, except for the deviation from the Corporate Governance Code provision A.2.1 which has been renumbered as code provision C.2.1 with effect from January 1, 2022. Corporate governance practices adopted by the Company are set out in the section headed "Corporate Governance Report" in this annual report.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has reviewed the accounting principles and policies adopted by the Group and discussed the Group's risk management, internal controls and financial reporting matters with the management. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended December 31, 2021.

AUDITOR

The Group's consolidated financial statements for the year ended December 31, 2021 have been audited by EY. EY will retire and, being eligible, offer themselves for re-appointment at the forthcoming Annual General Meeting. A resolution for the re-appointment of EY as the Company's auditor is to be proposed at the Annual General Meeting. The Company did not change its auditor since its listing.

SUBSEQUENT EVENTS

On January 21, 2022, a total of 19,848,000 Awarded Shares were granted under the Share Award Scheme to 20 Selected Employees selected by the Board pursuant to the rules of the Share Award Scheme to participate in the Share Award Scheme at HK$3.50 per Awarded Share. For details, please refer to the announcement of the Company dated January 21, 2022.

By order of the Board
China Tianbao Group Development Company Limited

Li Baotian
Chairman of the Board and Executive Director

March 23, 2022

CORPORATE GOVERNANCE CODE

The Company is committed to achieving high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "Corporate Governance Code") contained in Appendix 14 to the Listing Rules as its code of corporate governance.

The Company has complied with all the applicable code provisions as set out in the Corporate Governance Code during the year ended December 31, 2021 and up to the date of this annual report (the "Relevant Period"), except for the deviation from the Corporate Governance Code provision A.2.1 (which has been renumbered as code provision C.2.1 with effect from January 1, 2022). The Directors will do their best to procure the Company to comply with the Corporate Governance Code on a continuous basis.

Pursuant to code provision A.2.1 (which has been renumbered as code provision C.2.1 with effect from January 1, 2022) of the Corporate Governance Code, the roles 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 and the chief executive officer of the Company during the Relevant Period. However, the Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within our Group and enables more efficient overall strategic planning for our Group.

Our Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our 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.

BOARD OF DIRECTORS

The functions and duties of our Board include determining business and investment plans, formulating our annual budget and final accounts, and formulating our proposals for profit distributions and for the increase or reduction of registered capital. In addition, our Board is responsible for exercising other powers, functions and duties in accordance with the Articles of Association and all applicable laws and regulations, including the Listing Rules.

The Board has established Board committees and has delegated to these Board committees' various power and responsibilities as set out in their respective terms of reference which are published on the websites of the Stock Exchange and the Company.

The Board's main corporate governance duties include:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(e) to review the Company's compliance with the Corporate Governance Code and disclosure in the corporate governance report.

The operation and management of Group's property development and construction contracting businesses, the market development, the daily administration of the Group and the financial and fund management of the Group are delegated to the senior management of the Group. The delegated functions and work tasks are periodically reviewed.

During the Reporting Period, the Board held six Board meetings to:

(i) consider and approve the establishment of strategic planning committee and investment decision committee as well as the announcements in relation to Strategic Planning Committee – Terms of Reference, Investment Decision Committee – Terms of Reference and List of Directors and Their Roles and Functions;

(ii) consider and approve the annual audited financial statements, annual results announcement and annual report for the year ended December 31, 2020;

(iii) consider and approve the unaudited financial statements, interim results announcement and interim report for the six months ended June 30, 2021;

(iv) consider and approve the matter and announcement in relation to change of Joint Company Secretary, Authorized Representative and Process Agent and Waiver From Strict Compliance with Rules 3.28 and 8.17 of the Listing Rules;

(v) consider and approve the entrustment of Futu Securities International (Hong Kong) Limited to open a securities account for Victory Global Trustee Company Limited in order to implement the Share Award Scheme; and

(vi) consider and approve the Construction Materials Purchase Framework Agreement proposed to be entered into between the Company and Zhuozhou Tianbao Construction and the announcement in relation to Continuing Connected Transaction in Relation to The 2022 Construction Materials Purchase Framework Agreement.

During the Reporting Period, the Board had reviewed and monitored the Company's policies and practices on corporate governance, reviewed and monitored the training and continuous professional development of Directors and senior management, reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements, reviewed and monitored the code of conduct applicable to employees and Directors, and reviewed the Company's compliance with the Corporate Governance Code and made disclosure in the Corporate Governance Report.

BOARD COMPOSITION

The Board currently comprises nine members, consisting of six executive Directors and three independent non-executive Directors. During the Relevant Period, the Board of the Company comprised the following Directors:

Executive Directors

Mr. Li Baotian *(the Chairman of the Board and Chief Executive Officer)*
Ms. Shen Lifeng
Ms. Wang Xinling
Mr. Li Yaruixin
Ms. Wang Huijie
Mr. Zang Lin

Independent Non-executive Directors

Mr. Li Xu
Mr. Liu Kaixiang
Mr. Li Qingxu

During the Relevant Period, the Company has maintained at least three independent non-executive Directors (representing at least one-third of the Board) and at least one of the independent non-executive Directors with appropriate professional qualifications or accounting or related financial management expertise, in accordance with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules.

Mr. Li Baotian (Chairman of the Board, executive Director and chief executive officer of the Company) is the father of Mr. Li Yaruixin (executive Director) and uncle-in-law of Ms. Wang Xinling (executive Director). Other than this, there are no financial, business, family or other material relationship among members of the Board.

BOARD DIVERSITY POLICY

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board members level as an essential factor in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, the Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The nomination committee of the Company (the "Nomination Committee") will select its members among the Board in accordance with the Company's nomination policy and with reference to the Board diversity policy. The Nomination Committee will report annually, in the Corporate Governance Report, on the Board's composition under diversified perspectives, and monitor the implementation and effectiveness of the policy.

The analysis on diverse composition of the Group's Directors as at December 31, 2021 is as follows:

<table>
<tr><th>Number of Directors</th><th>Position</th><th>Gender</th><th>Age range</th><th>Years of service</th><th>Principal roles and responsibilities</th><th>Skills and knowledge</th></tr>
<tr><td>1</td><td rowspan="6">Executive Director</td><td rowspan="3">Male</td><td>60-66</td><td>≥21</td><td>Overall strategy, business development and management</td><td rowspan="4">Property development and construction contracting</td></tr>
<tr><td>2</td><td rowspan="3">35-45</td><td>10-15</td><td rowspan="3">Operation and business management</td></tr>
<tr><td>3</td><td>≥21</td></tr>
<tr><td>4</td><td rowspan="3">Female</td><td>15-21</td></tr>
<tr><td>5</td><td rowspan="2">50-56</td><td>0-5</td><td>Management of securities market, investment and financing</td><td>Law, investment and financial management and corporate management</td></tr>
<tr><td>6</td><td>15-21</td><td>Administrative management</td><td>Corporate management</td></tr>
<tr><td>7</td><td rowspan="3">Independent non-executive Director</td><td rowspan="3">Male</td><td rowspan="2">45-60</td><td rowspan="3">0-5</td><td rowspan="3">Providing independent advice on operations and management</td><td>Accounting, commercial and financial education, human capital</td></tr>
<tr><td>8</td><td>Law</td></tr>
<tr><td>9</td><td>60-65</td><td>Property, construction, corporate management</td></tr>
</table>

The Company recognises the importance of gender diversity and recruits employees at all levels based on merits and regardless of gender in order to ensure there is a pipeline of male and female potential successors to the Board and the senior management. Currently, our senior management comprises five male and four female colleagues.

Based on the latest review, the Nomination Committee considers the Board to be diverse in respect of the aforesaid evaluation criteria. The Nomination Committee has considered but decided not to set any measurable objectives for implementing the Board Diversity Policy. The Nomination Committee will continue to ensure that diversity is taken into consideration when assessing Board composition.

The Nomination Committee has reviewed the requirement on structure, composition and diversity of the Board during the Reporting Period. The Nomination Committee confirmed that the Company has met the requirement on balance and sufficiency of the Board.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors actively participate in Board meetings to bring independent judgement and make independent recommendations on the operation and management of the Group.

They will make decisions aiming to protect all the Shareholders' interests where potential conflicts of interests of other Directors arise. They serve as members of various Board committees and will scrutinise the performance of the Group in achieving agreed corporate goals and objectives and monitor performance reporting.

The Company has received confirmations from each of independent non-executive Directors made in respect of their independence in accordance with Rule 3.13 of the Listing Rules. The Board has assessed the independence of all the independent non-executive Directors based on the Listing Rules and considered that all the independent non-executive Directors are independent.

On October 21, 2019, each of Mr. Li Xu, Mr. Liu Kaixiang and Mr. Li Qingxu, being our independent non-executive Directors, has entered into a letter of appointment with the Company for a term of three years commencing from November 11, 2019 and subject to renewal in accordance with the Articles of Association and the applicable laws, rules and regulations.

BOARD COMMITTEES

The Board has established five Board committees with defined scope of duties in writing. These Board committees are the audit committee, the remuneration committee, the nomination committee, the investment decision committee and the strategic planning committee.

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to obtain independent professional advice in appropriate circumstances at the expense of the Company if they consider necessary.

(1) Audit Committee

The Company has established an Audit Committee with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are to review and supervise our financial reporting process and internal control system of our Group, oversee the audit process, provide advice and comments to our Board and perform other duties and responsibilities as may be assigned by our Board.

The Audit Committee consists of three members, namely Mr. Li Xu, Mr. Liu Kaixiang and Mr. Li Qingxu and all of them are independent non-executive Directors. Mr. Li Xu possesses the appropriate accounting and related financial management expertise. The chairman of the Audit Committee is Mr. Li Xu.

During the Reporting Period, the Audit Committee had conducted annual review on the Group's risk management and internal control system and monitoring and auditing procedures. The Audit Committee had advised the Board on the risk management and internal control system and monitoring and auditing procedures.

For the year ended December 31, 2021, the Audit Committee held three meetings, two of which were held with the Company's external auditor to discuss and review the auditing plan, accounting standards and policies adopted in the financial results and report, reviewed the annual results and annual report for the year ended December 31, 2020. Meanwhile, the Audit Committee held a meeting separately to review the interim results announcement and interim report for the six months ended June 30, 2021. The attendance record of individual Directors at the audit committee meetings is set out in the section headed "Directors' Attendance Record at Meetings" below.

(2) Remuneration Committee

The Company has established a Remuneration Committee with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Remuneration Committee are to establish, review and make recommendations to our Directors on our policy and structure concerning remuneration of our Directors and senior management and on the establishment of a formal and transparent procedure for developing policies concerning such remuneration, determine the terms of the specific remuneration package of each executive Director and senior management and review and approve performance-based remuneration by reference to corporate goals and objectives.

The Remuneration Committee consists of five members, namely Mr. Li Qingxu (an independent non–executive Director), Mr. Li Xu (an independent non-executive Director), Mr. Liu Kaixiang (an independent non-executive Director), Ms. Wang Xinling (an executive Director) and Mr. Li Yaruixin (an executive Director). The chairman of the Remuneration Committee is Mr. Li Qingxu.

During the Reporting Period, the Remuneration Committee had assessed the performance of executive Directors, reviewed and discussed on the remuneration package of executive Directors, remuneration of independent non-executive Directors and the arrangement of the existing share option scheme. It also reviewed the remuneration policy and its implementation. The Remuneration Committee had reported to the Board on the works and performance of Directors and senior management, and made recommendation to the Board on the adjustment to salary of Directors and senior management.

During the Reporting Period, the Remuneration Committee had conducted annual review on the remuneration of Directors and senior management with reference to the remuneration policy of Directors and senior management of the Group. The Remuneration Committee had made recommendation to the Board in respect of the results of the annual review.

For the year ended December 31, 2021, the Remuneration Committee held one meeting to discuss the performance of all Directors and senior management. The attendance record of individual Directors at the Remuneration Committee meeting is set out in the section headed "Directors' Attendance Record at Meetings" below.

(3) Nomination Committee

The Company has established a Nomination Committee with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Nomination Committee are to review the structure, size and composition of our Board on a regular basis and make recommendations to the Board regarding any changes to the composition of our Board, identify, select or make recommendations to our Board on the selection of individuals nominated for directorship, and ensure the diversity of our Board members, assess the independence of our independent non-executive Directors and make recommendations to our Board on relevant matters relating to the appointment, re-appointment and removal of our Directors and succession planning for our Directors.

The Nomination Committee consists of five members, namely Mr. Li Baotian (an executive Director), Mr. Li Xu (an independent non-executive Director), Mr. Liu Kaixiang (an independent non-executive Director), Ms. Shen Lifeng (an executive Director) and Mr. Li Qingxu (an independent non-executive Director). The chairman of the Nomination Committee is Mr. Li Baotian.

During the Reporting Period, the Nomination Committee had conducted regular review on the structure, size and composition of the Board, made recommendation to the Board on re-election of Board members with reference to the Board diversity policy and nomination policy of Directors of the Company, and assessed the independence of the independent non-executive Directors.

The Nomination Committee will review the implementation of the Nomination Policy, including the mechanisms for ensuring independent views and input are available to the Board annually. All Directors (including independent non-executive Directors) are given opportunities to include matters in the agenda for regular Board meetings. If a substantial Shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter should be dealt with by a physical Board meeting rather than a written resolution. Independent non-executive Directors who, and whose associates, have no material interest in the transaction should be present at that Board meeting. The Nomination Committee considers that the implementation of above mechanisms is effective.

For the year ended December 31, 2021, the Nomination Committee held one meeting to carry out discussion on improvement of professional knowledge and skills of Directors and assess the independence of independent non-executive Directors.

The attendance record of individual Directors at the Nomination Committee meeting is set out in the section headed “Directors’ Attendance Record at Meetings” below.

(4) Investment Decision Committee

The Company has established an Investment Decision Committee on January 22, 2021. The primary duties of the Investment Decision Committee are to supervise the performance of the previous investment projects of the Company; assess and supervise the proposed investment projects of the Company and make recommendations on risk prevention of such projects; study and review the investment projects for future development of the Company and make recommendations to the Board in this regard; and other matters as authorised by the Board.

The Investment Decision Committee consists of ten members, namely Mr. Li Baotian (an executive Director), Ms. Shen Lifeng (an executive Director), Ms. Wang Xinling (an executive Director), Mr. Li Yaruixin (an executive Director), Ms. Wang Huijie (an executive Director), Mr. Zang Lin (an executive Director), Mr. Li Xu (an independent non-executive Director), Mr. Liu Kaixiang (an independent non-executive Director), Ms. Liu Dandan (senior management) and Mr. Li Zhengmao (management). The chairman of the Investment Decision Committee is Mr. Li Baotian.

During the Relevant Period, the Investment Decision Committee did not hold any meeting.

(5) Strategic Planning Committee

The Company has established a Strategic Planning Committee on January 22, 2021. The primary duties of the Strategic Planning Committee are to conduct research on the Company's mid-term to long-term strategic development plans; review, supervise, amend and supplement the Company's mid-term to long-term strategic development plans and make recommendations to the Board in this regard; review and supervise the implementation of the Company's strategies and make recommendations; conduct research on material matters related to future development direction of the Company (including but not limited to future development planning, development objectives, business strategies and operation guidelines) and make recommendations; and other matters as authorised by the Board.

The Strategic Planning Committee consists of seven members, namely Mr. Li Baotian (an executive Director), Ms. Shen Lifeng (an executive Director), Ms. Wang Xinling (an executive Director), Mr. Li Yaruixin (an executive Director), Ms. Wang Huijie (an executive Director), Mr. Zang Lin (an executive Director) and Mr. Li Qingxu (an independent non-executive Director). The chairman of the Strategic Planning Committee is Mr. Li Baotian.

During the Relevant Period, the Strategic Planning Committee held two meetings to:

(i) recommend the Group to actively explore the in-depth industrial development under the direction of the nation's 14th Five-Year Plan, focus on building quality communities and EPC projects, promote development through reform, and devise the strategies and layout.

(ii) reposition the three functions of "control-service-guidance" for Tianbao Real Estate Group in combination with the current situation of the real estate industry, recommend the Group to focus on ensuring cash flow, use diversified financing as a means, and build product sales force as a breakthrough to realize a smooth transition and hand-over of real estate business.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and members of our senior management receive compensation from our Company in the form of salaries, bonuses and other benefits in kind such as contributions to pension plans.

For the year ended December 31, 2021, the expenses incurred by the Company in relation to remuneration (including fees, salaries, allowances, benefits in kind, pension schemes contributions and social welfare) for our Directors are detailed in note 8 to the consolidated financial statements.

The Company incurred expenses in relation to remuneration (including fees, salaries, allowances, benefits in kind, pension schemes contributions and social welfare) for five highest paid individuals (including our Directors) for the year ended December 31, 2021 of approximately RMB8,267,000.

Pursuant to provision B.1.5 of the Corporate Governance Code (which has been renumbered as code provision E.1.5 with effect from January 1, 2022), the remuneration of the members of the senior management (other than Directors) by band for the year ended December 31, 2021 is as follows:

Remuneration band	**Number of individuals**
Nil to HK$1,000,000	4

DIRECTORS' ATTENDANCE RECORD AT MEETINGS

The number of Board meeting, audit committee meeting, remuneration committee meeting, nomination committee meeting, strategic planning committee meeting and the annual general meeting of the Company held for the period from January 1, 2021 to December 31, 2021 and the attendance record of each individual Director are set out in the following table:

Directors	Attendance/ Number of Board Meetings	Attendance/ Number of Audit Committee Meetings	Attendance/ Number of Remuneration Committee Meeting	Attendance/ Number of Nomination Committee Meeting	Attendance/ Number of Strategic Planning Committee Meeting	Attendance/ Number of Annual General Meeting
Executive Directors						
Mr. Li Baotian	6/6	N/A	N/A	1/1	2/2	1/1
Ms. Shen Lifeng	6/6	N/A	N/A	1/1	2/2	1/1
Ms. Wang Xinling	6/6	N/A	1/1	N/A	2/2	1/1
Mr. Li Yaruixin	6/6	N/A	1/1	N/A	2/2	1/1
Ms. Wang Huijie	6/6	N/A	N/A	N/A	2/2	1/1
Mr. Zang Lin	6/6	N/A	N/A	N/A	2/2	1/1
Independent Non-executive Directors						
Mr. Li Xu	6/6	3/3	1/1	1/1	N/A	1/1
Mr. Liu Kaixiang	6/6	3/3	1/1	1/1	N/A	1/1
Mr. Li Qingxu	6/6	3/3	1/1	1/1	2/2	1/1

For the year ended December 31, 2021, the chairman of the Board held one meeting with the independent non-executive Directors without the executive Directors present. During the Relevant Period, the Company held the annual general meeting of the Company on May 25, 2021.

NOMINATION POLICY

(i) Objectives

The Nomination Committee assists the Board in making recommendations to the Board on the appointment of Directors and succession planning for Directors. This nomination policy provides the key selection criteria and principles of the Nomination Committee in making any such recommendations.

(ii) Selection Criteria

The Nomination Committee shall consider the following factors which are not exhaustive in assessing the suitability of the proposed candidate and make recommendations regarding the appointment of Directors or re-appointment of any existing Board member(s):

(a) Integrity;

(b) Accomplishment, experience and reputation in the related businesses and other relevant industry;

(c) Commitment in respect of sufficient time, interests held and attention to the businesses of the Company;

(d) Board diversity in all aspects, including but not limited to gender, age, cultural/educational and professional background, skills, knowledge and experience;

(e) Ability to assist and support the management and make a significant contribution to the success of the Company;

(f) Compliance with the criteria of independence, in case for the appointment of an independent non-executive Director, as prescribed under Rule 3.13 of the Listing Rules; and

(g) Any other relevant factors as may be determined by the Nomination Committee or the Board from time to time.

The appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board shall be made in accordance with the Articles of Association and other applicable rules and regulations.

(iii) Nomination Procedures

(a) The secretary of the Company shall convene a meeting, and invite nominations of candidates from Board members (if any), for consideration by the Nomination Committee. The Nomination Committee may also nominate candidates for its consideration;

(b) For the appointment of any proposed candidate to the Board, the Nomination Committee shall undertake adequate due diligence in respect of such individual and make recommendations for the Board's consideration and approval;

(c) For the re-appointment of any existing member(s) of the Board, the Nomination Committee shall make recommendations to the Board for its consideration and recommendation, for the proposed candidates to stand for re-election at a general meeting; and

(d) The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at a general meeting.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

To ensure that every newly appointed Director has a proper understanding of the operations and business of the Group and that he/she is appropriately aware of the operations and business of the Company and his/her responsibilities under relevant laws, regulations, rules and requirements, every newly appointed Director will receive the necessary induction training and information.

For the year ended December 31, 2021, the Directors were provided with monthly updates on the performance and status of the Company, so that the Board as a whole and each Director can perform their duties.

Pursuant to code provision A.6.5 (which has been renumbered as code provision C.1.4 with effect from January 1, 2022) set out in the Corporate Governance Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills, so as to ensure that their contribution to the Board remains informed and relevant. The issuer should be responsible for arranging and funding suitable training, placing an appropriate emphasis on the roles, functions and duties of a listed company director. The Company encourages the Directors to participate in continuous professional development. The training record of each Director for the year ended December 31, 2021 is as follows:

	Attend Directors' training	Confirm reading the Directors' duties and responsibilities information	Training on communication strategy for Chinese enterprises' globalization
Executive Directors			
Mr. Li Baotian *(the Chairman of the Board and Chief Executive Officer)*	Yes	Yes	Yes
Ms. Shen Lifeng	Yes	Yes	Yes
Ms. Wang Xinling	Yes	Yes	Yes
Mr. Li Yaruixin	Yes	Yes	Yes
Ms. Wang Huijie	Yes	Yes	Yes
Mr. Zang Lin	Yes	Yes	Yes
Independent Non-Executive Directors			
Mr. Li Xu	Yes	Yes	Yes
Mr. Liu Kaixiang	Yes	Yes	Yes
Mr. Li Qingxu	Yes	Yes	Yes

For the year ended December 31, 2021, the Directors' trainings of the Company were conducted by the Hong Kong Chinese Listed Companies Association, the Hong Kong General Chamber of Commerce, the Chinese General Chamber of Commerce, Hong Kong, the Commercial Office of the Economic Affairs Department of the LOCPG and the Belt and Road Office of the Commerce and Economic Development Bureau of the HKSAR Government, SWCS Corporate Services Group (Hong Kong) Limited, the Financial Reporting Council (FRC) and the Independent Commission against Corruption of Hong Kong (ICAC). The Directors' trainings cover the following matters: (i) the responsibilities and obligations of Directors; (ii) Chapter 14 of the Listing Rules – notifiable transactions; (iii) special training on Regional Comprehensive Economic Partnership (RCEP); (iv) embracing Environmental, Social and Governance (ESG) Developments and Opportunities; (v) how to achieve climate neutral; (vi) ESG rating in the capital market and sustainable financing for enterprise development; (vii) the soundness of the financial system of Hong Kong and the latest developments of the financial market of Hong Kong; (viii) the fiscal budget plan of the HKSAR Government, the relevant measures on enhancing the competitiveness of Hong Kong and helping the enterprises respond to the challenges.

For the year ended December 31, 2021, each of the Directors had confirmed that they have read the directors' duties and responsibilities information, including the online training seminars for directors provided by the Stock Exchange.

According to code provision A.6.5 (which has been renumbered as code provision C.1.4 with effect from January 1, 2022) contained in the Corporate Governance Code, all Directors are required to provide the Company with a record of their trainings to ensure that their contribution to the Board remains informed and relevant.

AUDITOR AND AUDITOR'S REMUNERATION

The fees paid/payable to the Company's external auditor for audit services and non-audit services are set out below:

	Year ended December 31, 2021 RMB'000
Audit services	2,000
Non-audit services	–
Total	2,000

PRIMARY CONTACT PERSON AND PROFESSIONAL TRAINING OF JOINT COMPANY SECRETARIES

Directors have access to the services of our company secretary to ensure that the Board procedures are followed. For the year ended December 31, 2021, Mr. Du Hang is one of the joint company secretaries of the Company. The Company had also appointed Ms. Lin Sio Ngo (練少娥) from SWCS Corporate Services Group (Hong Kong) Limited, who possesses the relevant qualification of company secretary as required under the Rule 3.28 of the Listing Rules, as another joint company secretary to assist Mr. Du Hang in performing his role as the company secretary of the Company. Ms. Lin Sio Ngo's primary contact person at the Company is Mr. Du Hang.

In order to comply with the requirements of Rule 3.29 of the Listing Rules, during the year ended December 31, 2021, Mr. Du Hang and Ms. Lin Sio Ngo had attended relevant professional trainings for not less than 15 hours.

DIRECTORS' SECURITIES TRANSACTIONS

The Company had adopted the Model Code as a code for Directors to deal in securities of the Company on terms no less exacting than the required standards set out in the Model Code. After making specific enquiries to all Directors, all the Directors have confirmed that they had complied with the standards required by the Model Code during the Reporting Period.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors confirm their responsibilities for preparing the Company's financial statements for the year ended December 31, 2021. The Board is responsible for disclosing the financial information in the Group's annual reports in accordance with the Listing Rules, Companies Law and other regulatory requirements, and making a balanced, clear, accessible and well-founded review on the Company's performance. The Company's senior management has provided such explanations and information to the Board when necessary, so that the Board can make an informed assessment of the Company's financial and business conditions put before it for approval.

RESPONSIBILITY OF DIRECTORS AND AUDITOR FOR CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities to prepare the accounts, that is, to prepare the Company's consolidated financial statements on a going concern basis in accordance with IFRSs and the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) so as to truly and fairly reflect the Group's performance, financial and business conditions and prospects.

The statements of the Directors and the Company's auditors regarding their reporting responsibilities to the Group's consolidated financial statements are set out in the independent auditor's report on pages 125 to 131 of this Annual Report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for continuously monitoring and reviewing the effectiveness of risk management and internal control systems of the Group to safeguard the assets of the Group and the overall interests of Shareholders. The Group will review annually and ensure that the Group's risk management and internal control systems are continuously effective and adequate. The risk management and internal control systems of the Group are designed to manage rather than eliminate risks of failure to achieve business objectives, and can only provide reasonable, but not absolute assurance against material misstatement or loss. The Company has an internal audit function in place, which can effectively analyze and independently assess the adequacy of the Group's risk management and internal control systems, and report its findings to the Board on an annual basis. For principal risks faced by the Group, please refer to the section headed "Principal Risks and Uncertainties" in "Directors' Report" in this Annual Report.

The Group's risk management and internal control systems include relevant organizational framework policies, risk management policies and risk control procedures. These systems are designed to manage the risks faced by the Group, which are mainly the Group's operational risks, legal risks and liquidity risks. Relevant risk management and internal control systems include:

(i) Our Board is responsible for and has general powers over the management and conduct of the business of our Group. Any significant operational decisions involving material risks, such as decisions to expand into new geographic regions or to incur significant corporate finance transactions, are required to be reviewed, analyzed and approved at the Board level to ensure a thorough examination of the associated risks by our highest corporate governance body.

(ii) The legal and audit department of the Group is responsible for proposing risk management strategies, formulating policies on risk management, coordinating and preparing risk management assessments and reports, guiding all departments on relevant tasks and conducting all training sessions in risk management. It is also in charge of designing a comprehensive risk evaluation system and supervising the implementation of risk management measures.

(iii) Each of our Group's functional departments is in charge of the daily business operations and risk monitoring, and is responsible for the supervision of respective fields of operations. Each department is also responsible for formulating its own risk management strategies and rectifying any deviations in the implementation of such strategies.

(iv) The Group has established and implemented enhanced internal control policies relating to its project management, sub-contracting, invoicing, payment, and authorization controls.

(v) Internal control policies and procedures have been revised by the Group to implement internal control measures such that the construction planning department of the Group will be responsible for applying construction work planning permit and construction work commencement permit, and will, together with the cost control department and construction management department, prepare and submit the plan for use of funds to senior management for approval. Weekly meetings will be held by the project management department to prepare and submit the project progress report to the construction management department and senior management.

(vi) The Group's internal policies and procedures have been revised at regular intervals so that it is stated clearly that pre-sales can only be carried out with the pre-sales permits, and the engineering planning department will be responsible for applying for pre-sales permits and will regularly report to the Company's senior management of the progress.

(vii) The Group has adopted internal policies and procedures for various aspects of operations. The Group provides training to our employees in order to enhance their knowledge of our corporate culture, with a view to better managing the Group's operational and market risks.

(viii) To safeguard the interests of our Company and the Shareholders as a whole, the Company has put in place internal approval and monitoring procedures relating to our continuing connected transactions, which include the following:

a. the Group will offer the same pricing terms to all material suppliers, service providers or tenants and no preferential terms shall be provided to the material suppliers, service providers or tenants who are the Group's connected persons;

b. the Group has formulated and implemented the internal guidelines according to the Listing Rules, which provide approval procedures for connected transactions, including mechanism to avoid conflict of interest; and

c. our independent non-executive Directors conduct an annual review of our continuing connected transactions and provide annual confirmations in accordance with the Listing Rules that the terms of the relevant agreements are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of our Group, and the relevant agreements are in the interests of our Company and the Shareholders as a whole.

During the year ended December 31, 2021, the Board has reviewed the effectiveness of the Group's internal risk management and monitoring systems (including internal control) to ensure that the management maintains and operates a sound system in accordance with agreed procedures and standards. The Board has conducted an annual review which covers all major controls, including financial monitoring, operational monitoring, compliance monitoring and risk management functions. The Board has confirmed on the effectiveness of the Company's processes for financial reporting and Listing Rules compliance. The Board has confirmed that the Company's resources in terms of accounting and financial reporting functions and internal auditors, qualifications and experience of employees and training courses received by employees and related budgets as well as those relating to the Company's ESG performance and reporting are sufficient. This review was made after discussions with the Company's management and its internal auditors, and the assessment was performed by the Audit Committee. The Board confirms that the internal risk management and internal control systems of the Company and the internal audit function through discussion with the Audit Committee are effective and adequate.

INTERNAL AUDIT

The Company has established an internal audit function. The main responsibility of the internal audit function is to assist the Board and the Company's senior management in the protection of the Company's property, reputation and sustainable development. The internal audit function provides independent and objective verification of the effectiveness of the design and operation of the Company's risk management, monitoring and governance process framework as formulated and stated by the Company's management. The Company's internal audit function is independent of the Company's risk management and internal control systems.

The results of the internal audit work and the assessment results of the Group's overall risk management and monitoring framework are reported to the Audit Committee where appropriate.

Before formally confirming the rectification of the problems found in the audit, the internal audit function is also responsible for reviewing the rectification plan proposed by the management of the Company regarding the problems found in the audit, and verifying the adequacy and effectiveness of the mitigation measures. During the year ended December 31, 2021, the Audit Committee has reviewed the responsibilities of the risk management and internal control systems and the effectiveness of the internal audit function of the Group and considered them effective and adequate.

INSIDE INFORMATION DISCLOSURE

With regard to the processing, procedures of release of inside information and internal controls, the Company has complied with the responsibilities under Part XIVA of SFO and the Listing Rules.

The Group has adopted a continuous disclosure compliance policy, which sets out guidelines and procedures for the Directors and management personnel of the Group to ensure that the inside information of the Group is disclosed in a fair and timely manner. The Group has implemented measures to keep the inside information confidential. Once the inside information is leaked, the Company will disclose it to the public immediately or apply for a trading halt or suspension of trading in its securities. The Group holds regular trainings for Directors and management personnel to assist them in understanding and complying with relevant policies.

WHISTLEBLOWING MECHANISM

The Company has established and from time to time updated the whistleblowing policy. Under the whistleblowing policy, employees of the Group and all related third parties who have business relationships with our Group (including clients, suppliers, etc.) can report any concern about possible improprieties in any matter related to the Company, in confidence and anonymity, to the chairman of the audit committee.

ANTI-CORRUPTION MEASURES

For policies and systems that promote and support anti-corruption laws and regulations, please refer to "Anti-corruption" under the section headed "Environmental, Social and Governance Report" of this annual report.

CORPORATE GOVERNANCE AND ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Corporate governance provides the framework within which the Board makes decisions and conducts its business. The Board focuses on creating long-term sustainable growth for Shareholders and creating long-term value for all underlying stakeholders. An effective corporate governance structure allows the Group to have a better understanding of, evaluate and manage risks and opportunities, including environmental and social risks and opportunities. The Board is responsible for the effective governance and oversight of environmental, social and governance matters, as well as assessment and management of material environmental and social risks. For details of the environmental, social and governance for the year ended December 31, 2021, please refer to the section headed "Environmental, Social and Governance Report" on pages 101 to 124 of this Annual Report.

DIVIDEND POLICY

The Company has adopted a dividend policy. Accordingly, when considering the payment of dividends, it is necessary to obtain a balance between sufficient reserves for the future development of the Group and returns to the Shareholders.

In considering the declaration and payment of dividends, the Board will also take into account (among others):

a. the actual and expected financial performance of the Group;

b. the Group's expected working capital requirements, capital expenditure requirements and future expansion plans;

c. the liquidity position of the Group;

d. the financial position of the Group;

e. the overall economic situation, the business cycle of the Group's business, and external factors that may affect the future business and financial performance and condition of the Group;

f. Shareholders' interest;

g. any restriction on the dividend distribution; and

h. other factors the Board deems relevant.

The Board will continue to review this policy and reserve the right to update, revise, modify and/or cancel this policy at any time in its sole and absolute discretion.

As at the date of this report, the Company was not aware of any arrangements pursuant to which Shareholders had waived or agreed to waive any dividends.

SHAREHOLDERS' RIGHTS

To safeguard the Shareholders' interests and rights, separate resolutions are proposed at general meetings on each substantial issue, including the re-election of individual Directors. Meanwhile, the procedures for the Shareholders to (i) convene an extraordinary general meeting; (ii) put forward proposals at general meetings; and (iii) send their enquiries to the Board are available.

In accordance with Article 72 of the Articles of Association, resolutions put to vote at any general meetings will be taken by poll save that the chairman of the meeting may allow a resolution to be voted on by a show of hands pursuant to the Listing Rules.

In addition, the poll results will be posted on the websites of the Company and the Stock Exchange after the relevant general meeting.

Procedures for Shareholders to convene an extraordinary general meeting

The Company is incorporated in the Cayman Islands. The Board may, whenever it thinks fit, convene an extraordinary general meeting. Pursuant to the Articles of Association, extraordinary general meetings shall also be convened by one or more members of the Company holding, at the date of deposit of the requisition, not less than one-tenth of the paid-up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting Forward Proposals at General Meetings

There is no single provision in the Articles of Association or the Cayman Islands Companies Law for the Shareholders to put forward proposals at general meetings. The Shareholders who wish to propose a resolution may request the Company to convene a general meeting in accordance with the procedures for Shareholders to convene an extraordinary general meeting.

Putting Forward Enquiries to the Board by Shareholders

Enquiries about the Company may be put to the Board by contacting the Company or directly by raising the questions at an annual general meeting or extraordinary general meeting of the Company. The contact details of the Company are set out in the Company's website (www.chinatbjt.com).

Shareholders can contact the Company through the following channels:

Address: No. 33, Guanyun East Road, Zhuozhou County, Hebei Province, the PRC;
Telephone: (+86) 0312-3650258;
Email: zhongguotianbao@chinatbjt.com.

Shareholders can also direct their enquiries about their shareholdings to the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, whose address is Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

Rights on Appointment, Election and Removal of Directors

In accordance with Article 111 of the Articles of Association, the Company may elect any person to be a director of the Company from time to time by ordinary resolution in a general meeting to fill a casual vacancy or as an additional to the existing Directors.

The Shareholders may remove any Director by ordinary resolution before the expiration of his/her term of office in accordance with Article 114 of the Articles of Association.

To safeguard the Shareholders' interests and rights, the Company shall propose separate resolutions at general meetings on each substantial issue, including the re-election of individual Directors.

Pursuant to Article 113 of the Articles of Association, if a shareholder of the Company wishes to propose a person, other than a retiring Director, or a person recommended by the Board of the Company for election, as a Director at the general meeting, such shareholder entitled to attend and vote at such general meeting, should lodge a notice in writing of his/her intention to propose such person for election together with the notice signed by the proposed person of his/her willingness to be elected, at the Company's place of business in Hong Kong at Unit 3326, 33/F, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong. The nominating shareholder should also provide the biographical details of the person he or she proposes to be elected as a director to the Company required under Rule 13.51(2) of the Listing Rules. The notices should be given within the period commencing on the day after the despatch of the notice of the general meeting appointed for such election of directors and ending no later than 7 days prior to the date of such general meeting and such period shall be at least 7 days. The procedures for Shareholder to propose a person for election as director is available on the Company's website (www.chinatbjt.com).

Upon receipt of the above notices after the despatch of the notice of the general meeting, the Company shall publish an announcement or issue a supplementary circular prior to the general meeting in accordance with Rule 13.70 of the Listing Rules, disclosing the particulars of the proposed director as required under Rule 13.51(2) of the Listing Rules.

Shareholders' communication policy

A Shareholders communication policy has been adopted by the Board, with the objective of ensuring that the Shareholders are provided with information about the Group to enable them to exercise their rights in an informed manner, and to engage actively with the Group. The policy is reviewed regularly to ensure its effectiveness.

The Company reviewed the implementation and effectiveness of the shareholders' communication policy and considered it to be effective for the year ended 31 December 2021.

AMENDMENT TO THE ARTICLES OF ASSOCIATION

During the Reporting Period, there has not been any change in the Articles of Association. The Articles of Association are available on the website of the Company (www.chinatbjt.com) and that of the Stock Exchange.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

This Environmental, Social and Governance ("ESG") Report ("ESG Report") of China Tianbao Group Development Company Limited (hereinafter referred as "Tianbao", and together with its subsidiaries, collectively as "the Group") is prepared in accordance with the ESG Reporting Guide outlined in Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("HKEx ESG Reporting Guide") and has complied with "comply or explain" provision in the Listing Rules.

REPORTING BOUNDARIES

The scope of this ESG Report summarizes the environmental and social performance regarding corporate social responsibility of the Group's material business operations.

Reporting period: 1 January 2021 to 31 December 2021, the financial period of our Annual Report 2021.

Business scope: (i) Property development and (ii) property construction

Geographical scope: The People's Republic of China ("the PRC")

The reporting boundaries are determined by whether the subsidiaries are contributing to the operating business of Tianbao. In 2021, all subsidiaries and business entities of Tianbao are included in the ESG Report.

REFERENCE GUIDELINES

Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited – ESG Reporting Guide.

CONTACT

Should you have any enquiries or feedback on this ESG Report, please do not hesitate to contact us via the following methods:

Address:	No. 33, Guanyun East Road, Zhuozhou County, Hebei Province, the PRC
Tel:	+86 0312-3650258
Email:	zhongguotianbao@chinatbjt.com
Official website:	http://www.chinatbjt.com/

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CHAIRMAN STATEMENT

During past year, we have worked hard and generated superior result for our shareholders, and we also employed extensive resources to promote sustainable development and better ESG performance.

We have built a solid foundation of ESG management system over the years and we strive for the best ESG practices in industry in the future. The governance structure has an integrated ESG management system for better board-level oversight. Moreover, we also aware as a socially responsible corporate, we need to provide the best resources for our employees to improve their self-being and productivity. This year we have introduced different training workshops for the workers and staffs, and the results is highly positive.

We also see climate change is a crucial topic that may bring disastrous impact to the operation of our business in near future. We will do our best to contribute and reduce our carbon footprint.

I would also like to take this opportunity to express my appreciation to our staff last year for their contributions made to the Company in order to achieve outstanding business performance.

Li Baotian
Chairman of the Board, Executive Director and Chief Executive Officer

March 23, 2022

OVERVIEW

Core Values/Management Principles

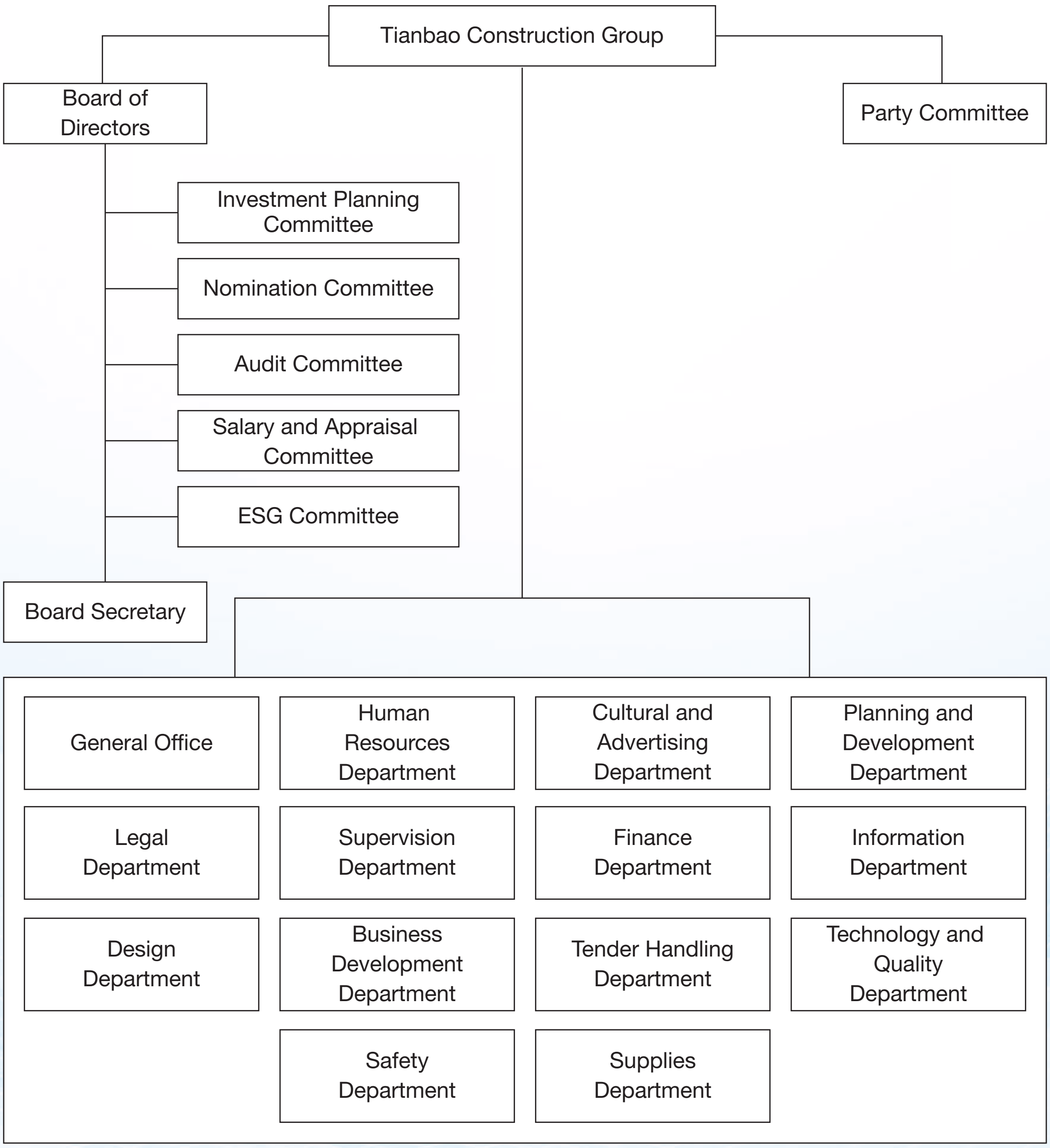
Tianbao has continuously provided high quality service to the clients as a leading property development and construction company. The ESG management system is fully embedded in the business decision-making process and a top-down management approach is adopted to address all material ESG issues. A governance framework is developed to ensure common principles of ESG management are adhered across the Group. All ESG issues are identifies separately from various departments and specific policies are in place to provide guidance in day-to-day operations.

Management Structure

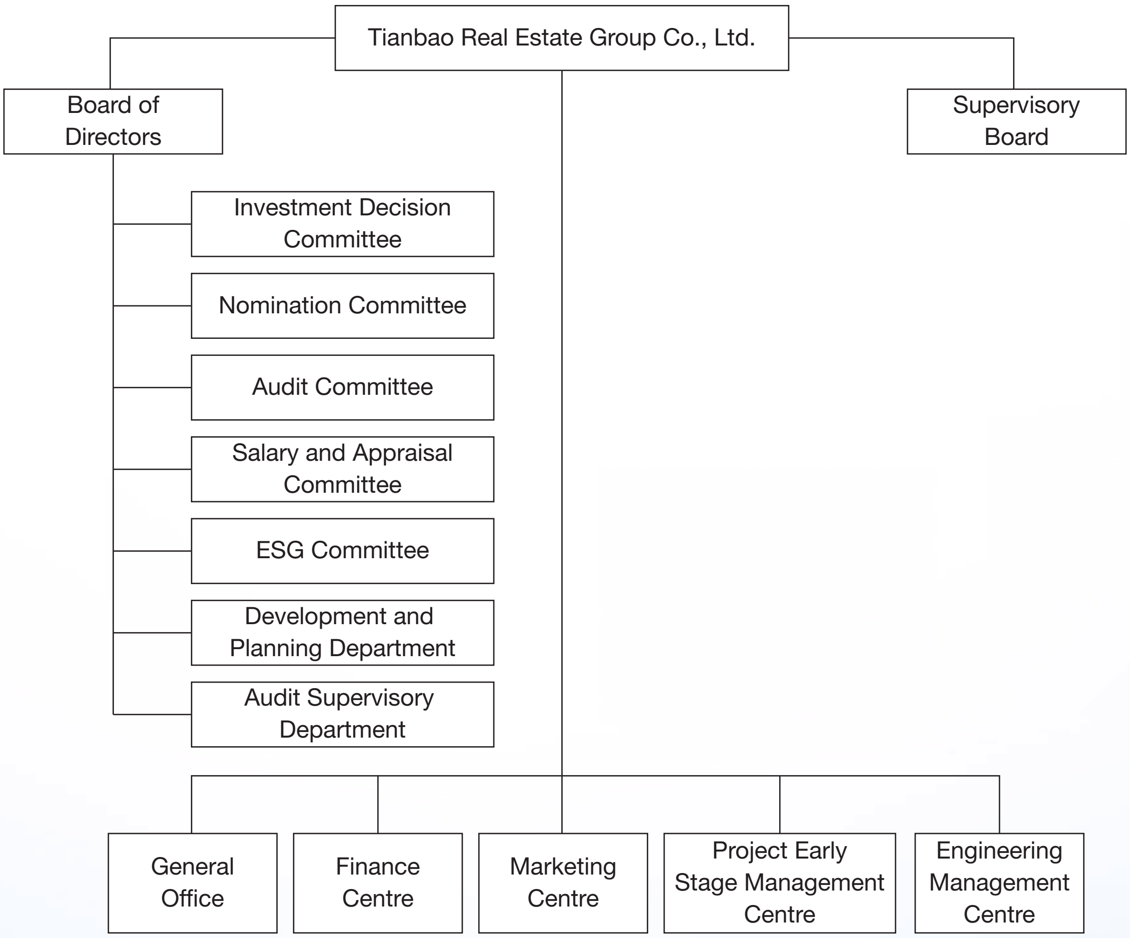
The Group has a clear organizational structure to perform different business operations effectively. An ESG committee is setup to regularly monitor the ESG development and performances of Tianbao and report to the Board.

The following charts demonstrate the organizational structure of Tianbao Construction Group and Tianbao Real Estate Group Co Ltd..

Organizational Chart of Tianbao Construction Group



Organizational Chart of Tianbao Real Estate Group Co., Ltd.



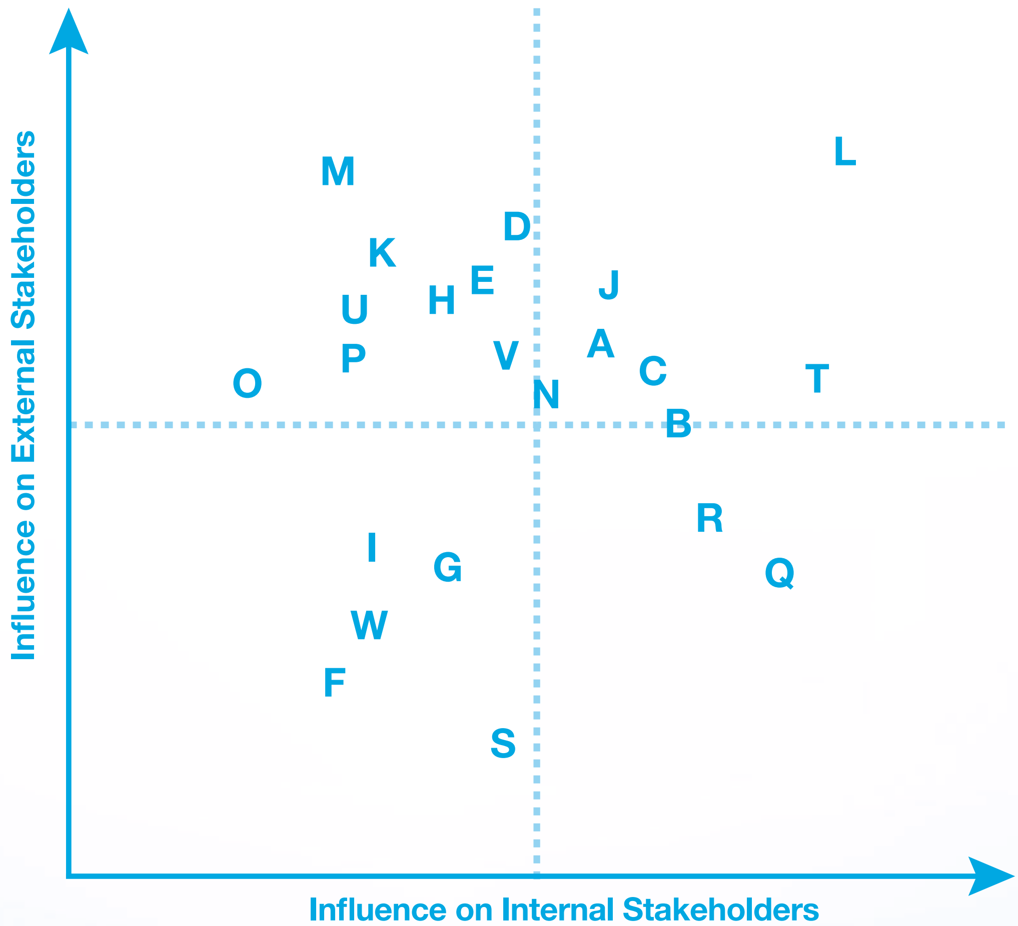
STAKEHOLDER IDENTIFICATION AND COMMUNICATION

To better understanding the concerns of our stakeholders, we have incorporated stakeholder engagement into our ESG Report. We believe this would significantly improve the Group's ESG performance from day-to-day. We have engaged different types of stakeholders, such as suppliers, employees, clients, etc. to provide valuable comments on our ESG issues. As a result, we could harness this information to further improve the internal control system and corporate governance structure. The table below summarizes the key methods to communicate with our stakeholders.

	Types of Stakeholders	Focus Topics	Means of Communication
Internal Stakeholders	Board of Directors	Risk Management Corporate Operating Conditions Corporate Reputation	Consultation via phone calls and emails Direct communication Company conference Suggestion box
	Employees	Occupational Training and Development Remuneration and Benefit Health and Safety	Consultation via phone calls and emails Meetings Suggestion Box
External Stakeholders	Shareholders/ Investors	Stable Investment Returns Information Disclosure	Annual General Meeting Consultation via phone calls and emails Annual report
	Suppliers/Customers	Sound Performance of Contract Standard Supplier Management and Procurement Process Establishment of Complaint System	Annual report Meetings
	Distributors	Complete Information Exchange System Steady and Stable Supply of Products	After-sales opinion box Consultation via phone calls and emails Meetings
	Government and Regulators	Operation in Compliance with Laws and Regulations	Annual report Meetings
	Community	Contribution to Community Development	Annual report Community service

MATERIALITY ASSESSMENT

In order to incorporate stakeholders' feedback on sustainability topics in this year's ESG report and understand the material topics of our ESG work, Tianbao conducted materiality assessment last year by consulting the Group's major stakeholders. Material topics are evaluated and assessed externally and internally according to the impact on business. The Group believes to conduct the materiality assessment biannually given that the business of the Group does not experience material changes. The Group has identified the following major concerns of stakeholders: Environmental Management System and related policies of the Group, water consumption and wastewater discharge control, occupational health and safety, product safety and quality assurance management, and employees' training and development. Please refer to the ESG report 2021 for the detail results of the materiality assessment.



A	Environmental management system and related policies	I	Information on greenhouse gas emission	Q	Measures to reduce emissions and achievements
B	Compliance with laws and regulations on emissions	J	Amount of hazardous waste generated and handling method	R	Amount of non-hazardous waste generated and handling method
C	Waste management and recycling method	K	Energy efficiency and management	S	Resource management
D	Water consumption and wastewater discharge control	L	Occupational health and safety	T	Employees' training and development
E	Employees' rights and turnover rate	M	Employees' welfare and pay system	U	Employment practices to avoid child labour and forced labour
F	Donation and community investment	N	Stakeholder communication	V	Supply chain management
G	Product safety and quality assurance management	O	Customer data protection and privacy policies	W	Customer satisfaction survey
H	Anti-corruption policies	P	Whistle-blowing procedures		

ENVIRONMENTAL PERFORMANCE

Tianbao faces various types of environmental issues in property development and construction contracting business respectively. For the construction contracting business, the environmental management system, ISO14001:2015, is effectively in-place to ensure the proper operation of our environmental management system.

During the Reporting Period, the Group complied to all related national and local laws, regulations, and other related industrial standard, such as the *Environmental Protection Law of the PRC*, the *Law on the Prevention and Control of Atmospheric Pollution*, the *Law on the Prevention and Control of Water Pollution*, the *Law on the Prevention and Control of Solid Waste Pollution*, and the *Environmental Impact Assessment Law of the PRC*.

Emissions

The major business for Tianbao did not have material change last year and therefore the emissions control measures are basically the same as before. The Group formulated “Environmental Control Procedures” and “Dust Pollution Mitigation Procedures” and we ensure all workers are strictly complied with it.

Gas Emission

As property construction and development being the major business, dust is the major gaseous pollutants and main health concern to the workers. The major source of greenhouse gas from our business activities is from transportation vehicles.

The Group has set up effective measures to protect the on-site workers from respiratory disease induced by construction dust. Every construction site has a environmental, health and safety officer to manage and monitor the effectiveness of dust control practices, such as regular water spraying on dusty materials, covering dusty material during transportation and etc.

For vehicular emission, the Group has issued the “Vehicles Standard Operating Procedures” to regulate the use of vehicles during works, such as encouraging carpooling from coworkers, conducting regular vehicle inspection to ensure the exhaust is in compliance with the national standards. In 2021, the Group has achieved a much lower gas emission due to the decreased unnecessary usage of vehicles of workers. The data collection system for business flight is set up last year and the related emission data is also disclosed in this report.

Moreover, the Group targets to further reduce the gas reduction, including greenhouse gases, in coming years. By strictly implement the abovementioned measures, the Group is confident to achieve the target of reducing gas emission year-by-year. Moreover, the Group will seek advice from external environmental management service providers to ensure the target is being achieved every year.

Major Gas Emission Indicators

Direct Emissions	Unit	Emission in 2021	Year-to-year Change (%)
Carbon Dioxide (CO_2)	Tonnes	220.0	-23.3%
Methane (CH_4)	Tonnes	0.0229	-24.0%
Nitrous Oxide (N_2O)	Tonnes	0.1007	-23.8%
Nitrogen Oxides (NO_x)	Tonnes	92.2	-38.5%
Sulphur Oxides (SO_x)	Tonnes	1.4	-23.2%
Particulate Matter (PM)	Tonnes	4.5	-41.7%

Total Greenhouse Gas (GHG) Emissions	Unit	Emission in 2021	Year-to-year Change (%)
Direct emission from vehicles	t-CO_2 eq.	251.7	-23.3%
Indirect emission from electricity consumption	t-CO_2 eq.	1,380.0	-3.4%

Other Indirect Emissions	Unit	Emission in 2021	Year-to-year Change (%)
Emissions from processing scrap paper	Tonnes	3.6	-69.0%
Emissions from flights	Tonnes	9,588.5	NA

Emission Intensity (per employee)	Unit	Emission in 2021	Year-to-year Change (%)
Direct emission from vehicles	t-CO_2 eq.	0.5	-35.3%
Indirect emission from electricity consumption	t-CO_2 eq.	2.8	-19.6%
Emissions from processing scrap paper	Tonnes	0.007	-74.2%
Emissions from flights	Tonnes	19.1	NA

Waste Management

Tianbao strictly follows all local and national laws and regulation regarding to waste disposal, such as *Law of the PRC on Solid Waste Pollution Prevention and Control, Regulations on the Administration of Hazardous Waste Transfers, National Hazardous Waste List, Green Construction Guidelines* and other related laws and regulations. Tianbao has a well-established waste management system to control all waste disposal activities in all construction sites. The Group's target on waste reduction is on course and remain the same to reduce waste generation gradually year-by-year.

To provide a clear regulation to our employees and sub-contractors on how to properly handle hazardous and non-hazardous waste, we have issued "Green Construction Procedures" and "Environmental Assessment, Rewards and Penalties". In order to achieve our waste reduction target, we work closely with our sub-contractors to educate them to better utilize the construction materials, such as re-using gravels and earthwork for road pavement. Due to the business nature of the Group, minimal amount of hazardous waste was produced during the Reporting Period.

All general waste is stored in a secured refuse area and appointed qualified waste collectors to transport the waste to landfill area. We have been working hard to prevent underground water in nearby area getting contamination.

Major Waste Generation Indicators

Waste Types	Unit	Consumption in 2021	Year-to-year Change (%)
Non-Hazardous Waste	Tonnes	2,870	18.2%

Waste Intensity (per employee)	Unit	Consumption in 2021	Year-to-year Change (%)
Non-Hazardous Waste	Tonnes	5.7	-1.6%

Water Discharge

Water is not a material resource that we used during our operation and therefore small amount of wastewater has been generated. We still implemented measures to reduce the use of water during operation and ensure the compliance with *Water Pollution Control Law of the PRC, Urban Sewage Treatment Plant Pollutant Discharge Standards* and other related laws and regulations.

All discharged water during operation were properly handled under strict regulation. All sewage is connected to the government sewage pipeline and transferred to the local sewage treatment plant. The Group has monitored the sewage system daily to prevent any potential leakage. We target to maintain the use of water at similar level in the near future and keep exploring any new measures to reduce the use of water.

Use of Resource

The Group always puts resource efficiency as top priority which could help reduce cost. To achieve this, the Group has adopted the following measures:

- Conduct training workshops with workers and staff on saving water, electricity during daily operation;
- Conduct regular checks and maintenance on all drainage system to ensure no leakage issues;
- Adapt high efficiency light bulbs, such as LED, in office area;
- Record the usage of water and electricity monthly to ensure no irregularities.

Tianbao only sources water from municipal supply and no abnormalities were observed. Due to the business nature of the Group, no packaging materials is consumed during daily operation. Due to the arrival of early winter and extreme weather in the PRC, high volume of electricity for indoor heating was consumed. The raising water usage awareness of the staffs has also contributed to the reduction in water consumption.

As mentioned in above section, the reduction of private vehicle usage has greatly decreased the consumption of gasoline this year.

Major indicators for resource consumption

Resource Consumption	Unit	Consumption in 2021	Year-to-year Change (%)
Electricity	Kilowatt Per Hour	3,059.5	-39.9%
Gasoline	Litre	89,655.9	-24.3%
Diesel	Litre	3,201.5	19.4%
Water	Tonnes	435.8	-96.1%

Resource Consumption Intensity (per employee)	Unit	Consumption in 2021	Year-to-year Change (%)
Electricity	Kilowatt Per Hour	6.1	-50.0%
Gasoline	Litre	179.0	-37.0%
Diesel	Litre	6.4	-0.6%
Water	Tonnes	0.9	-96.7%

The Environment and Natural Resources

Tianbao has been paying great effort to identify all material environmental risks during the planning and design stage of the construction projects. To offset some of our carbon emission and improve the environmental landscape in the surrounding area of our projects, we have planted 293 trees with height over 5m, which would help remove more than approximately 6.7 tonnes of carbon dioxide in the atmosphere annually.

Climate Change

Climate change may bring unprecedented impact to the society, including our business operations. Tianbao is highly aware of the climate-related risks and strives to reduce the exposure to these risks.

As a construction contractor and property management service provider, the material climate change impact to our business would be extended rainy periods and extreme winter season. Such extreme weather incidents may cause unsafe working condition for our staffs. Tianbao has setup preventive measures and standard operating procedures, such as “Cold-proof and Heat-Insulating Measures for Construction during Winter”. Site supervisors also have the responsibility to regularly monitor the weather on-site to prevent workers working under extreme weather conditions.

During 2021, there is no material climate-related event identified that may seriously impact our business operation. The Group plans to put more resources to monitor the industry and national policy development regarding to climate change in coming years.

SOCIAL PERFORMANCE

Employment

Tianbao has a well-establishment human resources management system to ensure the overall employment situation being complied with all national and local laws and regualtions, including the *Labour Law of the PRC*, the *Labour Contract Law of the PRC*, the *Employment Promotion Law of the PRC*, the *Labour Dispute Mediation and Arbitration Law of the PRC*, the *Regulation on the Annual Leave of Employees* and other relevant national labour laws and regulations. Tianbao also formulated various policy documents to systematically conduct employment activities, which could maintain Tianbao's competitiveness, such as Measures on Salary Management, Measures on the Management of Recruitment and Interviews, Internal Employee Promotion Mechanism, Measures of Employee Attendance, and Measures on the Management of Employee Turnover. No non-compliance issues related to employment laws and regulations were observed during the Reporting Period.

In 2021, we have employed 501 employees who are all Chinese and full-time employment. Employees are the most valuable asset and Tianbao highly values and treats them all fairly. The established human resources management system regularly reviews and updates all employment policies to better in line with industry latest standards, as well as maintaining employees' morale and facilitating the allocation of human resources. During the hiring process, the principles of "open recruitment", "equal competition", "not overstaffing" and "allocate the right position to the right person" are strictly upheld.

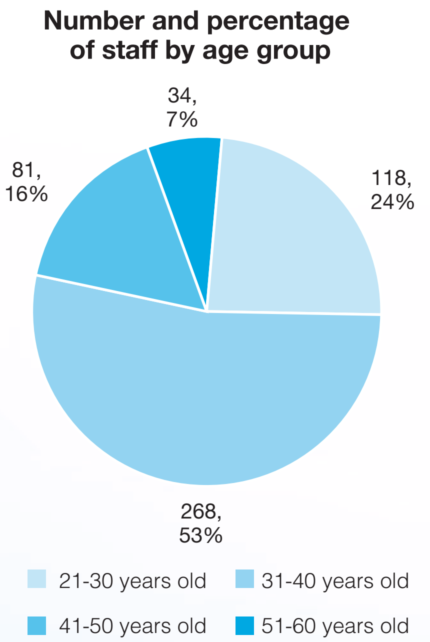
The major recruitment channels of Tianbao are organizing recruitment talks in campuses and labor market, posting online job advertisement, and internal referral with several rounds of interview with candidates. All qualification and experience requirements are clearly stated during interviews and job ads which could help the interviewees to effectively assess the candidates' background and abilities.

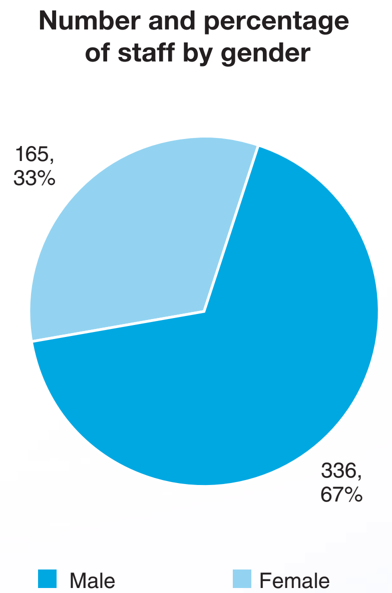
The Group also adheres to its internal measures to prevent employment discrimination on the grounds of nationality, age, ethnicity, race, religion, gender, marital status, pregnancy, sexual orientation, or political stance and all applicants are qualified for application and selection.

Tianbao adopts a all-round performance appraisal and promotion mechanism to provide equal and fair opportunities to all staffs. Tianbao has a clear vertical and horizontal development for the employees along their career path. Based on the performance appraisals for the evaluation of employees' capability, outstanding employees with suitable personality and contribution to Tianbao are able to receive a fair promotion as recognition and all employees will receive improvement recommendations according to their performance. Subject to approval from corresponding manager and Human Resources Department, Tianbao also encourages employees to apply for promotion across different departments according to their working ability.

Tianbao also offers a competitive remuneration package to every level of employees with a comprehensive job grading system, in order to effectively evaluating their pay structure and salary benchmarking in line with the market trends. All employees are entitled to statutory holidays and the Group's benefits, including paid leaves, marriage leaves and maternity leaves. Employees are encouraged to seek consultations from their managers and communicate with the management in order to maintain an open and credible relationship between employees and the management.

Major indicators for employment





Employee turnover rate

By gender	
Male	13.4%
Female	13.3%
By age group	
Age 21-30	28.8%
Age 31-40	9.3%
Age 41-50	8.6%
Age 51-60	2.9%

Health and Safety

Tianbao strictly complies with all workplace health and safety related laws and regulation, in particular the *Labour Law of the PRC*, the *Fire Prevention Law of the PRC*, the *Prevention and Control of Occupational Diseases of the PRC*, by implementing the management system of occupational health and safety.

The environment, health and safety ("EHS") management system established by Tianbao is strictly in-place with a series of policies and control procedures which have clearly highlight all standard operating procedures (SOP), regarding to instruction of safety equipment, workplace safety guidance, hazardous products handling and potential safety risks. The EHS committee regularly reviews the workplace potential hazard and risks in order to keep our employees safe. The implemented EHS policies help the Group prevent any potential health issue to our employees, such as food poisoning, occupational health hazards, and eliminating the spread of infectious diseases. Tianbao has held occupational safety workshop for the workers and staffs to help them identify all potential risks that may occur in construction sites.

During the Reporting Period, the Group was not aware of any non-compliance issues with regard to relevant laws and regulations, which may significantly impact the Group to provide a safe working environment. From 2019 to 2021, there was no work-related fatalities occurred and no days was lost due to work injury.

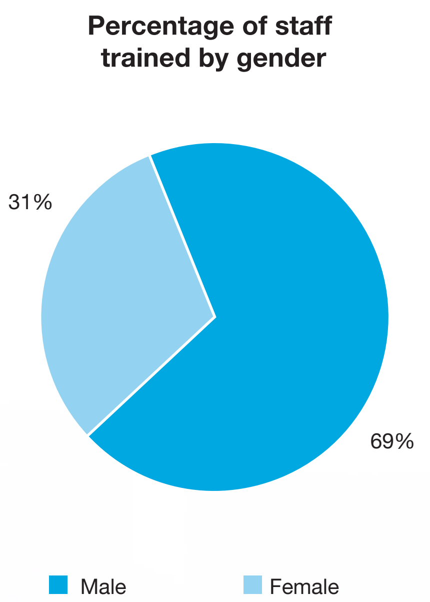
Development and Training

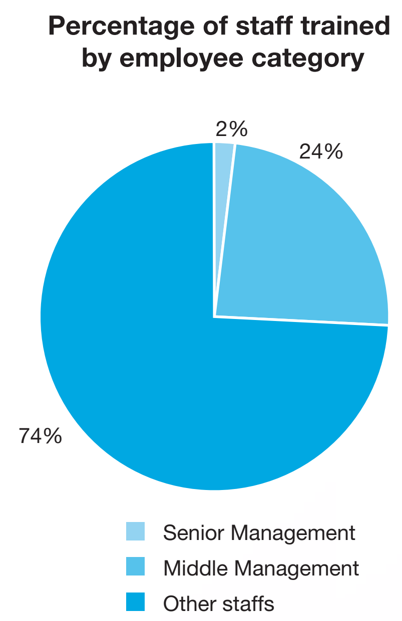
Tianbao has a well-established occupational training management system to provide a systematic framework for different business operating unit within the Group to provide suitable training courses and workshops to different staffs. The system could help us improve overall business performance, and realize the Group's business goals.

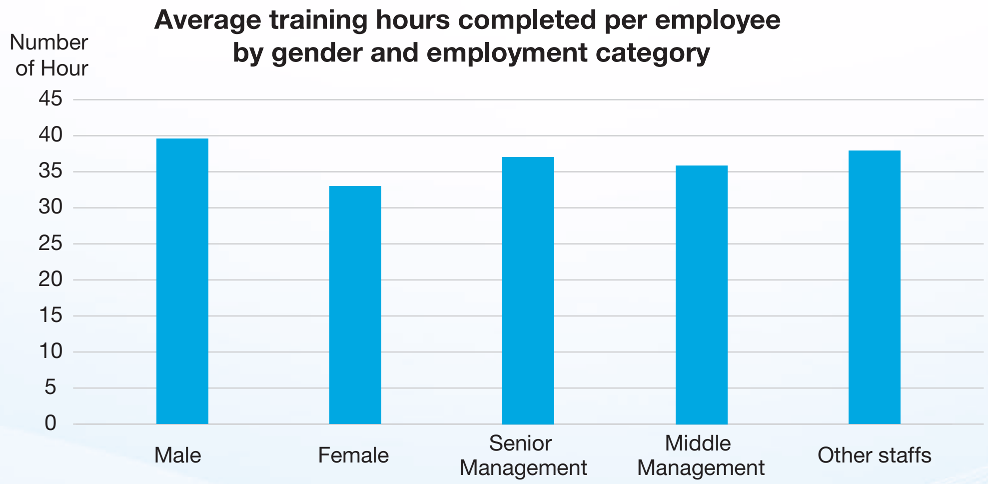
We assign different trainings to different staffs, including new employees, professional and technical personnel, specific job role personnel and key position personnel, according to the needs. In general, the internal trainings include basic introduction of the Group, compliance issues, engineering and technology management, and corporate culture. Pre-job training will be provided by the HR department and the corresponding department. Transfer training will also provide for the staffs who have switched their job role among departments. External qualification training will also provide in order to obtain national recognized qualifications for construction business.

In 2021, the strategic partnership with Zhong Jian Zheng Yan (中建政研) is still in-place and conducted various management training workshops, including "Practice Operation and Risk Prevention and Control of General Contracting Model", "General Contracting Policy Interpretation and EPC Management", etc. The establishment of partnership would certainly enhance the overall competitiveness of the Group and we will introduce more training for our staffs in the future.

Major indicators for development and training







Note: Senior management refers to the General Manager, District Manager. Middle Management refers to Departmental Manager. Other staffs refer to department staffs.

Labour Standards

Tianbao has a strict monitoring system to ensure all hired labour being protected in compliance with the requirements of the Labour Law of the PRC, as well as the *Labour Contract Law of the PRC*, *Provisions on Prohibition of Child Labour of the PRC and Law of the PRC on the Protection of Minors*. Child labour and forced labour are strictly prohibited within Tianbao. To prevent the occurrence of such situation during pre-employment stage, all candidates' valid identification documents are verified by the HR staffs to ensure all applicants are employable by law. The employment policy document of the Group has clearly written the employment requirements, including education qualifications, job experience, etc. All HR staffs are under proper training to prevent employing any child labour. An employment letter will be issued to successful candidate, and the HR staff will further verify and register the candidate's identity, including job position, pay structure, day of employment and other personal information. If any situation of child labour or forced labour has been observed, the incident will be immediately reported to the management and the management will immediately contact their guardian. Tianbao possesses the rights to terminate the employment instantly if the related personnel are found to provide false information. Tianbao will also conduct internal evaluation to take improvement action if necessary.

No non-compliance issues with relevant laws and regulations relating to child and forced labour were discovered by the Group during the Reporting Period.

Supply Chain Management

Tianbao is highly aware that supply chain is the most crucial component in their business operation. An effective supply chain management could help Tianbao achieve its ESG development goal in the future. Therefore, the Group has implemented several measures to manage the supply chain's environmental and social risks.

The existing "Supply Chain Management System" help the Group effectively manage the tendering process in construction contracting business, including site surveying, design, feasibility study, construction, supervision, materials and equipment procurement, engineering consultation and other services along the project development process. Five different level of grading, ranging from failure (D-grade) to strategic partnership level (S-grade), are adopted in the aspects of research and development, engineering, procurement, consulting management, and others. Based on the suppliers' quality of works, business scale, and engagement period with us, the suppliers will have their respective assessed scores. We also regularly assess their performance during the course of project development and after the completion of each contract agreement by the review panel, which includes the cost control department, tendering and purchasing department, and the project management department. Tianbao has also established "Green procurement policy" to promote the use of low-carbon or environmentally friendly materials.

Furthermore, all suppliers and subcontractors are required to provide their established safety and civilized construction, environmental management policy to prevent noise and air pollution, as well as waste management. In the meantime, Tianbao will conduct regular qualification review in the selection process of suppliers. If necessary, pre-job trainings regarding to construction, operation precautions, safety and environmental protection procedures will also provide to the appointed sub-contractors. During the review process, suppliers are required to provide related evidences on their environmental and social qualification, such as valid environmental protection certification on their raw materials. Tianbao also aims at educate and encourage our long-term suppliers using more environmental-friendly materials and measures to conduct their works in construction sites.

No. of suppliers by region in China

Northeast China	1
Northern China	714
Eastern China	40
Southern China	18
Central China	132
Southwest China	35
Northwest China	128

Product Responsibility

Customers' personal information is Tianbao's first priority to safeguard and protection. The existing "Customer Information Management System" has put restriction to all sales and development projects in sales planning department. Such restrictions have ensured the customers' information will not be leaked to other parties. A commissioner is assigned at the sales planning department to handle customers' information and make sure the information is properly stored and destroyed accordingly.

Tianbao formulates the corporate patent management policy by strictly abiding the *Patent Law of the PRC* and the *Implementation Rules of the Patent Law of the PRC*. With the in-place patent management policy, all employees are encouraged to invent and create new products and adopting innovative technology to strive the growth of business. On the other hand, we have adopted enterprise construction methods in accordance with the provisions highlighted in the *Management Methods for the Construction of Construction Engineering Methods*. It could enable the construction units adapting different construction technologies as preferred to carry out their research development and engineering trials. Once the construction technology is refined by the Group's technical staff and evaluated by provincial construction departments, such construction engineering method will become valid.

For trademarks and registered domain, we have complied with the *Trademark Law of the PRC* and formulated corporate trademark and domain management policies. It could ensure the Group effectively manage the domain registration service agencies and hence the stable operation of the domains according to the Administrative Measures for Internet Domains.

A comprehensive system is setup to regulate all advertising materials and to ensure the information are aligned with the Group's value and comply with related laws and regulation, such as the Advertising Law of the PRC. Prior to publishing publicly, the content will under review by internal management personnel.

For quality assurance, all of the construction works are in accordance to national standards, technical standards and other relevant quality requirements. ISO9001 Quality Management System is also in-place to provide a systematic and credible quality inspection management system. We also hire qualified engineering consultants to oversee and monitor the overall quality of the construction projects. For the quality output of the works, different third-party assurance professionals are also appointed to conduct quality review in different aspects of works, such as materials, structure, indoor environmental quality, weather lightning protection, earthquake resistance, energy saving, fire protection, etc. If any disqualifies are observed by the third-party, we will immediately consult engineering consultants for a comprehensive rectification suggestion and carry out rectification works until the work output meeting the quality standard.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group has complied with relevant laws relating to health and safety, advertising, labelling and privacy matters, such as the Advertisement Law of the PRC. As a construction contractor, we do not tolerate any defects during construction relating to safety reasons. The Group has an established "Technical and Quality Control Procedure" (技術質量部制度匯編) to ensure the construction service provided are in compliance with "Construction Law of the PRC" (中华人民共和国建筑法)and "Construction Engineering Quality Management Regulations" (建築工程質量管理條例). With the highest operational standard withhold by the Group, no products and services recall were discovered by the Group during the Reporting Period.

If the Group received complaints on the quality of construction output, the Group will immediately follow up the issues and assign staffs to inspect the defects. The established "Technical and Quality Control Procedure" has listed out the standard operating procedures of managing unqualified products.

Anti-Corruption

Tianbao does not tolerate any unethical activities happened within the business. Tianbao upholds the highest level of ethical standard and advocates integrity and honesty as the core values and strictly complies with the *Anti-corruption and Bribery Law of the PRC*. We have issued Anti-corruption and Anti-bribery Management System, the Anti-fraud and Anti-money Laundering Internal Control System to prevent bribery, extortion, fraud and money laundering.

The established audit and supervision department is responsible for preventing commercial bribery and exercising disciplinary inspection of the Group's economic activities, including raw material procurement, facilities engineering, business sales, quality supervision. All employees are required to sign "Integrity and Self-discipline Agreement" along with the employment contract.

Tianbao also provides training documents to all staffs and Board, the content includes the basics of anti-corruption, the internal policies of anti-corruption, and the roles of audit and supervision department in tackling corruption.

There were no legal cases regarding corrupt practices brought against the Company or its employees during the Reporting Period.

For whistle-blowing procedures, please refer to "WHISTLEBLOWING MECHANISM" section headed "Corporate Governance Report" of this Annual Report.

During the Reporting Period, no cases of extortion, bribery, fraud and money laundering were observed by the Group.

Community Involvement

Tianbao has been involving in various charitable events and social activities to express our gratitude to the neighboring society. In the midst of COVID-19 pandemic in 2021, as a socially responsible citizen and corporate, we are obliged to provide assistance to the needs. In 2021, Tianbao has donated more than 1,000 sets of protective equipment, 1,000 mask to the quarantine facilities in Shijiazhuang. Tianbao also provided more than RMB3.0 million to improve the education system in Zhuozhou.

Tianbao believes by maintaining an active involvement and commitment to the society will benefit to the whole society and Tianbao will continue to contribute back to the society.

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Independent auditor's report

To the shareholders of China Tianbao Group Development Company Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Tianbao Group Development Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 132-232, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition from construction contracting	
76% of the Group's revenue was derived from construction contracting for the year ended 31 December 2021. The progress was measured by applying an input method based on the costs incurred up to the year end as a percentage of total estimated costs for each contract. The application of the input method involves the use of significant judgements and estimates, including the scope of deliveries and services required, total contract costs, and the remaining costs to completion. The revenue, cost and gross profit realised on such contracts can vary from the Group's original estimates because of any future changes in conditions such as scope changes made to the original contracts, claims, disputes and liquidation damages. The accounting policies and related disclosures for the revenue recognition from construction contracting are included in notes 2.4, 3, 4 and 5 to the financial statements.	We performed the following procedures in relation to revenue recognition from construction contracting: 1) We evaluated and tested the controls over the accounting process of contract costs, contract revenues and the calculation of the percentage of completion; 2) On a sample basis, we reviewed the detailed terms, including the contract sum, the settlement terms and other key contract terms of significant construction contracts; 3) We inspected the contract costs incurred by checking against supporting documents such as delivery and acceptance notes, purchase invoices and other computation forms such as labor cost settlement documents and machinery expense settlement documents; we evaluated management's judgements and estimates in the determination of the estimated total contract costs by discussing the progress of the construction contracts with those in charge of the projects and by comparing actual contract costs incurred with budgeted contract costs; and we reviewed the gross profit of each project with revenue recognised for the year ended 31 December 2021 to identify whether there was any negative gross profit item; 4) We re-calculated the revenue recognised on a sample basis and performed analytical review procedures according to different types of construction services; and 5) We reviewed the disclosures of revenue recognition from construction contracting.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition from property development	
24% of the Group's revenue was derived from property development for the year ended 31 December 2021. We identified the recognition of revenue for property development as a key audit matter because of its significance to the Group in size for the year ended 31 December 2021. Revenue from property development is recognised when all of the following criteria have been met: (1) the property has been filed for completion; (2) payment from the buyer has been received in full; and (3) the buyer obtained the control of the completed property, as stipulated in the sale and purchase agreement. The accounting policies and related disclosures for the revenue recognition from property development are included in notes 2.4, 3, 4 and 5 to the financial statements.	We performed the following procedures in relation to revenue recognition from property development: 1) We evaluated and tested the controls over the accounting process of the revenue from property development; 2) We inspected the terms of the standard sale and purchase agreements to assess the Group's revenue recognition policies for sales of property development projects, with reference to the requirements of the prevailing accounting standards; 3) We inspected on a sample basis the sales of property development revenue recognised during the year ended 31 December 2021, and the sale and purchase agreements and documents which evidenced that the properties were physically possessed or the legal titles of the properties were transferred to the buyers so as to assess whether the related revenue had been recognised in the appropriate financial period; and 4) We reviewed the disclosures of revenue recognition from property development.

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses ("ECLs") for trade receivables, deposits and other receivables and contract assets	
As at 31 December 2021, trade receivables, deposits and other receivables and contract assets amounting to RMB2,175,933,000 were material to the Group's consolidated financial statements. Management uses the simplified approach to calculate ECLs for trade receivables and contract assets and the general approach to calculate ECLs for deposits and other receivables. Management's assessment of the ECLs involves significant judgements and estimates and is based on historical observed default rates, ageing of balances, existence of disputes and forward-looking information. At the year end, the historical observed default rates are updated and changes in the forward-looking estimates are analysed by management. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. Management also assesses whether the credit risk on the deposits and other receivables has increased significantly under the general approach. The accounting policies and related disclosures for the trade receivables and contract assets are included in notes 2.4, 20 and 21 to the financial statements. The accounting policies and related disclosures for deposits and other receivables are included in notes 2.4, 24 and 38 to the financial statements.	We performed the following procedures in relation to the provision assessment for trade receivables, deposits and other receivables and contract assets: 1) We evaluated and tested the controls over the accounting process of provision for ECLs for trade receivables, deposits and other receivables and contract assets; 2) We evaluated the provision for trade receivables, deposits and other receivables and contract assets by selecting samples to check the debtors' latest correspondence and historical payment records; 3) We tested the accuracy of ageing of balances of trade receivables, deposits and other receivables and contract assets by tracing details of selected samples to supporting documents, such as invoices and contracts with debtors; 4) We inspected the bank slips for the payments of the selected trade receivables, deposits and other receivables received subsequent to the reporting period; 5) We evaluated the Group's determination of significant increase in credit risk for the selected deposits and other receivables by checking the available external data and the information related to the overdue balances; 6) We inspected the calculation of the ECLs by checking the loss rate against the observed historical loss records and reviewing the adjustment for forward-looking information; and 7) We reviewed the disclosures of provision for ECLs for trade receivables, deposits and other receivables and contract assets.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Siu Fung Terence Ho.

Ernst & Young
Certified Public Accountants
Hong Kong

23 March 2022

Consolidated Statement of Profit or Loss

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
REVENUE	5	**2,899,541**	3,369,341
Cost of sales		**(2,655,907)**	(2,741,242)
Gross profit		**243,634**	628,099
Other income and gains	5	**16,113**	26,537
Selling and distribution expenses		**(3,559)**	(1,172)
Administrative expenses		**(62,875)**	(55,678)
Impairment losses on financial and contract assets, net		**(46,326)**	(40,132)
Fair value loss on investment properties	14	**–**	(700)
Fair value (loss)/gain on financial assets through profit or loss		**(36,824)**	22,276
Other expenses		**(3,378)**	(1,252)
Finance costs	7	**(57,989)**	(37,679)
PROFIT BEFORE TAX	6	**48,796**	540,299
Income tax expense	10	**(6,988)**	(208,628)
PROFIT FOR THE YEAR		**41,808**	331,671
Attributable to:			
Owners of the parent		**41,808**	331,671
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic and diluted			
– For profit for the year		**RMB0.05**	RMB0.42

Consolidated Statement of Comprehensive Income

Year ended 31 December 2021

	2021 RMB'000	2020 RMB'000
PROFIT FOR THE YEAR	**41,808**	331,671
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	**(3,749)**	(14,773)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**(3,749)**	(14,773)
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	**(8,154)**	(5,000)
Income tax effect	**–**	1,250
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(11,903)**	(18,523)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**29,905**	313,148
Attributable to:		
Owners of the parent	**29,905**	313,148

Consolidated Statement of Financial Position

31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**227,947**	230,903
Investment properties	14	**140,400**	140,400
Right-of-use assets	15(a)	**14,208**	11,298
Other intangible assets		**1,418**	1,930
Equity investments designated at fair value through other comprehensive income	16	**194,256**	138,000
Financial assets at fair value through profit or loss	17	**164,485**	205,687
Deferred tax assets	18	**85,525**	78,373
Total non-current assets		**828,239**	806,591
CURRENT ASSETS			
Inventories	19	**69**	–
Trade receivables	20	**641,828**	515,034
Contract assets	21	**1,353,270**	1,306,539
Properties under development	22	**2,393,101**	2,162,785
Completed properties held for sale	23	**973,845**	885,530
Prepayments, other receivables and other assets	24	**247,006**	310,632
Tax recoverable		**27,989**	24,612
Pledged deposits	25	**223,288**	264,978
Cash and cash equivalents	25	**248,749**	183,919
Total current assets		**6,109,145**	5,654,029

Consolidated Statement of Financial Position

31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
CURRENT LIABILITIES			
Trade payables	26	**2,228,185**	2,075,486
Other payables and accruals	27	**2,118,161**	1,952,157
Interest-bearing bank and other borrowings	28	**451,707**	348,000
Lease liabilities	15(b)	**1,909**	963
Tax payable		**440,694**	535,679
Total current liabilities		**5,240,656**	4,912,285
NET CURRENT ASSETS		**868,489**	741,744
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,696,728**	1,548,335
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	28	**344,000**	232,450
Deferred tax liabilities	18	**4,579**	–
Lease liabilities	15(b)	**2,359**	–
Total non-current liabilities		**350,938**	232,450
Net assets		**1,345,790**	1,315,885
EQUITY			
Equity attributable to owners of the parent			
Share capital	29	**7,281**	7,281
Reserves	30	**1,338,509**	1,308,604
Total equity		**1,345,790**	1,315,885

Wang Xinling
Director

Li Yaruixin
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2021

	Share capital RMB'000 note 29	Capital reserve RMB'000 note 30(a)	Special reserve RMB'000 note 30(b)	Statutory surplus reserve RMB'000 note 30(c)	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000 note 30(d)	Exchange fluctuation reserve RMB'000	Shares held for share award scheme RMB'000 note 30(e)	Other reserves RMB'000 note 30(f)	Retained profits RMB'000	Total equity RMB'000
At 1 January 2020	7,281	433,783	–	43,643	12,375	1,085	–	–	588,619	1,086,786
Profit for the year	–	–	–	–	–	–	–	–	331,671	331,671
Other comprehensive income for the year:										
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	–	(3,750)	–	–	–	–	(3,750)
Exchange differences related to foreign operations	–	–	–	–	–	(14,773)	–	–	–	(14,773)
Total comprehensive income for the year	–	–	–	–	(3,750)	(14,773)	–	–	331,671	313,148
Shares purchased for the share award scheme	–	–	–	–	–	–	(48,517)	–	–	(48,517)
Interim 2020 dividend	–	–	–	–	–	–	–	–	(36,426)	(36,426)
Dividend income on shares held for share award scheme	–	–	–	–	–	–	–	894	–	894
Transfer to special reserve	–	–	48,495	–	–	–	–	–	–	48,495
Utilisation of special reserve	–	–	(48,495)	–	–	–	–	–	–	(48,495)
At 31 December 2020	7,281	433,783*	–*	43,643*	8,625*	(13,688)*	(48,517)*	894*	883,864*	1,315,885

Consolidated Statement of Changes in Equity

Year ended 31 December 2021

	Share capital RMB'000 note 29	Capital reserve RMB'000 note 30(a)	Special reserve RMB'000 note 30(b)	Statutory surplus reserve RMB'000 note 30(c)	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000 note 30(d)	Exchange fluctuation reserve RMB'000	Shares held for share award scheme RMB'000 note 30(e)	Other reserves RMB'000 note 30(f)	Retained profits RMB'000	Total equity RMB'000
At 1 January 2021	7,281	433,783	-	43,643	8,625	(13,688)	(48,517)	894	883,864	1,315,885
Profit for the year	-	-	-	-	-	-	-	-	41,808	41,808
Other comprehensive income for the year:										
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	-	(8,154)	-	-	-	-	(8,154)
Exchange differences related to foreign operations	-	-	-	-	-	(3,749)	-	-	-	(3,749)
Total comprehensive income for the year	-	-	-	-	(8,154)	(3,749)	-	-	41,808	29,905
Transfer to special reserve	-	-	53,922	-	-	-	-	-	-	53,922
Utilisation of special reserve	-	-	(53,922)	-	-	-	-	-	-	(53,922)
At 31 December 2021	7,281	433,783*	-*	43,643*	471*	(17,437)*	(48,517)*	894*	925,672*	1,345,790

* These reserve accounts comprise the consolidated reserves of RMB1,338,509,000 (2020: RMB1,308,604,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**48,796**	540,299
Adjustments for:			
Finance costs	7	**57,989**	37,679
Interest income	5	**(3,184)**	(1,811)
Dividend income from equity investments designated at fair value through other comprehensive income	5	**(10,739)**	(9,667)
Dividend income from financial assets at fair value through profit or loss	5	**(668)**	(2,872)
Fair value losses/(gains), net:			
Equity investments at fair value through profit or loss		**36,824**	(22,276)
Depreciation of property, plant and equipment	13	**7,523**	6,173
Changes in fair value of investment properties	6	**–**	700
Depreciation of right-of-use assets	6	**2,166**	1,364
Amortisation of other intangible assets	6	**721**	306
Impairment losses on trade receivables	6	**42,028**	34,839
Impairment losses on contract assets	6	**2,510**	1,527
Impairment losses on prepayments, other receivables and other assets	6	**1,788**	3,766
		185,754	590,027
(Increase)/decrease in inventories		**(69)**	16
Increase in trade receivables		**(168,822)**	(140,874)
Increase in contract assets		**(49,241)**	(86,198)
(Increase)/decrease in properties under development		**(230,316)**	275,101
Increase in completed properties held for sale		**(88,315)**	(545,408)
Decrease in prepayments, other receivables and other assets		**21,837**	191,393
Decrease/(increase) in pledged deposits		**41,690**	(134,561)
Increase in trade payables		**152,699**	371,688
Increase/(decrease) in other payables and accruals		**2,749**	(243,064)
Cash (used in)/generated from operations		**(132,034)**	278,120
Income tax paid		**(20,644)**	(46,994)
Interest received		**1,287**	1,811
Net cash flows (used in)/generated from operating activities		**(151,391)**	232,937

Consolidated Statement of Cash Flows

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from equity investments designated at fair value through other comprehensive income		**10,739**	10,845
Dividends received from financial assets at fair value through profit or loss		**668**	2,872
Purchase of items of property, plant and equipment		**(4,228)**	(14,135)
Purchase of items of other intangible assets		**(209)**	(449)
Purchases of financial assets at fair value through profit or loss		**(936)**	–
Purchases of equity investments designated at fair value through other comprehensive income		**(64,410)**	(11,699)
Advances to the ultimate holding company	35	**(32,405)**	(170)
Repayments of advances to the ultimate holding company	35	**4,017**	–
Repayments of advances to related parties	35	**–**	163
Advances to third parties		**(40,978)**	(51,272)
Repayments of advances to third parties		**23,670**	29,426
Net cash flows used in investing activities		**(104,072)**	(34,419)
CASH FLOWS FROM FINANCING ACTIVITIES			
Additions of interest-bearing bank and other borrowings		**630,707**	485,000
Repayments of interest-bearing bank borrowings		**(415,450)**	(693,550)
Principal portion of lease payments	15	**(1,910)**	(1,076)
Advances from the ultimate holding company	35	**31,733**	23,970
Advances from related parties	35	**1,600**	–
Repayments of advances from related parties	35	**(1,600)**	(6)
Advances from third parties		**751,465**	532,890
Repayments of advances from third parties		**(624,456)**	(570,500)
Dividends paid		**–**	(36,426)
Interest paid		**(57,086)**	(37,607)
Shares purchased for the share award scheme		**–**	(48,517)
Net cash flows generated from/(used in) financing activities		**315,003**	(345,822)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**59,540**	(147,304)
Cash and cash equivalents at beginning of year		**183,919**	321,909
Effect of foreign exchange rate changes, net		**5,290**	9,314
CASH AND CASH EQUIVALENTS AT END OF YEAR		**248,749**	183,919
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**472,037**	448,897
Less: pledged deposits		**(223,288)**	(264,978)
Cash and cash equivalents as stated in the statement of financial position		**248,749**	183,919
Cash and cash equivalents as stated in the statement of cash flows		**248,749**	183,919

NOTES TO FINANCIAL STATEMENTS

31 December 2021

1. CORPORATE AND GROUP INFORMATION

China Tianbao Group Development Company Limited is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is Windward 3, Regatta Office Park, PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands.

During the year, the Group was involved in the following principal activities:

- Construction contracting
- 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 ("BVI").

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Legal status	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Indirect	Principal activities
天保建設集團有限公司 Tianbao Construction Group Company Limited*	Limited liability company	People's Republic of China ("PRC")/ Mainland China	RMB1,050,000,000	100	Construction contracting
天保房地產集團有限公司 Tianbao Real Estate Group Company Limited*	Limited liability company	PRC/Mainland China	RMB300,000,000	100	Property development and others
懷來天保房地產開發有限公司 Huailai Tianbao Property Development Company Limited*	Limited liability company	PRC/Mainland China	RMB20,000,000	100	Property development and others
蔚縣天保房地產開發有限公司 Yuxian Tianbao Property Development Company Limited*	Limited liability company	PRC/Mainland China	RMB20,000,000	100	Property development and others
張北天保恒旗房地產開發有限責任公司 Zhangbei Tianbao Hengqi Property Development Company Limited*	Limited liability company	PRC/Mainland China	RMB5,000,000	100	Property development and others
涿州市明陽房地產開發有限責任公司 Zhuozhou City Mingyang Property Development Company Limited*	Limited liability company	PRC/Mainland China	RMB10,000,000	100	Property development and others

* The English names of the companies registered in the PRC represent the best efforts made by management of the Company to translate the Chinese names of these companies as they do not have official English names.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"), 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021* (early adopted)

The nature and the impact of the revised IFRSs are described below:

(a) 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 risk-free rate (“RFR”). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities 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.

(b) Amendment to IFRS 16 issued in March 2021 extends the availability of the 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 by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

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*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 17	*Insurance Contracts*[2]
Amendments to IFRS 17	*Insurance Contracts*[2, 5]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[2, 5]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to IAS 8	*Definition of Accounting Estimates*[2]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[1]
Annual Improvements to IFRSs 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41[1]

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

2 Effective for annual periods beginning on or after 1 January 2023

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the amendments to IAS 1, Hong Kong 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

5 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 1 January 2023

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs *(Continued)*

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 March 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 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 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 1 January 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 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets 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 was removed by the IASB in December 2015 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 *Classification of Liabilities as Current or Non-current* 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 1 January 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.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs *(Continued)*

Amendments to IAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to IFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. 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 1 January 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.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs *(Continued)*

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 1 January 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 1 January 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

The Group measures its investment properties and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than deferred tax assets, financial assets, properties under development, completed properties held for sale, investment properties, inventories, contract assets and assets of a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the statement of profit or loss. Any subsequent revaluation surplus is credited to the statement of profit or loss to the extent of the deficit previously charged. An annual transfer from the asset revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	3%-5%
Plant and machinery	5%-19%
Motor vehicles	6%-32%
Office equipment and others	10%-33%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" for owned property and/or accounts for such property in accordance with the policy stated under "Right-of-use assets" for property held as a right-of-use asset up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

Properties under development

Properties under development are intended to be held for sale after completion.

Properties under development are stated at the lower of cost comprising land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development year and net realisable value.

Properties under development are classified as current assets unless those will not be realised in the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Completed properties held for sale

Completed properties held for sale are stated in the statement of financial position at the lower of cost and net realisable value. Cost is determined by an apportionment of the total costs of land and buildings attributable to the unsold properties. Net realisable value takes into account the price ultimately expected to be realised, less estimated costs to be incurred in selling the properties.

Allocation of property development cost

Land costs are allocated to each unit according to their respective saleable gross floor areas ("GFA") to the total saleable GFA. Construction costs relating to units were identified and allocated specifically. Common construction costs have been allocated according to the saleable GFA similar to land cost.

Other intangible assets (other than goodwill)

Other intangible assets acquired separately are measured on initial recognition at cost. The cost of other intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of other intangible assets are assessed to be either finite or indefinite. Other intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the other intangible asset may be impaired. The amortisation period and the amortisation method for an other intangible asset with a finite useful life are reviewed at least at each financial year end.

Other intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such other intangible assets are not amortised. The useful life of an other intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Software is stated at cost less any impairment loss and is amortised on the straight-line basis over its estimated useful life from 1 year to 10 years.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	40 – 50 years
Office buildings	2-3 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group’s policy for “inventories”. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group’s policy for “investment properties”.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Group as a lessee *(Continued)*

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of office buildings (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Group as a lessor *(Continued)*

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, an amount due to the ultimate holding company and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Subsequent measurement *(Continued)*

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Revenue from contracts with customers *(Continued)*

(a) Construction services

Revenue from the provision of construction services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

Claims to customers are amounts that the Group seeks to collect from the customers as reimbursement of costs and margins for scope of works not included in the original construction contract. Claims are accounted for as variable consideration and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The Group uses the expected value method to estimate the amounts of claims because this method best predicts the amount of variable consideration to which the Group will be entitled.

(b) Sale of properties

Revenue from the sale of properties is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the properties.

(c) Provision of management services

Revenue from the provision of management services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Share award scheme

The Group operates a share award scheme (the "Scheme") for the purposes of (i) recognising the contributions by certain employees and providing them with incentives in order to retain them for the continual operation and development of the Group; and (ii) attracting suitable personnel for further development of the Group.

Pursuant to the Scheme, the board of directors of the Company (the "Board") may from time to time instruct the trustee which was established by the Company to purchase shares in the open market for the purpose of the Scheme. The shares purchased by the trustee and the returned shares will be held by the trustee until they are vested in the selected employees in accordance with the scheme rules and the trust deed.

The consideration paid by the trustee for purchasing the Company's shares from the market is presented as "shares held for share award scheme" and the amount is deducted from total equity.

Contract costs

Other than the costs which are capitalised as inventories, properties under development, completed properties held for sale, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits

Social pension plans

The Group has the social pension plans for its employees arranged by local government labour and security authorities. The Group makes contributions on a monthly basis to the social pension plans. The contributions are charged to profit or loss as they become payable in accordance with the rules of the social pension plans. Under the plans, the Group has no further obligation beyond the contributions made.

Housing fund and other social insurances

The Group has participated in defined social security contribution schemes for its employees pursuant to the relevant laws and regulations of the PRC. These include housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes monthly contributions to the housing fund and other social insurances. The contributions are charged to profit or loss on an accrual basis. The Group has no further obligations beyond the contributions made.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

These financial statements are presented in RMB, which is the Company's reporting currency. The Company and certain subsidiaries incorporated outside Mainland China use Hong Kong dollars as their functional currencies, and the functional currency of the PRC subsidiaries is RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statement of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Revenue from contracts with customers

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

(a) Determining the timing of satisfaction of construction contracting

The Group concluded that revenue from construction contracting is recognised over time because the customer simultaneously receives the benefits provided by the Group. The fact that another entity would not need to re-perform the construction contracting that the Group has provided to date demonstrates that the customer simultaneously receives the benefits of the Group's performance as it performs.

The Group determined that the input method is the best method in measuring the progress of the construction contracting because there is a direct relationship between the Group's effort and the transfer of services to the customer. The Group recognises revenue on the basis of the proportion of costs incurred to date to the estimated total cost relative to complete the construction contracting.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Judgements *(Continued)*

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

Provision of properties under development and completed properties held for sale

The Group's properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Based on the Group's historical experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion of properties under development, and the costs to be incurred in selling the properties based on prevailing market condition.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in a provision for properties under development and completed properties held for sale. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the period in which such estimate is changed will be adjusted accordingly.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Progress of completion of construction contracting

Revenue recognition on a project is dependent on management's estimation of the total outcome of the construction contracts and is measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract. The Group reviews and revises the estimates of total contract costs, prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by management on the basis of quotations from time to time provided by the major subcontractors, suppliers or vendors involved and the experience of management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the management budgets by comparing the budgeted amounts to the actual amounts incurred. Total budgeted costs for construction contracting comprise (i) direct material costs and direct labour, (ii) costs of subcontracting, and (iii) an appropriation of variable and fixed construction and services overheads. In estimating the total budgeted costs for construction contracting, management makes reference to information such as (i) current offers from subcontractors and suppliers, (ii) recent offers agreed with subcontractors and suppliers, and (iii) an estimation on material costs, labour costs and other costs with reference to past experience.

PRC corporate income tax ("CIT")

The Group is subject to corporate income taxes in China. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimate and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision for income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the year in which the differences realise.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

PRC land appreciation tax ("LAT")

The Group is subject to LAT in China. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT calculation and payments with the tax authorities for certain of its property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences will impact on the LAT expenses and the related provision in the year in which the differences realise.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of the reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Estimation of fair value of investment properties

Investment properties carried at fair value were revalued at each reporting date based on the appraised market value provided by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of the reporting period.

The principal assumptions for the Group's estimation of the fair value include those related to estimated rental values with reference to the current market rents for similar properties in the same location and condition, appropriate capitalisation rates and expected profit margin.

The carrying amount of investment properties at 31 December 2021 was RMB140,400,000 (2020: RMB140,400,000). Further details, including the key assumptions used for fair value measurement are given in note 14 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2021 was RMB6,589,000 (2020: RMB4,839,000). The amount of unrecognised tax losses at 31 December 2021 was RMB20,924,000 (2020: RMB1,528,000). Further details are contained in note 18 to the financial statements.

Provision for expected credit losses on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the construction contracting and property development sectors, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in note 20 and note 21 to the financial statements, respectively.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Fair value of unlisted equity investments

The unlisted equity investments have been valued based on a market-based valuation technique as detailed in note 37 to the financial statements. The valuation requires the Group to determine comparable public companies (peers) and select the price multiple. In addition, the Group makes estimates about the discount for illiquidity and size differences. The Group classifies the fair value of these investments as Level 3. The fair value of the unlisted equity investments at 31 December 2021 was RMB138,000,000 (2020: RMB138,000,000). Further details are included in note 16 to the financial statements.

4. OPERATING SEGMENT INFORMATION

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

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

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

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

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

4. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2021	Construction contracting RMB'000	Property development and others RMB'000	Total RMB'000
Segment revenue (note 5)			
Sales to external customers	2,208,722	690,819	2,899,541
Intersegment sales	690,021	–	690,021
Total revenue	2,898,743	690,819	3,589,562
Reconciliation:			
Eliminations of intersegment sales			(690,021)
Revenue			2,899,541
Segment results	43,559	17,171	60,730
Reconciliation:			
Eliminations of intersegment results			(11,934)
Profit before tax			48,796
Segment assets	6,073,682	10,415,536	16,489,218
Reconciliation:			
Eliminations of intersegment receivables			(9,551,834)
Total assets			6,937,384
Segment liabilities	4,810,072	7,358,341	12,168,413
Reconciliation:			
Eliminations of intersegment payables			(6,576,819)
Total liabilities			5,591,594
Other segment information:			
Depreciation and amortisation	1,406	9,004	10,410
Impairment losses recognised in the consolidated statement of profit or loss, net	44,707	1,619	46,326
Capital expenditure*	3,617	1,160	4,777

4. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2020	Construction contracting RMB'000	Property development and others RMB'000	Total RMB'000
Segment revenue (note 5)			
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			(609,696)
Revenue			3,369,341
Segment results	48,042	588,518	636,560
Reconciliation:			
Eliminations of intersegment results			(96,261)
Profit before tax			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

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

4. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

(a) Revenue from external customers

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

(b) Non-current assets

	2021 RMB'000	2020 RMB'000
Hong Kong	**1,523**	939
Mainland China	**382,450**	383,592
	383,973	384,531

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

Information about major customers

For the year ended 31 December 2021, no customer contributed revenue more than 10 per cent of the Group's total revenue (2020: one customer in construction contracting contributed revenue of approximately RMB400,834,000 which represented more than 10 per cent of the Group's total revenue).

5. REVENUE, OTHER INCOME AND GAINS

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

	2021 RMB'000	2020 RMB'000
Revenue from contracts with customers	**2,888,490**	3,360,636
Revenue from other sources		
Gross rental income from operating leases:		
Other lease payments, including fixed payments	**11,051**	8,705
	2,899,541	3,369,341

5. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Revenue from contracts with customers

(a) Disaggregated revenue information

For the year ended 31 December 2021

	Construction contracting RMB'000	Property development RMB'000	Total RMB'000
Types of goods or services			
Construction contracting	**2,208,722**	**–**	**2,208,722**
Property development	**–**	**679,768**	**679,768**
Total revenue from contracts with customers	**2,208,722**	**679,768**	**2,888,490**
Geographical market			
Mainland China	**2,208,722**	**679,768**	**2,888,490**
Timing of revenue recognition			
Goods transferred at a point in time	**–**	**679,768**	**679,768**
Services transferred over time	**2,208,722**	**–**	**2,208,722**
Total revenue from contracts with customers	**2,208,722**	**679,768**	**2,888,490**

For the year ended 31 December 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 market			
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

5. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Revenue from contracts with customers *(Continued)*

(a) Disaggregated revenue information *(Continued)*

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 31 December 2021

Segments	Construction contracting RMB'000	Property development RMB'000	Total RMB'000
Revenue from contracts with customers			
External customers	**2,208,722**	**679,768**	**2,888,490**
Intersegment sales	**690,021**	**–**	**690,021**
	2,898,743	**679,768**	**3,578,511**
Intersegment eliminations	**(690,021)**	**–**	**(690,021)**
Total revenue from contracts with customers	**2,208,722**	**679,768**	**2,888,490**

For the year ended 31 December 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

5. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Revenue from contracts with customers *(Continued)*

(a) Disaggregated revenue information *(Continued)*

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:

	2021 RMB'000	2020 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Construction contracting	**201,076**	114,273
Property development	**667,232**	1,227,799
	868,308	1,342,072

(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 31 December are as follows:

	2021 RMB'000	2020 RMB'000
Amounts expected to be recognised as revenue:		
Within one year	**3,114,152**	2,598,702
After one year	**2,901,908**	1,886,782
	6,016,060	4,485,484

5. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Revenue from contracts with customers *(Continued)*

(b) Performance obligations *(Continued)*

Property development (Continued)

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 three 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.

	2021 RMB'000	2020 RMB'000
Other income		
Interest income	**3,184**	1,811
Dividend income from equity investments designated at fair value through other comprehensive income	**10,739**	9,667
Dividend income from financial assets at fair value through profit or loss	**668**	2,872
Government grants	**1,451**	11,495
	16,042	25,845
Gains		
Others	**71**	692
	16,113	26,537

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Notes	2021 RMB'000	2020 RMB'000
Cost of construction contracting		**2,090,668**	1,839,523
Cost of property development and others		**565,239**	901,719
Depreciation of property, plant and equipment	13	**7,523**	6,173
Depreciation of right-of-use assets	15(a)	**2,166**	1,364
Amortisation of other intangible assets		**721**	306
Minimum lease payments under operating leases	15(c)	**180**	98
Lease payments not included in the measurement of lease liabilities		**1,331**	1,097
Auditor's remuneration		**2,000**	1,700
Employee benefit expenses (excluding directors' and chief executive's remuneration):			
– Wages, salaries and allowances		**14,597**	12,667
– Social insurance		**5,827**	3,997
– Welfare and other expenses		**1,669**	1,854
		22,093	18,518
Impairment of trade receivables, net	20	**42,028**	34,839
Impairment of contract assets, net	21	**2,510**	1,527
Impairment losses on financial assets included in prepayments, other receivables and other assets	24	**1,788**	3,766
		46,326	40,132
Changes in fair value of investment properties	14	**–**	700
Dividend income from equity investments designated at fair value through other comprehensive income	5	**(10,739)**	(9,667)
Dividend income from financial assets at fair value through profit or loss	5	**(668)**	(2,872)
Interest income	5	**(3,184)**	(1,811)

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2021 RMB'000	2020 RMB'000
Interest on bank and other loans	**62,589**	44,952
Interest on lease liabilities	**139**	72
Total interest expense on financial liabilities not at fair value through profit or loss	**62,728**	45,024
Less: interest capitalised	**(4,739)**	(7,345)
	57,989	37,679

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2021 RMB'000	2020 RMB'000
Fees	**384**	393
Other emoluments:		
Salaries, allowances and benefits in kind	**8,880**	10,567
Pension scheme contributions and social welfare	**76**	96
	9,340	11,056

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2021 RMB'000	2020 RMB'000
Independent non-executive directors		
Mr. Li Xu	**128**	131
Mr. Liu Kaixiang	**128**	131
Mr. Li Qingxu	**128**	131
	384	393

There were no other emoluments payable to the independent non-executive directors during 2021 (2020: Nil).

(b) Executive directors

2021

	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions and social welfare RMB'000	Total remuneration RMB'000
Executive directors			
Ms. Shen Lifeng	**3,924**	**15**	**3,939**
Mr. Li Baotian	**1,875**	**–**	**1,875**
Ms. Wang Xinling	**852**	**23**	**875**
Mr. Li Yaruixin	**852**	**23**	**875**
Mr. Zang Lin	**688**	**15**	**703**
Ms. Wang Huijie	**689**	**–**	**689**
	8,880	**76**	**8,956**

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

(b) Executive directors *(Continued)*

2020

	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions and social welfare RMB'000	Total remuneration RMB'000
Executive directors			
Ms. Shen Lifeng	4,040	19	4,059
Mr. Li Baotian	2,384	–	2,384
Ms. Wang Xinling	1,129	31	1,160
Mr. Li Yaruixin	1,140	19	1,159
Mr. Zang Lin	937	27	964
Ms. Wang Huijie	937	–	937
	10,567	96	10,663

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included five directors (2020: five directors), details of whose remuneration are set out in note 8 above.

10. 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 Corporate Income Tax during the year.

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

	2021 RMB'000	2020 RMB'000
Current income tax	**41,452**	119,777
PRC LAT	**(31,891)**	96,838
Deferred income tax	**(2,573)**	(7,987)
Total tax charge for the year	**6,988**	208,628

10. INCOME TAX *(Continued)*

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective income tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	2021 RMB'000	2020 RMB'000
Profit before tax	**48,796**	540,299
Tax at the statutory tax rate	**12,199**	135,075
Income not subject to tax	**(2,685)**	(2,417)
Expenses not deductible for tax	**468**	4,267
Effect of tax rate differences in other jurisdictions	**20,173**	(1,218)
Unrecognised tax deductible losses	**751**	293
Provision for LAT	**(31,891)**	96,838
Tax effect on LAT	**7,973**	(24,210)
Tax charge at the Group's effective rate	**6,988**	208,628

11. DIVIDENDS

	2021 RMB'000	2020 RMB'000
Interim – Nil (2020: HK5 cents) per ordinary share	–	36,426

12. 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 789,608,000 (2020: 794,502,000) in issue during the year, as adjusted to reflect the number of shares purchased under the share award scheme during the last year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2021 and 2020.

The calculation of basic and diluted earnings per share is based on:

	2021 RMB'000	2020 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**41,808**	331,671

	Number of shares	
	2021	**2020**
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**789,608,000**	794,502,000

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment and others RMB'000	Total RMB'000
31 December 2021					
At 1 January 2021:					
Cost	242,421	8,058	9,714	3,226	263,419
Accumulated depreciation	(18,812)	(6,162)	(5,853)	(1,689)	(32,516)
Net carrying amount	223,609	1,896	3,861	1,537	230,903
At 1 January 2021, net of accumulated depreciation	223,609	1,896	3,861	1,537	230,903
Additions	–	2,967	1,361	239	4,567
Depreciation provided during the year	(6,154)	(425)	(783)	(161)	(7,523)
At 31 December 2021, net of accumulated depreciation	217,455	4,438	4,439	1,615	227,947
At 31 December 2021:					
Cost	242,421	11,025	11,075	3,465	267,986
Accumulated depreciation	(24,966)	(6,587)	(6,636)	(1,850)	(40,039)
Net carrying amount	217,455	4,438	4,439	1,615	227,947

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2020						
At 1 January 2020:						
Cost	84,123	7,328	8,201	2,464	143,205	245,321
Accumulated depreciation	(14,527)	(5,555)	(4,964)	(1,297)	–	(26,343)
Net carrying amount	69,596	1,773	3,237	1,167	143,205	218,978
At 1 January 2020, net of accumulated depreciation	69,596	1,773	3,237	1,167	143,205	218,978
Additions	–	730	1,513	762	15,093	18,098
Depreciation provided during the year	(4,285)	(607)	(889)	(392)	–	(6,173)
Transfers	158,298	–	–	–	(158,298)	–
At 31 December 2020, net of accumulated depreciation	223,609	1,896	3,861	1,537	–	230,903
At 31 December 2020:						
Cost	242,421	8,058	9,714	3,226	–	263,419
Accumulated depreciation	(18,812)	(6,162)	(5,853)	(1,689)	–	(32,516)
Net carrying amount	223,609	1,896	3,861	1,537	–	230,903

As at 31 December 2021, certain of the Group's property, plant and equipment with a net carrying amount of approximately RMB58,784,000 (2020: RMB63,320,000) were pledged to secure bank borrowings granted to the Group (note 28).

14. INVESTMENT PROPERTIES

	2021 RMB'000	2020 RMB'000
Carrying amount at 1 January	**140,400**	141,100
Net loss from a fair value adjustment	**–**	(700)
Carrying amount at 31 December	**140,400**	140,400

The Group's investment properties are situated in Baoding City of Hebei Province in Mainland China. The Group's investment properties were revalued on 31 December 2021 based on valuations performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent professionally qualified valuer, at RMB140,400,000.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 15 to the financial statements.

As at 31 December 2021, certain of the Group's investment properties with an aggregate carrying amount of approximately RMB140,400,000 (2020: RMB140,400,000) were pledged to secure bank borrowings granted to the Group (note 28).

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2021 using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for:				
Commercial properties	**–**	**–**	**140,400**	**140,400**

14. INVESTMENT PROPERTIES *(Continued)*

Fair value hierarchy *(Continued)*

	Fair value measurement as at 31 December 2020 using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for:				
Commercial properties	–	–	140,400	140,400

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfer into or out of Level 3 (2020: Nil).

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Commercial properties RMB'000
Carrying amount at 1 January 2020	141,100
Net loss from a fair value adjustment recognised in profit or loss	(700)
Carrying amount at 31 December 2020, 1 January 2021 and 31 December 2021	140,400

14. INVESTMENT PROPERTIES *(Continued)*

Fair value hierarchy *(Continued)*

Below is a summary of the valuation technique used and the key inputs to the valuation of investment properties:

	Valuation technique	Significant unobservable inputs	Range 2021	2020
Commercial properties	Income approach	Estimated rental value (RMB per sq.m. and per month)	RMB15 to RMB51	RMB15 to RMB54
		Discount rate	5.5%	5.5%
		Long term vacancy rate	30%	42%

The fair value of commercial properties is determined by the income approach by taking into account the rental income of the properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then discounted to determine the fair value at an appropriate discount rate. Where appropriate, reference to the comparable sales transactions as available in the relevant market has also been considered.

A significant increase (decrease) in the estimated rental value would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the long term vacancy rate and the discount rate in isolation would result in a significant decrease (increase) in the fair value of the investment properties.

15. LEASES

The Group as a lessee

The Group has lease contracts for various items of office building and leasehold land lease payments used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of office building generally have lease terms of 2-3 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land RMB'000	Office building RMB'000	Total RMB'000
As at 1 January 2020	10,698	1,964	12,662
Depreciation charge	(339)	(1,025)	(1,364)
As at 31 December 2020 and 1 January 2021	10,359	939	11,298
Additions	–	5,076	5,076
Depreciation charge	(339)	(1,827)	(2,166)
As at 31 December 2021	10,020	4,188	14,208

As at 31 December 2021, certain of the Group's right-of-use assets with an aggregate carrying amount of approximately RMB8,349,000 (2020: RMB8,579,000) have been pledged to secure bank borrowings granted to the Group (note 28).

15. LEASES *(Continued)*

The Group as a lessee *(Continued)*

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2021 RMB'000	2020 RMB'000
Carrying amount at 1 January	**963**	1,967
New leases	**5,076**	–
Accretion of interest recognised during the year	**139**	72
Payments	**(1,910)**	(1,076)
Carrying amount at 31 December	**4,268**	963
Analysed into:		
Current portion	**1,909**	963
Non-current portion	**2,359**	–

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2021 RMB'000	2020 RMB'000
Interest on lease liabilities	**139**	72
Depreciation charge of right-of-use assets	**2,166**	1,364
Expense relating to leases of low-value assets (included in administrative expenses)	**180**	98
Total amount recognised in profit or loss	**2,485**	1,534

(d) The total cash outflow for leases relating to leases that have not yet commenced is disclosed in note 31(b) to the financial statements.

15. LEASES *(Continued)*

The Group as a lessor

The Group leases its investment properties (note 14) under operating lease arrangements with leases negotiated from terms ranging from one to fifteen years.

At 31 December 2021, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2021 RMB'000	2020 RMB'000
Within one year	**9,179**	9,514
After one year but within two years	**5,956**	7,365
After two years but within three years	**4,971**	3,995
After three years but within four years	**4,421**	2,927
After four years but within five years	**3,322**	2,602
After five years	**2,400**	4,957
	30,249	31,360

16. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021 RMB'000	2020 RMB'000
Equity investments designated at fair value through other comprehensive income		
Listed equity investments, at fair value	**56,256**	–
Unlisted equity investments, at fair value	**138,000**	138,000
	194,256	138,000

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

For the year ended 31 December 2021, the Group received dividends in the amount of RMB10,739,000 (2020: RMB9,667,000).

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 RMB'000	2020 RMB'000
Listed equity investments, at fair value	**164,485**	205,687

The above equity investments were classified as financial assets at fair value through profit or loss as they were held for trading.

18. DEFERRED TAX

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2016.

As at 31 December 2021, the Group has retained earnings of approximately RMB1,155,075,000 (2020: RMB933,458,000). No deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Company and the Group's subsidiaries established in Mainland China. In the opinion of the directors of the Company, the Group's fund will be retained in Mainland China for the expansion of the Group's operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

18. DEFERRED TAX *(Continued)*

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	2021			
	Fair value adjustments arising from investment properties RMB'000	Fair value adjustments arising from equity investments at FVOCI RMB'000	Others RMB'000	Total RMB'000
At 1 January 2021	15,813	2,875	29,400	48,088
Deferred tax charged to the statement of profit or loss during the year (note 10)	–	–	7,398	7,398
Gross deferred tax liabilities at 31 December 2021	15,813	2,875	36,798	55,486

18. DEFERRED TAX *(Continued)*

Deferred tax assets

	2021				
	Provision for LAT RMB'000	Unrealised profit from intercompany transactions RMB'000	Impairment of receivables RMB'000	Others RMB'000	Total RMB'000
At 1 January 2021	64,723	7,497	22,782	31,459	126,461
Deferred tax (charged)/credited to the statement of profit or loss during the year	(7,974)	2,983	11,198	3,764	9,971
Gross deferred tax assets at 31 December 2021	56,749	10,480	33,980	35,223	136,432

Deferred tax liabilities

	2020			
	Fair value adjustments arising from investment properties RMB'000	Fair value adjustments arising from equity investments at FVOCI RMB'000	Others RMB'000	Total RMB'000
At 1 January 2020	15,988	4,125	19,953	40,066
Deferred tax (credited)/charged to the statement of profit or loss during the year (note 10)	(175)	–	9,447	9,272
Deferred tax credited to the statement of other comprehensive income during the year	–	(1,250)	–	(1,250)
Gross deferred tax liabilities at 31 December 2020	15,813	2,875	29,400	48,088

18. DEFERRED TAX *(Continued)*

Deferred tax assets

	2020				
	Provision for LAT RMB'000	Unrealised profit from intercompany transactions RMB'000	Impairment of receivables RMB'000	Others RMB'000	Total RMB'000
At 1 January 2020	40,513	7,727	13,696	47,266	109,202
Deferred tax credited/(charged) to the statement of profit or loss during the year	24,210	(230)	9,086	(15,807)	17,259
Gross deferred tax assets at 31 December 2020	64,723	7,497	22,782	31,459	126,461

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2021 RMB'000	2020 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**85,525**	78,373
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(4,579)**	–
Net deferred tax assets	**80,946**	78,373

19. INVENTORIES

	2021 RMB'000	2020 RMB'000
Raw materials	**69**	–

20. TRADE RECEIVABLES

	2021 RMB'000	2020 RMB'000
Trade receivables	**742,844**	574,022
Impairment	**(101,016)**	(58,988)
	641,828	515,034

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.

20. TRADE RECEIVABLES *(Continued)*

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

	2021 RMB'000	2020 RMB'000
Retentions included in trade receivables	**44,860**	10,002
Provision for impairment	**(8,333)**	(2,537)
Retentions included in trade receivables, net	**36,527**	7,465

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

	2021 RMB'000	2020 RMB'000
Within 1 year	**353,035**	274,309
1 year to 2 years	**129,138**	234,923
2 years to 3 years	**169,936**	34,092
Over 3 years	**45,875**	20,696
	697,984	564,020

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.

20. TRADE RECEIVABLES *(Continued)*

Trade receivables without retention receivables *(Continued)*

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:

	2021 RMB'000	2020 RMB'000
Within 1 year	**349,288**	272,007
1 year to 2 years	**144,016**	209,937
2 years to 3 years	**137,595**	29,699
Over 3 years	**10,929**	3,391
	641,828	515,034

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

	2021 RMB'000	2020 RMB'000
At beginning of year	**58,988**	24,149
Impairment losses, net	**42,028**	34,839
At end of year	**101,016**	58,988

An impairment analysis is performed at each reporting date using a provision matrix to measure 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 about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

20. TRADE RECEIVABLES *(Continued)*

Trade receivables without retention receivables *(Continued)*

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2021

	Current and within 1 year	Past due 1 to 2 years	2 to 3 years	3 to 4 years	Over 4 years	Apparently impaired	Total
Expected credit loss rate	1.09%	13.29%	21.12%	42.59%	99.67%	100.00%	13.60%
Gross carrying amount (RMB'000)	353,035	166,203	168,527	27,034	21,224	6,821	742,844
Expected credit losses (RMB'000)	3,849	22,085	35,594	11,513	21,154	6,821	101,016

As at 31 December 2020

	Current and within 1 year	Past due 1 to 2 years	2 to 3 years	3 to 4 years	Over 4 years	Apparently impaired	Total
Expected credit loss rate	1.07%	11.72%	20.22%	48.02%	100.00%	100.00%	10.28%
Gross carrying amount (RMB'000)	274,309	238,448	37,226	6,524	15,355	2,160	574,022
Expected credit losses (RMB'000)	2,944	27,869	7,527	3,133	15,355	2,160	58,988

Included in the above provision for impairment of trade receivables were provisions for apparently impaired trade receivables of RMB6,821,000 (2020: RMB2,160,000) with an aggregate carrying amount before provision of RMB6,821,000 (2020: RMB2,160,000) as at 31 December 2021.

21. CONTRACT ASSETS

	31 December 2021 RMB'000	31 December 2020 RMB'000	1 January 2020 RMB'000
Contract assets arising from:			
Construction contracting	**1,369,789**	1,320,548	1,234,350
Impairment	**(16,519)**	(14,009)	(12,482)
	1,353,270	1,306,539	1,221,868

Contract assets are initially recognised for revenue earned from construction contracting as the receipt of consideration is conditional on successful completion of construction. Included in contract assets for construction contracting are retention receivables. Upon completion of services and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. The increases in contract assets in 2021 and 2020 were the results of the increases in the provision of construction contracting at the end of each of the years.

During the year ended 31 December 2021, RMB16,519,000 (2020: RMB14,009,000) was recognised as an allowance for expected credit losses on contract assets. The Group's trading terms and credit policy with customers are disclosed in note 20 to the financial statements.

The expected timing of recovery or settlement for contract assets as at 31 December is as follows:

	2021 RMB'000	2020 RMB'000
Within one year	**721,807**	742,761
After one year	**631,463**	563,778
Total contract assets	**1,353,270**	1,306,539

21. CONTRACT ASSETS *(Continued)*

The movements in the loss allowance for impairment of contract assets are as follows:

	2021 RMB'000	2020 RMB'000
At beginning of year	**14,009**	12,482
Impairment losses recognised during the year, net (note 6)	**2,510**	1,527
At end of year	**16,519**	14,009

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past due of trade receivables for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's contract assets using a provision matrix:

	2021	2020
Expected credit loss rate	**1.21%**	1.06%
Gross carrying amount (RMB'000)	**1,369,789**	1,320,548
Expected credit losses (RMB'000)	**16,519**	14,009

22. PROPERTIES UNDER DEVELOPMENT

	2021 RMB'000	2020 RMB'000
Carrying amount at 1 January	**2,162,785**	2,437,886
Additions	**881,845**	1,171,417
Transferred to completed properties held for sale	**(651,529)**	(1,446,518)
	2,393,101	2,162,785

22. PROPERTIES UNDER DEVELOPMENT *(Continued)*

Properties under development expected to be completed and recovered:

	2021 RMB'000	2020 RMB'000
Within one year	**1,824,717**	681,816
After one year	**568,384**	1,480,969
	2,393,101	2,162,785

The Group's properties under development are situated on leasehold land in Mainland China.

As at 31 December 2021, certain of the Group's properties under development with an aggregate carrying amount of approximately RMB500,197,000 (2020: RMB303,507,000) have been pledged to secure bank and other borrowings granted to the Group (note 28).

23. COMPLETED PROPERTIES HELD FOR SALE

	2021 RMB'000	2020 RMB'000
Carrying amount at the beginning of the year	**885,530**	340,122
Transferred from properties under development	**651,529**	1,446,518
Transferred to cost of sales	**(563,214)**	(901,110)
Carrying amount at the end of the year	**973,845**	885,530

As at 31 December 2021, none of the Group's completed properties held for sale (2020: RMB27,661,000) was pledged to secure bank borrowings granted to the Group (note 28).

24. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2021 RMB'000	2020 RMB'000
Deposits	**70,922**	128,543
Other receivables	**114,853**	92,464
Prepayments	**53,532**	71,623
Other tax recoverable	**12,639**	26,710
Advances to related parties (note 35)	**3,298**	3,198
Advances to the ultimate holding company (note 35)	**5,626**	170
	260,870	322,708
Impairment allowance	**(13,864)**	(12,076)
	247,006	310,632

Prepayments, other receivables and other assets are unsecured, non-interest-bearing and repayable on demand.

The movements in provision for impairment of prepayments, deposits and other receivables are as follows:

	2021 RMB'000	2020 RMB'000
At beginning of year	**12,076**	8,310
Impairment losses, net	**1,788**	3,766
At end of year	**13,864**	12,076

24. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS *(Continued)*

The Group applied the general approach prescribed by IFRS 9, to measure the loss allowance at an amount equal to 12-month ECLs for deposits and other receivables in stage 1 and lifetime ECLs in stage 2 and stage 3. To measure the ECLs, deposits and other receivables have been grouped based on shared credit risk characteristics, ECLs are estimated based on historical credit loss experience, adjusted for factors that are specific to the debtors and general economic conditions.

As at 31 December 2021

		Past due				
	Current	**Within 1 year**	**1 to 2 years**	**Over 2 years**	**Apparently impaired items**	**Total**
Expected credit loss rate	**–**	**0.06%**	**10.00%**	**21.47%**	**100.00%**	**7.12%**
Gross carrying amount (RMB'000)	**85,677**	**58,334**	**25,648**	**17,540**	**7,500**	**194,699**
Expected credit losses (RMB'000)	**–**	**33**	**2,565**	**3,766**	**7,500**	**13,864**

As at 31 December 2020

		Past due				
	Current	Within 1 year	1 to 2 years	Over 2 years	Apparently impaired items	Total
Expected credit loss rate	–	0.43%	10.00%	85.19%	100%	5.38%
Gross carrying amount (RMB'000)	138,210	37,390	40,890	385	7,500	224,375
Expected credit losses (RMB'000)	–	159	4,089	328	7,500	12,076

The apparently impaired other receivables relate to customers that were in financial difficulties or were in default in interest and/or principal payments and only a portion of the receivables is expected to be recovered.

25. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2021 RMB'000	2020 RMB'000
Cash and bank balances	**472,037**	448,897
Less: pledged time deposits		
Pledged for bank loans	**50,256**	52,986
Pledged for others	**173,032**	211,992
Cash and cash equivalents	**248,749**	183,919

As at 31 December 2021, bank deposits of RMB50,256,000 (2020: RMB52,986,000) were pledged as security for purchasers' mortgage loans.

Pursuant to relevant regulations in the PRC, certain construction contracting companies and property development companies of the Group are required to place certain amounts of cash in designated bank accounts for specified use. As at 31 December 2021, such restricted cash amounted to RMB173,032,000 (2020: RMB211,992,000).

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values.

At the end of the reporting period, cash and bank balances are denominated in RMB, USD and HKD. The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

26. TRADE PAYABLES

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

	2021 RMB'000	2020 RMB'000
Within 6 months	**765,973**	1,259,508
6 months to 1 year	**150,772**	127,757
1 to 2 years	**838,985**	518,189
2 to 3 years	**331,266**	158,673
Over 3 years	**141,189**	11,359
	2,228,185	2,075,486

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

27. OTHER PAYABLES AND ACCRUALS

	Notes	2021 RMB'000	2020 RMB'000
Contract liabilities	(a)	**934,049**	1,007,197
Other payables	(b)	**792,483**	563,591
Other tax payable		**376,543**	341,995
Accrued salaries, wages and benefits		**7,966**	7,580
Amounts due to related parties (note 35)		**4,998**	4,309
Due to the ultimate holding company (note 35)		**–**	23,970
Others		**2,122**	3,515
		2,118,161	1,952,157

27. OTHER PAYABLES AND ACCRUALS *(Continued)*

Notes:

(a) Details of contract liabilities are as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000	1 January 2020 RMB'000
Short-term advances received from customers			
Construction contracting	**286,966**	290,634	258,431
Pre-sale of properties	**647,083**	716,563	1,347,053
Total contract liabilities	**934,049**	1,007,197	1,605,484

Contract liabilities include short-term advances received from customers for construction contracting when the pace of progress billings exceeds the pace of relevant construction projects and pre-sale proceeds in relation to property sales contracts.

(b) Other payables are non-interest-bearing and repayable on demand.

28. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2021			31 December 2020		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank borrowings – secured	**–**	**–**	**–**	5.66	2021	250,000
Other loans – secured	**11.00**	**2022**	**253,974**	–	–	–
Other loans – unsecured	**11.00**	**2022**	**31,733**	–	–	–
Current portion of long term bank borrowings – secured	**4.75-9.75**	**2022**	**166,000**	4.75-9.75	2021	98,000
			451,707			348,000
Non-current						
Bank borrowings – secured	**5.50-8.70**	**2023**	**344,000**	4.75-8.00	2022	232,450
			795,707			580,450

28. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

	2021 RMB'000	2020 RMB'000
Analysed into:		
Bank and other borrowings repayable:		
Within one year or on demand	**451,707**	348,000
In the second year	**344,000**	232,450
	795,707	580,450

Except for the 11.00% other loans which are denominated in United States dollars, all borrowings are in RMB.

(a) As at 31 December 2021, the Group's investment properties with an aggregate carrying amount of approximately RMB140,400,000 (2020: RMB140,400,000) were pledged to secure bank borrowings granted to the Group.

(b) As at 31 December 2021, certain of the Group's properties under development with an aggregate carrying amount of approximately RMB500,197,000 (2020: RMB303,507,000) have been pledged to secure bank and other borrowings granted to the Group.

(c) As at 31 December 2021, none of the Group's completed properties held for sale (2020: RMB27,661,000) was pledged to secure bank borrowings granted to the Group.

(d) As at 31 December 2021, certain of the Group's property, plant and equipment with a carrying amount of approximately RMB58,784,000 (2020: RMB63,320,000) were pledged to secure bank borrowings granted to the Group.

(e) As at 31 December 2021, certain of the Group's right-of-use assets with a carrying amount of approximately RMB8,349,000 (2020: RMB8,579,000) were pledged to secure bank borrowings granted to the Group.

29. SHARE CAPITAL

Shares

	2021 HK$'000	2020 HK$'000
Authorised:		
2,000,000,000 (2020: 2,000,000,000) ordinary shares of HK$0.01 each	**20,000**	20,000

	2021 RMB'000	2020 RMB'000
Issued and fully paid:		
809,456,000 (2020: 809,456,000) ordinary shares of HK$0.01 each	**7,281**	7,281

30. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 136 to 137 of the financial statements.

(a) Capital reserve

As at 31 December 2021, capital reserve represents the difference between the par value of the shares issued and the consideration received.

(b) Special reserve

In the preparation of the financial statements, the Group has appropriated a certain amount of retained profits to a special reserve fund for the years ended 31 December 2021 and 2020, for safety production expense purposes as required by the directives issued by the relevant PRC government authorities. The Group charged the safety production expense to the statement of profit or loss when such expense was incurred, and at the same time an equal amount of such special reserve fund was utilised and transferred back to retained earnings until such special reserve was fully utilised.

30. RESERVES *(Continued)*

(c) Statutory surplus reserve

In accordance with the PRC Company Law, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the PRC Company Law, part of the statutory surplus reserve may be converted to share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

(d) Equity investment revaluation reserve

The equity investment revaluation reserve represents unrealised fair value gains or losses for equity investments at fair value through other comprehensive income.

(e) Shares held for share award scheme

On 4 March 2020, the Group announced that it adopted the Scheme with objectives to recognise the contribution by certain employees and give incentives thereto in order to motivate them for the continual operation and development of the Group.

During the year ended 31 December 2020, 19,848,000 shares were purchased by the trustee from the market at an average price of approximately HK$2.68 (equivalent to RMB2.44) per share, with an aggregate amount of HK$53,188,000 (equivalent to RMB48,517,000). No shares were granted to eligible employees pursuant to the Scheme during the year ended 31 December 2021. As at 31 December 2021, there were 19,848,000 shares held by the trustee.

The Company entered into a trust deed and appointed a trustee company as the trustee for the administration of the Scheme pursuant to the scheme rules. Pursuant to the Scheme, the Board may from time to time instruct the trustee to purchase shares in the open market for the purpose of the Scheme. The shares purchased by the trustee and the returned shares will be held by the trustee until they are vested in the selected employees in accordance with the scheme rules and the trust deed.

(f) Other reserves

The other reserves represent dividend income on shares held for the Scheme.

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings RMB'000	Lease liabilities RMB'000
At 1 January 2021	**580,450**	**963**
Changes from financing cash flows	**215,257**	**(1,910)**
New leases	**–**	**5,076**
Interest expense	**–**	**139**
At 31 December 2021	**795,707**	**4,268**

	Interest-bearing bank borrowings RMB'000	Lease liabilities RMB'000
At 1 January 2020	789,000	1,967
Changes from financing cash flows	(208,550)	(1,076)
Interest expense	–	72
At 31 December 2020	580,450	963

(b) Total cash outflow for leases

	2021 RMB'000	2020 RMB'000
Within financing activities	**1,910**	1,076

32. CONTINGENT LIABILITIES

As at 31 December 2021, the Group has provided guarantees in respect of mortgage facilities for certain purchasers of the Group's properties amounting to approximately RMB1,380,305,000 (2020: RMB1,718,729,000).

The Group's guarantee period starts from the dates of grant of the 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 of the Group consider that the fair value of the guarantees is not significant, and in the 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.

As at 31 December 2021, the Group did not have any significant contingent liabilities.

33. PLEDGE OF ASSETS

Details of the Group's bank and other borrowings which are mortgaged by the assets of the Group or guaranteed are included in note 28 to the financial statements.

34. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period

	31 December	
	2021	**2020**
	RMB'000	**RMB'000**
Contracted, but not provided for:		
Construction contracting	**176,148**	267,458

35. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parities during the year:

	Notes	2021 RMB'000	2020 RMB'000
Advances to the ultimate holding company		**32,405**	170
Repayments of advances to the ultimate holding company		**4,017**	–
Repayments of advances to related parties		**–**	163
Advances from the ultimate holding company		**31,733**	23,970
Advances from related parties		**1,600**	–
Repayments of advances from related parties		**1,600**	6
Purchases of raw materials from companies of which a director of the Company is a controlling shareholder	(i)	**7,801**	8,270
Property management fee paid to related parties	(ii)	**2,789**	2,496
Interest expense on other loans	(iii)	**2,295**	–
Other rental income	(iv)	**1,599**	1,599
Other interest income	(v)	**1,238**	–
Purchase of office supplies from related parties	(vi)	**236**	–

Notes:

(i) The purchases were made from companies of which Mr. Li Baotian is a controlling shareholder. The directors consider that the purchases of raw materials were made according to the published prices and conditions similar to those offered to the major customers of the suppliers, except that interest was not charged on overdue balances. As at 31 December 2021, the balance owing to the suppliers was RMB8,984,000 (2020: RMB6,283,000).

(ii) The fees were paid for the property management services provided by companies controlled by Mr. Li Baotian's spouse. As at 31 December 2021, the balance owing to the companies was RMB6,498,000 (2020: RMB4,309,000).

(iii) The interest expense was paid for the loan from the ultimate holding company with an interest rate of 11%. There was no outstanding balance with the ultimate holding company as at 31 December 2021 (2020: Nil).

(iv) The rental income was from the lease agreement with companies controlled by Mr. Li Baotian and his spouse. As at 31 December 2021 the balance due from the companies was RMB4,797,000 (2020: RMB3,198,000).

(v) The other interest income was from the advances to the ultimate holding company with an interest rate of 11%, the balance due from the ultimate holding company was RMB1,238,000 (2020: Nil).

(vi) The purchase were made from company controlled by Mr. Li Baotian's spouse. There was no outstanding balance with this related party as at 31 December 2021 (2020: Nil).

35. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Other transactions with related parties

As at 31 December 2021, there was no guarantee provided by Mr. Li Baotian and his close associates for the Group's interest-bearing bank borrowings (2020: RMB48,000,000).

(c) Outstanding balances with related parties

	2021 RMB'000	2020 RMB'000
Prepayments, other receivables and other assets (note 24)*:		
Advances to the ultimate holding company	**5,626**	170
Advances to related parties	**3,298**	3,198
	8,924	3,368
Other payables and accruals (note 27)*:		
Amounts due to other related parties	**4,998**	4,309
Due to the ultimate holding company	**–**	23,970
	4,998	28,279
Interest-bearing other borrowings (note 28):		
Loans from the ultimate holding company	**31,733**	–

* Balances with the above related parties were unsecured, non-interest-bearing and repayable on demand and non-trade.

(d) Compensation of senior management personnel

	2021 RMB'000	2020 RMB'000
Short-term employee benefits	**9,368**	11,245
Pension scheme contributions and social welfare	**117**	156
Total compensation paid to senior management personnel	**9,485**	11,401

36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2021

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		
	Designated as such upon initial recognition RMB'000	Debt investments RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Financial assets included in prepayments, other receivables and other assets	–	–	180,835	180,835
Equity investments at fair value through other comprehensive income	–	194,256	–	194,256
Equity investments at fair value through profit or loss	164,485	–	–	164,485
Trade receivables	–	–	641,828	641,828
Pledged deposits	–	–	223,288	223,288
Cash and cash equivalents	–	–	248,749	248,749
	164,485	194,256	1,294,700	1,653,441

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Loans from the ultimate holding company	31,733
Trade payables	2,228,185
Financial liabilities included in other payables and accruals	797,481
Interest-bearing bank and other borrowings	795,707
	3,853,106

36. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

2020

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		
	Designated as such upon initial recognition RMB'000	Debt investments RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Financial assets included in prepayments, other receivables and other assets	–	–	212,299	212,299
Equity investments at fair value through profit or loss	205,687	–	–	205,687
Equity investments at fair value through other comprehensive income	–	138,000	–	138,000
Trade receivables	–	–	515,034	515,034
Pledged deposits	–	–	264,978	264,978
Cash and cash equivalents	–	–	143,900	143,900
	205,687	138,000	1,136,211	1,479,898

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	2,075,486
Financial liabilities included in other payables and accruals	591,870
Interest-bearing bank borrowings	580,450
	3,247,806

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Financial assets				
Equity investments designated at fair value through other comprehensive income	**194,256**	138,000	**194,256**	138,000
Financial assets at fair value through profit or loss	**164,485**	205,687	**164,485**	205,687
	358,741	343,687	**358,741**	343,687

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivables, financial assets included in prepayments, other receivables and other assets, trade payables and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's management is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, management analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted equity investments designated at fair value through other comprehensive income have been estimated, using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as price to earnings ("P/E") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies' based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(Continued)

The fair values of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2021 was assessed to be insignificant.

Set out below is a summary of significant unobservable inputs to the valuation of financial instrument together with a quantitative sensitivity analysis as at 31 December 2021:

	Valuation technique	**Significant unobservable input**	**Range**	**Sensitivity of fair value to the input**
Investment A	Valuation multiples	Median P/E multiple of peers	6.20	A low end of 3.86 and high end of 8.73 P/E multiple used would result in a difference in fair value of RMB108,000,000
		Discount for lack of marketability	16.84%	5% increase/decrease in discount would result in decrease/increase in fair value by RMB8,000,000

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly include cash and cash equivalents, pledged deposits, trade receivables, financial assets included in prepayments, other receivables and other assets, trade payables and financial liabilities included in other payables and accruals, which arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The Group does not hold or issue derivative financial instruments for trading purposes. The Board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group has currency exposures from its interest-bearing other borrowings.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the USD and RMB exchange rate, with all other variables held constant, of the Group's profit before tax:

	Increase/ (decrease) in USD rate%	Increase/ (decrease) in profit before tax RMB'000
2021		
If the RMB weakens against the USD	**(5)**	**14,345**
If the RMB strengthens against the USD	**5**	**(14,345)**

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk *(Continued)*

Maximum exposure and year-end staging *(Continued)*

As at 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Contract assets*	–	–	–	1,369,789	1,369,789
Trade receivables*	–	–	–	742,844	742,844
Financial assets included in prepayments, other receivables and other assets					
– Normal**	169,659	–	–	–	169,659
– Doubtful**	–	17,540	7,500	–	25,040
Pledged deposits					
– Not yet past due	223,288	–	–	–	223,288
Cash and cash equivalents					
– Not yet past due	248,749	–	–	–	248,749
Guarantees in respect of mortgage facilities for certain purchasers of the Group's properties					
– Not yet past due	1,380,305	–	–	–	1,380,305
Total	2,022,001	17,540	7,500	2,112,633	4,159,674

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk *(Continued)*

Maximum exposure and year-end staging *(Continued)*

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Contract assets*	–	–	–	1,320,548	1,320,548
Trade receivables*	–	–	–	574,022	574,022
Financial assets included in prepayments, other receivables and other assets					
– Normal**	216,490	–	–	–	216,490
– Doubtful**	–	385	7,500	–	7,885
Pledged deposits					
– Not yet past due	264,978	–	–	–	264,978
Cash and cash equivalents					
– Not yet past due	183,919	–	–	–	183,919
Guarantees in respect of mortgage facilities for certain purchasers of the Group's properties					
– Not yet past due	1,718,729	–	–	–	1,718,729
Total	2,384,116	385	7,500	1,894,570	4,286,571

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 20 and 21 to the financial statements, respectively.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk *(Continued)*

Maximum exposure and year-end staging *(Continued)*

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 20 to the financial statements.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

Liquidity risk

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations to meet its debt obligations as they fall due, and its ability to obtain external financing to meet its committed future capital expenditure.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on contractual undiscounted payments, is as follows:

	2021			
	On demand or no fixed terms of repayments RMB'000	Within one year RMB'000	Over one year RMB'000	Total RMB'000
Guarantees in respect of mortgage facilities	**1,380,305**	**–**	**–**	**1,380,305**
Trade payables	**–**	**2,228,185**	**–**	**2,228,185**
Financial liabilities included in other payables and accruals	**799,068**	**–**	**–**	**799,068**
Interest-bearing bank and other borrowings (excluding lease liabilities)	**–**	**484,348**	**355,279**	**839,627**
	2,179,373	**2,712,533**	**355,279**	**5,247,185**

	2020			
	On demand or no fixed terms of repayments RMB'000	Within one year RMB'000	Over one year RMB'000	Total RMB'000
Guarantees in respect of mortgage facilities	1,718,729	–	–	1,718,729
Trade payables	–	2,075,486	–	2,075,486
Financial liabilities included in other payables and accruals	591,870	–	–	591,870
Interest-bearing bank borrowings (excluding lease liabilities)	–	374,747	233,817	608,564
	2,310,599	2,450,233	233,817	4,994,649

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 2020.

The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. Net debt includes interest-bearing bank and other borrowings, trade payables and other payables and accruals, less cash and cash equivalents. Capital represents the equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

	31 December 2021 RMB'000	**31 December 2020 RMB'000**
Trade payables	**2,228,185**	2,075,486
Other payables and accruals	**2,118,161**	1,952,157
Interest-bearing bank and other borrowings	**795,707**	580,450
Less: cash and cash equivalents	**(248,749)**	(183,919)
Net debt	**4,893,304**	4,424,174
Equity attributable to owners of the parent	**1,345,790**	1,315,885
Capital and net debt	**6,239,094**	5,740,059
Gearing ratio	**78%**	77%

39. EVENTS AFTER THE REPORTING PERIOD

On 21 January 2022, the Company granted a total of 19,848,000 shares pursuant to the Scheme to 20 selected employees with an exercise price of HK$3.50 (equivalent to RMB2.85) per share. The aggregate market value of the 19,848,000 shares was approximately HK$68,873,000 (equivalent to RMB 56,144,000). The selected employees shall continue to serve the Group for at least five years from the date of grant.

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS		
Financial assets at fair value through profit or loss	**163,550**	205,687
Long-term equity investment	**95,053**	97,847
Right-of-use assets	**1,523**	939
Total non-current assets	**260,126**	304,473
CURRENT ASSETS		
Prepayments, other receivables and other assets	**478,259**	205,368
Pledged deposits	**606**	1,175
Cash and cash equivalents	**144**	1,956
Total current assets	**479,009**	208,499
CURRENT LIABILITIES		
Trade payables	**95,053**	97,847
Other payables and accruals	**34,288**	5,121
Interest-bearing other borrowings	**285,707**	–
Lease liabilities	**746**	963
Total current liabilities	**415,794**	103,931
NET CURRENT ASSETS	**63,215**	104,568
TOTAL ASSETS LESS CURRENT LIABILITIES	**323,341**	409,041

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Information about the statement of financial position of the Company at the end of the reporting period is as follows: *(Continued)*

	2021 RMB'000	2020 RMB'000
NON-CURRENT LIABILITIES		
Lease liabilities	**783**	–
Total non-current liabilities	**783**	–
Net assets	**322,558**	409,041
EQUITY		
Equity attributable to owners of the parent		
Share capital	**7,281**	7,281
Reserves (note)	**315,277**	401,760
Total equity	**322,558**	409,041

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

A summary of the Company's reserves is as follows:

	Share capital RMB'000	Capital reserve RMB'000	Exchange fluctuation reserve RMB'000	Shares held for share award scheme RMB'000	Other reserves RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2020	7,281	418,947	1,085	–	–	(15,474)	411,839
Profit for the year	–	–	–	–	–	107,004	107,004
Exchange differences related to foreign operations	–	–	(25,753)	–	–	–	(25,753)
Total comprehensive income for the year	-	-	(25,753)	-	-	107,004	81,251
Shares purchased for the share award scheme	-	-	-	(48,517)	-	-	(48,517)
Interim 2020 dividend	-	-	-	-	-	(36,426)	(36,426)
Dividend income of shares held for share award scheme	-	-	-	-	894	-	894
As at 31 December 2020	7,281	418,947	(24,668)	(48,517)	894	55,104	409,041

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note: *(Continued)*

	Share capital RMB'000	Capital reserve RMB'000	Exchange fluctuation reserve RMB'000	Shares held for share award scheme RMB'000	Other reserves RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2021	7,281	418,947	(24,668)	(48,517)	894	55,104	409,041
Loss for the year	–	–	–	–	–	(75,435)	(75,435)
Exchange differences related to foreign operations	–	–	(11,048)	–	–	–	(11,048)
Total comprehensive income for the year	–	–	(11,048)	–	–	(75,435)	(86,483)
As at 31 December 2021	7,281	418,947	(35,716)	(48,517)	894	(20,331)	322,558

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of directors on 23 March 2022.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements is set out below.

FIVE-YEAR FINANCIAL SUMMARY

	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000
CONTINUING OPERATIONS					
REVENUE	**2,899,541**	3,369,341	2,660,037	1,601,739	1,202,278
Cost of sales	**(2,655,907)**	(2,741,242)	(1,977,617)	(1,411,815)	(1,008,691)
Gross profit	**243,634**	628,099	686,420	189,924	193,587
Other income and gains	**16,113**	26,537	13,786	16,920	4,796
Selling and distribution expenses	**(3,559)**	(1,172)	(3,220)	(5,629)	(7,586)
Administrative expenses	**(62,875)**	(55,678)	(78,038)	(42,522)	(28,222)
(Impairment loss)/reversal of impairment loss on financial and contract assets, net	**(46,326)**	(40,132)	(24,274)	10,625	(26,781)
Fair value (loss)/gain on investment properties	**–**	(700)	4,700	19,400	2,600
Fair value (loss)/gain on financial assets through profit or loss	**(36,824)**	22,276	(910)	–	–
Other expenses	**(3,378)**	(1,252)	(2,673)	(1,998)	(3,015)
Finance costs	**(57,989)**	(37,679)	(21,788)	(5,050)	(4,484)
Share of loss of an associate	**–**	–	–	–	(15)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	**48,796**	540,299	570,003	181,670	130,880
Income tax expense	**(6,988)**	(208,628)	(252,231)	(72,036)	(70,649)
PROFIT FOR THE YEAR CONTINUING OPERATIONS	**41,808**	331,671	317,772	109,634	60,231
DISCONTINUED OPERATIONS					
Loss for the year from discontinued operations	**–**	–	(62)	(1,427)	(893)
PROFIT FOR THE YEAR	**41,808**	331,671	317,710	108,207	59,338
Attributable to:					
Owners of the parent	**41,808**	331,671	317,710	108,207	59,460
Non-controlling interests	**–**	–	–	–	(122)
	41,808	331,671	317,710	108,207	59,338

FIVE-YEAR FINANCIAL SUMMARY

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000
TOTAL ASSETS	**6,937,384**	6,460,620	6,122,610	6,358,863	4,630,747
TOTAL LIABILITIES	**5,591,594**	5,144,735	5,035,824	4,679,942	3,666,439
NON-CONTROLLING INTERESTS	**–**	–	–	–	262

DEFINITIONS

"Annual General Meeting"	the annual general meeting of the Company to be held at the Company's conference room in Baoxin International Building, No. 33, Guanyun East Road, Zhuozhou, Hebei Province, the PRC on May 26, 2022 at 9:00 a.m. and any adjournment thereof
"Annual Report"	the 2021 Annual Report of the Company
"Articles" or "Articles of Association"	the Memorandum and Articles of Association of the Company (as amended from time to time)
"Board" or "Board of Directors"	the board of Directors of the Company
"Chairman of the Board"	the chairman of the Board of the Company
"China" or "PRC"	the People's Republic of China, but for the purposes of this Annual Report and for geographical reference only (unless otherwise indicated), excluding Hong Kong, Macau Special Administrative Region and Taiwan
"Company" or "we"	China Tianbao Group Development Company Limited (中國天保集團發展有限公司), an exempted company incorporated in Cayman Islands with limited liability on November 16, 2018, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1427)
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Director(s)"	director(s) of the Company
"GFA"	gross floor area
"Group" or "our Group"	the Company and its subsidiaries
"HK$" or "HK dollars"	Hong Kong dollars and Hong Kong cents, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Huailai Tianbao Property Development"	Huailai Tianbao Property Development Company Limited (懷來天保房地產開發有限公司), a limited liability company established in China on August 23, 2016 and an indirect wholly-owned subsidiary of our Company
"IFRSs"	International Financial Reporting Standards, which include standards and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and interpretation issued by the International Accounting Standards Committee

DEFINITIONS

"Listing Date"	November 11, 2019, on which the Shares were listed on the Stock Exchange and from which dealings in the Shares were permitted to commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
"Renminbi" or "RMB"	Renminbi, the lawful currency of the PRC
"Reporting Period" or "Year"	for the year ended December 31, 2021
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shareholder(s)"	holder(s) of Shares
"Shares"	ordinary shares of nominal value HK$0.01 each of the Company
"sq. m."	square meters
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Tianbao Construction Group"	Tianbao Construction Group Company Limited (天保建設集團有限公司), a limited liability company established in China on March 18, 1998 and an indirect wholly-owned subsidiary of the Company
"Tianbao Real Estate Group"	Tianbao Real Estate Group Co., Ltd. (天保房地產集團有限公司) (formerly known as Tianbao Property Development Company Limited (天保房地產開發有限公司)), a limited liability company established in China on May 10, 2001 and an indirect wholly-owned subsidiary of our Company, with its name changed to "Tianbao Real Estate Group Co., Ltd." (天保房地產集團有限公司) on April 21, 2020
"Yuxian Tianbao Property Development"	Yuxian Tianbao Property Development Company Limited (蔚縣天保房地產開發有限公司), a limited liability company established in China on June 30, 2017 and an indirect wholly-owned subsidiary of our Company
"Zhuozhou Tianbao Construction"	Zhuozhou Tianbao Construction Co., Ltd. (涿州天保建築體系有限公司), a limited liability company established in China on November 1, 2005 and owned as to 70% by Mr. Li Baotian and 30% by Baoxin Industrial Co., Ltd.
"%"	per cent.