



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



2022  
INTERIM REPORT

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# 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

## CORPORATE INFORMATION

### 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  
Ms. Lin Sio Ngo

### AUTHORISED REPRESENTATIVES

Mr. Li Yaruixin  
Ms. Lin Sio Ngo

### PRINCIPAL BANKS

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

### COMPANY'S WEBSITE

[www.chinatbjt.com](http://www.chinatbjt.com)

### STOCK CODE

1427

### COMMUNICATION WITH INVESTORS

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## FINANCIAL HIGHLIGHT

The board (the “**Board**”) of directors (the “**Directors**”) of China Tianbao Group Development Company Limited (the “**Company**”) is pleased to present the interim report and the unaudited interim condensed consolidated financial information of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended June 30, 2022 (the “**Reporting Period**”).

During the Reporting Period, the Group’s revenue was approximately RMB994 million, representing an increase of approximately RMB118 million (13.4%) as compared for the six months ended June 30, 2021 (“**2021 Corresponding Period**”). The Group’s revenue of property development business was approximately RMB365 million, representing an increase of approximately RMB258 million (241%) as compared to the 2021 Corresponding Period. The Group’s revenue of construction contracting business was approximately RMB629 million, representing a decrease of approximately RMB141 million (18.3%) as compared to the 2021 Corresponding Period.

The Group’s gross profit and gross profit margin for the Reporting Period were approximately RMB78 million and 7.8%, respectively.

The Group’s underlying loss for the Reporting Period was approximately RMB13 million comparing to the underlying profit of approximately RMB37 million for the 2021 Corresponding Period.

As of June 30, 2022, the net gearing ratio of the Group was approximately 25.3% (as of December 31, 2021: 24.1%).

The Board has resolved not to recommend the payment of any interim dividend for the Reporting Period.

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

	For the six months ended June 30	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Reported (loss)/profit	(43,245)	32,186
Fair value loss on financial assets through profit or loss	4,694	4,862
Loss on disposal of financial assets at fair value through profit or loss	25,158	–
Underlying (loss)/profit	(13,393)	37,048

# BUSINESS REVIEW AND PROSPECT

## REVIEW FOR THE FIRST HALF OF 2022

In the first half of 2022, in the face of the complex and severe international environment and the serious impact brought by the domestic pandemic, governments at all levels efficiently coordinated the pandemic prevention and control as well as economic and social development, aiming at focusing on the macroeconomic stabilization.

### The real estate industry

The real estate industry, in which the Company operates, has experienced unprecedented challenges due to a number of factors that exceeded its expectations, including recurrent outbreaks of pandemic in many places and industry policy adjustments. However, along with the promulgation of easing policies across China for stabilizing the expectations of market players and increasing the efforts to stabilize investment and expand consumption, the real estate industry has been gradually recovered.

According to data released by the National Bureau of Statistics of the PRC, from January to June 2022, the national sales area and sales of the commercial housing decreased by 22.2% and 28.9% year-on-year, indicating a narrowing decline by 1.4 and 2.6 percentage points, respectively as compared to January to May 2022. The sales decline narrowed for the first time, mainly due to the month-to-month rebound of above 60% in both sales area and amount in June 2022.

### The construction industry

The construction industry, in which the Company operates, achieved sustained and stable growth after the pandemic was initially controlled, as China insisted on expanding domestic demand, carrying out a proactive fiscal policy, and implementing various measures to help enterprises to alleviate their difficulties.

According to data released by the National Bureau of Statistics of the PRC, from January to June 2022, the national gross production value of the construction industry amounted to RMB12,898.0 billion, representing a year-on-year increase of 7.6%; the national floor space under construction of the construction industry was 12.07 billion square meters, representing a year-on-year increase of 1.2%.

## OUTLOOK FOR THE SECOND HALF OF 2022

Looking forward to the second half of 2022, the internal and external economic environment remains complex, and it will take a longer time to fix the imbalance in supply and demand recovery brought by the pandemic and the imbalance in regional economic recovery. With the acceleration of the implementation of various policies to stabilize growth, the economy is expected to continue to maintain a significant growth momentum.

# BUSINESS REVIEW AND PROSPECT

## The real estate industry

In terms of industrial policies, the effect of the easing policy on real estate industry in the first half of 2022 gradually emerged, together with the improvement in national pandemic, contributing to the release of the accumulated rigid and improved demand. Meanwhile, policies conducive to the stable and healthy development of the real estate industry will continue to be introduced, the real estate market will gradually stabilize and recover. Although policies for protecting people's livelihood, preserving employment and stimulating the market in various industries continue to be issued, it will take time for the recovery of the virtuous cycle due to the inherent logic of the market and continued short-term market adjustment.

## The construction industry

The construction industry, as one of the national pillar industries, is an important carrier of employment absorption. In order to boost the economy and promote employment, the State Council and local governments at all levels have introduced a package of measures and supporting policies in 2022, demanding for accelerating the promotion of transport infrastructure investment, speeding up the forwarding of a number of proven water conservancy projects, increasing government procurement to support small and medium-sized enterprises, stabilizing and expanding private investment, and new issue of special bonds of RMB3.6 trillion, etc., thereby bringing new opportunities to the construction industry.

Under the general keynote of stable growth, the Group adheres to the "collaborative development of two major businesses" of construction and real estate, focuses on optimising the main businesses of the two segments, and effectively enhances the core competitiveness, brand influence and sustainable development capacity of the main businesses of construction and real estate, in order to lead the enterprise to become stronger, better and bigger.

## The healthcare project

On July 29, 2022, the Group, through its indirect wholly-owned subsidiary Zhuozhou Ruitao Commercial Services Company Limited\* (涿州瑞韜商務服務有限公司), signed a cooperation framework agreement with Yanda International Health City Investment Management Company Limited\* (燕達國際健康城投資管理有限公司), a private healthcare institution in the PRC, in relation to the joint development of healthcare project under the Tianbao Jingbei Health City project. Both parties shall carry out comprehensive cooperation on the healthcare project leveraging on their respective advantages in terms of industry, resources and locations.

The Tianbao Jingbei Health City is located in Huailai County, Zhangjiakou City, Hebei Province, China, covering a site area of 300 mu. The project commenced construction in 2017, and was primarily developed for a Grade IIIA general hospital, elderly care apartments and vitality healthcare residence.

The Group is determined to develop the healthcare business in the future as another powerful and durable driving engine. The Tianbao Jingbei Health City will be a key project of the healthcare business. Looking forward to the second half of 2022, the Group will sign a specific cooperation agreement with Yanda International Health City Investment Management Company Limited\* (燕達國際健康城投資管理有限公司), and both parties intend to jointly build a high-end comprehensive elderly care base.

\* For identification purpose only

# BREAKDOWN OF PROPERTIES

The breakdown of properties of the Group as of June 30, 2022 is set out as follows:

Name and location of project	Completed			Rentable GFA held for property investment (sq.m.)	Under development			Held for future development	Equity holders' equity	
	Site area (sq.m.)	GFA completed (sq.m.)	Saleable/rentable GFA (sq.m.)		Unsold saleable GFA (sq.m.)	GFA under development (sq.m.)	Saleable GFA (sq.m.)	Saleable GFA pre-sold (sq.m.)		Planned GFA (sq.m.)
<b>I. Residential and commercial properties</b>										
<b>Zhuozhou</b>										
1. Tianma Jingyuan (天馬景苑)	45,926.8	200,403.4	195,676.1	210.9	-	-	-	-	-	100%
2. Tianhe Penghua (田合騰華)	36,950.1	71,863.7	66,861.2	4,000.4	-	-	-	-	-	100%
3. Tianbao Green City (天保綠城)	33,764.1	105,173.3	78,320.0	9,742.5	-	-	-	-	-	100%
4. Tianbao Lingyun City (天保凌雲城)	26,666.7	89,120.8	60,902.6	7,527.2	-	-	-	-	-	100%
5. Tianbao Xinyue Bay (天保馨悅灣) (also known as Project Ming Yang Phase I (明陽一期))	17,593.3	48,665.5	45,147.4	5,166.0	-	-	-	-	-	100%
6. Tianbao Smart Building Technology Park Project (天保智慧建築科技園項目)	58,610.9	-	-	-	-	134,658.2	109,417.8	22,449.5	175,434.5	100%
<b>Zhangjiakou</b>										
7. Tianbao New City Phase I (天保新城一期)	66,351.8	132,778.0	121,080.0	7,920.5	-	-	-	-	-	100%
8. Tianbao New City Phase II (天保新城二期)	66,340.0	132,035.7	118,368.2	6,506.0	-	-	-	-	-	100%
9. Tianbao New City Phase III (天保新城三期)	92,189.5	241,355.8	211,032.7	19,975.4	-	-	-	-	-	100%
10. Zhangbei Zhongdu Ginza (張北中都銀座)	8,106.7	86,690.5	77,598.0	75,016.7	-	-	-	-	-	100%
11. Zhangbei Fuxinyuan Shanty-town Improvement Project (張北縣福馨苑棚戶區改造項目)	71,057.0	147,871.2	137,701.5	29,625.3	-	-	-	-	-	100%
12. Tianbao Edelweiss City (Residential) (天保雪絨花都(住宅))	100,192.0	190,887.2	128,596.7	42,697.8	-	81,186.4	71,491.2	16,107.5	-	100%
13. Tianbao Edelweiss City (Commercial) (天保雪絨花都(商業))	54,709.0	-	-	-	-	10,238.4	10,155.1	1,107.0	155,864.7	100%
14. Tianbao Boyue Bay (天保鉞悅灣)	81,815.0	96,473.0	80,113.8	21,260.4	-	97,108.1	82,321.8	6,579.9	-	100%
15. Tianbao Hushan Yard (天保湖山大院)	145,569.5	-	-	-	-	223,540.0	172,389.8	5,086.5	167,388.4	100%
16. Tianbao Jingbei Health City (Commercial Section) (天保京北健康城(商業部份))	54,168.9	-	-	-	-	140,863.7	59,758.7	6,787.4	-	100%
17. Zhangbei Zhongdu Garden (張北中都莊園)	99,513.0	-	-	-	-	-	-	-	119,415.6	100%
18. Zhangbei Haiziwa Land Lot (張北海子窪地塊)	48,742.0	-	-	-	-	-	-	-	48,742.0	100%
19. Tianbao Jingxifu (天保京西府)	43,242.0	-	-	-	-	-	-	-	86,484.0	100%



## BREAKDOWN OF PROPERTIES

Name and location of project	Completed					Under development			Held for future development	Equity holders' equity
	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.)	Planned GFA (sq.m.)	
<b>II. Investment property</b>										
<i>Zhuozhou</i>										
20. Baoxin International Building (保鑫國際大廈)	17,792.4	50,039.7	44,336.1	-	44,336.1	-	-	-	-	100%
<b>III. Other property</b>										
<i>Zhangjiakou</i>										
21. Nasutu Hotel (那蘇圖酒店) (formerly known as Haiziwa Hotel (海子窪酒店))	52,237.0	34,489.4	-	-	-	-	-	-	-	100%

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

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

Segment	For the six months ended June 30			
	2022		2021	
	Revenue RMB'000 (unaudited)	Percentage of total revenue (%) (unaudited)	Revenue RMB'000 (unaudited)	Percentage of total revenue (%) (unaudited)
Property development business	364,539	36.7	106,792	12.2
Construction contracting business	629,399	63.3	769,573	87.8
Total	993,938	100.0	876,365	100.0

### (i) Property development business

The Group's property development business operations consist of the development and sales of residential properties, and leasing and operation of an investment property. The revenue is derived from sales of residential properties and rental income from investment property.

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

Business line	Nature of revenue	For the six months ended June 30			
		2022		2021	
		Revenue RMB'000 (unaudited)	Percentage of total revenue (%) (unaudited)	Revenue RMB'000 (unaudited)	Percentage of total revenue (%) (unaudited)
Property development and sales	Sales of residential properties	359,555	98.6	101,057	94.6
Commercial property investment and operations	Rental income	4,984	1.4	5,735	5.4
Total		364,539	100.0	106,792	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 square metre (“sq.m.”). The project has convenient transportation facilities connecting Beijing-Shijiazhuang High-speed Railway and Beijing-Hong Kong-Macao Expressway. The gross floor area (“GFA”) of the project is approximately 105,000 sq.m., including high-rise residential buildings, commercial properties and parking lots. As of June 30, 2022, 872 units have been launched, of which 827 units have been sold.

#### *Tianbao Xinyue Bay (天保馨悅灣) (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 June 30, 2022, 447 units have been sold. 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 June 30, 2022, 1,816 units have been launched, of which 389 units have been sold.

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

The project is located at No. 33 Guanyun East Road, Zhuozhou Development Zone, Hebei Province, with a total site area of 17,792.4 sq.m. Baoxin International Building is a comprehensive commercial building integrating office and business functions. After the completion of the project, it has won many awards, including the “Luban Prize” for the construction industry in 2017 and the “Guang Xia Award” for the property development industry in 2019. Baoxin International Building has contributed stable rental income to the Group.

# MANAGEMENT DISCUSSION AND ANALYSIS

## **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 June 30, 2022, there were only a small amount of unsold units in the first and second phases of Tianbao New City, and 105 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 which, named Tianbao Plaza (天保廣場), is a 5-storey diversified shopping hotspot with supermarkets, lifestyle stores, restaurants and cinemas. Pre-sale of high-rise apartments began in September 2020, with the portions sold commenced delivery to purchasers in 2021.

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

Fuxinyuan residential community is project constructed in response to Zhangbei County Government's shanty-town reconstruction project, located on the north side of Zhangbei County Family Planning Bureau and east of Jingdu Street. The construction of the project started in September 2017 with a total of 1,272 units, including 1,252 residential units and 20 commercial units. As of June 30, 2022, 1,093 residential units were sold.

### *Tianbao Edelweiss City (天保雪絨花都)*

The residential and commercial project is 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 an 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 have been launched in 2019. A total of 978 units under this project have been sold, and were delivered to purchasers in the 4th quarter of 2021.



## MANAGEMENT DISCUSSION AND ANALYSIS

### *Tianbao Boyue Bay (天保铂悦湾)*

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 an area of approximately 81,815 sq.m. and a total planned GFA of approximately 193,000 sq.m. The construction work of the project started in 2019, and the pre-sale began in 2020. Tianbao Boyue Bay has a total of 720 residential units, of which 660 units have been sold, and were delivered to purchasers in the first half of 2022.

### *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, namely Tianbao Hushan Yard (天保湖山大院), and the commercial part including apartments and a hospital, namely Jingbei Health City (京北健康城). The project covers a total area of approximately 200,000 sq.m., with a planned GFA of approximately 532,000 sq.m. Tianbao Hushan Yard plans to build 31 residential buildings, and the construction has started in mid-2017 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, a 4-storey outpatient department and a 2-storey ground floor area 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.

### *Nasutu Hotel (formerly known as Haiziwa Hotel (海子窪酒店))*

The project is a self-owned project located in Zhangbei County, Zhangjiakou. As of June 30, 2022, the project has obtained all certificates. Conveniently located near Nasutu (那蘇圖) resort in Zhangjiakou, Hebei Province, Nasutu Hotel occupies a total site area of approximately 52,237.0 sq.m. and an aggregate GFA of approximately 33,967.5 sq.m. with a total of 180 guest rooms. Nasutu Hotel is wholly owned by the Group and the Group plans to recruit a well-known hotel operator to manage the hotel.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Land Reserves

The following table sets out the GFA breakdown of the Group's land reserves by geographical location as of June 30, 2022:

Regions	Completed		Under development	Future development	Total land reserves	Percentage of total land reserves by geographical location (%)
	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.)	
Zhuozhou	26,588	44,336	134,658	175,435	381,017	22.2
Zhangjiakou	203,002	-	552,937	577,895	1,333,834	77.8
Total	229,590	44,336	687,595	753,330	1,714,851	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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### (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 a majority of its revenue from construction contracting business. During the Reporting Period, the Group generated a majority of its construction contracting revenue from construction projects located in Beijing-Tianjin-Hebei region, mainly in Hebei Province and Beijing. The Group's construction projects in other geographical locations were mainly located in Inner Mongolia, Anhui Province, Hubei Province and Shandong Province.

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

Regions	For the six months ended June 30			
	2022		2021	
	Revenue RMB'000 (unaudited)	Percentage of total revenue (%) (unaudited)	Revenue RMB'000 (unaudited)	Percentage of total revenue (%) (unaudited)
Beijing-Tianjin-Hebei	356,006	56.6	618,512	80.4
Others	273,393	43.4	151,061	19.6
<b>Total</b>	<b>629,399</b>	<b>100.0</b>	<b>769,573</b>	<b>100.0</b>

The Group undertook most of such construction projects as a general contractor during the Reporting Period. 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 expect to continue to be able to, undertake larger-scale building construction projects with increased complexity and higher returns nationwide, as well as generate a premium 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Project Types

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

Project type	For the six months ended June 30			
	2022		2021	
	Revenue RMB'000 (unaudited)	Percentage of total revenue (%) (unaudited)	Revenue RMB'000 (unaudited)	Percentage of total revenue (%) (unaudited)
Building construction	179,686	28.5	466,118	60.6
Industrial, commercial and infrastructure construction	449,713	71.5	303,455	39.4
Total	629,399	100.0	769,573	100.0

In order to secure the collection of payment from the construction contracting business, the Group reduced the number of contracts for general construction contracting involving the building construction of property developers, resulting in a decrease in revenue from building construction by approximately RMB286 million and an increase in revenue from industrial, commercial and infrastructure construction by approximately RMB146 million.

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

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

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



## MANAGEMENT DISCUSSION AND ANALYSIS

The following is a brief introduction to the Group's large-scale construction contracting projects during the Reporting Period:

*Auxiliary Facilities Construction Project of Bayinwula General Airport in West Ujimqin Banner, Xilin Gol League, Inner Mongolia (內蒙古錫林郭勒盟西烏珠穆沁旗巴音烏拉通用機場附屬設施建設項目)*

The project is located in the north of Bayinwula General Airport in West Ujimqin Banner, Inner Mongolia Autonomous Region, with a contract value of RMB52 million. The project covers the construction of comprehensive business buildings and dormitories, airport hangars, vehicle leasing center, oil garages, flight comment room, emergency command center, etc.

*New Construction Project of Development Zone Branch of Dongtai Experimental Primary School, Dongtai Economic Development Zone, Jiangsu Province (江蘇省東台經濟開發區東台市實驗小學開發區分校新建工程)*

The project is located in the east area of Dongtai Economic Development Zone, Jiangsu Province, with a contract value of RMB97 million. The content of the project is the construction of the new development zone branch of the Experimental Primary School in such zone, with a total GFA of approximately 18,000 sq.m. The expected completion date of the project is April 2023.

*Construction Project for the Reconstruction of the Scriptures Museum in Ximalin Town, Wanquan District, Zhangjiakou City, Hebei Province (河北省張家口市萬全區洗馬林鎮經書博物館改建項目建設工程)*

The project is located in Ximalin Village, Ximalin Town, Wanquan District, Zhangjiakou City, Hebei Province, with a contract value of RMB6.3 million. It is one of the ancient architectural projects. The total GFA of the project is approximately 760 sq.m., including the construction and reconstruction projects of the scripture hall, the east-west side halls, the east-west side rooms, the east-west corridor, the foundation of the south house and the large wooden structure and others.

*Construction Project for the Comprehensive Building of Yingshang County Maternal and Child Health Hospital, Anhui Province (安徽省潁上縣婦幼保健院綜合樓建設項目)*

The project is located in Yingshang County, Fuyang City, Anhui Province, with a contract value of RMB188 million. The content of the project includes the construction of 3 floors of outpatient and emergency rooms, 18 floors of inpatient buildings, and 3 floors of oxygen production stations and others, with a total GFA of approximately 50,000 sq.m. The project can further improve the county's maternal and child health care facility system, achieve optimal allocation of resources, and improve the overall standard of maternal and child health care in Yingshang County.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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:

Regions	As of June 30			
	2022		2021	
	Contract value RMB million (unaudited)	Percentage of contract value (%) (unaudited)	Contract value RMB million (unaudited)	Percentage of contract value (%) (unaudited)
Beijing-Tianjin-Hebei	2,274.9	33.9	2,724.0	66.7
Others	4,443.5	66.1	1,358.5	33.3
<b>Total</b>	<b>6,718.4</b>	<b>100.0</b>	<b>4,082.5</b>	<b>100.0</b>

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:

Project type	As of June 30			
	2022		2021	
	Contract value RMB million (unaudited)	Percentage of contract value (%) (unaudited)	Contract value RMB million (unaudited)	Percentage of contract value (%) (unaudited)
Building construction	2,116.6	31.5	2,961.3	72.5
Industrial, commercial and infrastructure construction	4,601.8	68.5	1,121.2	27.5
<b>Total</b>	<b>6,718.4</b>	<b>100.0</b>	<b>4,082.5</b>	<b>100.0</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

### *New Contract Value*

New contract value represents the aggregate value of contracts entered into by the Group during the Reporting Period and for the 2021 Corresponding 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 periods indicated:

Regions	For the six months ended June 30			
	2022		2021	
	Contract value RMB million (unaudited)	Percentage of contract value (%) (unaudited)	Contract value RMB million (unaudited)	Percentage of contract value (%) (unaudited)
Beijing-Tianjin-Hebei	392.3	44.9	728.5	79.3
Others	482.3	55.1	190.0	20.7
Total	874.6	100.0	918.5	100.0

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

Project type	For the six months ended June 30			
	2022		2021	
	Contract value RMB million (unaudited)	Percentage of contract value (%) (unaudited)	Contract value RMB million (unaudited)	Percentage of contract value (%) (unaudited)
Building construction	185.3	21.2	321.8	35.0
Industrial, commercial and infrastructure construction	689.3	78.8	596.7	65.0
Total	874.6	100.0	918.5	100.0

After obtaining the Premium Class Certificate in 2017, the Group has been involved 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 approximately RMB874.6 million during the Reporting Period. The newly contracted regions expanded from focusing on the Beijing-Tianjin-Hebei region to Inner Mongolia and Anhui Province, etc.

During the Reporting Period, the Group expanded the construction contracting business to regions other than Beijing-Tianjin-Hebei region. The outstanding contract value of projects in the backlog of other regions entered into by the Group amounted to approximately RMB4,443.5 million, accounting for approximately 66.1% of the amount of the backlog.

# 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 increased by 13.4% from approximately RMB876 million for the 2021 Corresponding Period to approximately RMB994 million for the Reporting Period, mainly due to the facts that in order to secure the collection of payment from the construction contracting business, the Group reduced the number of contracts for general construction contracting involving the business of property developers, resulting in the decrease in revenue from building construction; the Group delivered a mass of properties with lower selling prices, resulting in the increase in the revenue from properties during the Reporting Period as compared to the 2021 Corresponding Period.

#### 1.1 Property development business

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

The aggregate GFA delivered increased from 17,106 sq.m. for the 2021 Corresponding Period to 76,833 sq.m. for the Reporting Period and the recognised revenue increased from approximately RMB101 million for the 2021 Corresponding Period to approximately RMB365 million for the Reporting Period. During the Reporting Period, Tianbao Boyue Bay met the delivering standards, the Group delivered approximately 51,600 sq.m. of Tianbao Boyue Bay to purchasers, while there were no major projects available to be delivered to purchasers for the 2021 Corresponding Period.

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 June 30, 2022, 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 provision of construction contracting services mainly as a general contractor for building construction projects, and industrial, commercial and infrastructure construction projects.

The overall decrease in the revenue from the Group's construction contracting business was primarily attributable to the fact that in order to ensure the collection of payment from the construction contracting business, the Group reduced the number of contracts for general construction contracting involving the business of property developers, resulting in the decrease in revenue from the construction contracting business under building construction.



# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 the 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 increased from approximately RMB783 million for the 2021 Corresponding Period to approximately RMB916 million for the Reporting Period, representing an increase of 17.1%, which was in line with the fluctuations of the property development business and construction contracting business of the Group.

## 3. Gross profit and gross profit margin

The Group's gross profit decreased from approximately RMB94 million for the 2021 Corresponding Period to approximately RMB78 million for the Reporting Period, mainly due to the decline in revenue from the delivery of some properties during the Reporting Period, which depressed the gross profit; and its gross profit margin decreased from 10.7% for the 2021 Corresponding Period to approximately 7.8% for the Reporting Period. Among the projects delivered by the Group to purchasers, Tianbao Boyue Bay has delivered an area of approximately 51,600 sq.m. with low average selling prices and a low gross profit margin, resulting in the decrease in gross profit margin of the Group's property development business from 40% for the 2021 Corresponding Period to 11% for the Reporting Period. In terms of the construction contracting business, the Group reduced the number of contracts involving the business of property developers with a lower gross profit margin, and therefore, the gross profit margin of the construction contracting business increased from 5% for the 2021 Corresponding Period to 5.9% for the Reporting Period.

## 4. 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 sales personnel.

The Group's selling and distribution expenses decreased from approximately RMB1.7 million for the 2021 Corresponding Period to approximately RMB1.3 million for the Reporting Period. Most of the selling and distribution expenses were capitalised to property development projects during the Reporting Period.

## 5. Administrative expenses

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

The Group's administrative expenses increased by 6.0% from approximately RMB32 million for the 2021 Corresponding Period to approximately RMB33 million for the Reporting Period. Staff costs (including Directors' remuneration) amounted to approximately RMB12 million during the Reporting Period (for the 2021 Corresponding Period: approximately RMB14 million).

# MANAGEMENT DISCUSSION AND ANALYSIS

## 6. Finance costs

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

The Group's finance costs increased by 45.6% from RMB21 million for the 2021 Corresponding Period to RMB31 million for the Reporting Period. As the effective interest rate of the loans obtained by the Group from banks and other institutions increased compared to the 2021 Corresponding Period, the interest expenses incurred increased.

## 7. Income tax expenses

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

The Group's income tax expenses increased by RMB19 million from approximately RMB4 million for the 2021 Corresponding Period to approximately RMB23 million for the Reporting Period, which was mainly due to the Group's provision of taxable profit derived from the property development business and construction contracting business.

## 8. Underlying (loss)/profit for the Reporting Period

Due to the reasons above, the Group's underlying loss for the Reporting Period amounted to approximately RMB13 million, comparing to the underlying profit of approximately RMB37 million for the 2021 Corresponding Period.

## LIQUIDITY, FINANCE AND CAPITAL

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

### 1. Cash position

As of June 30, 2022, the Group's total pledged deposits, cash and cash equivalents amounted to approximately RMB475 million (December 31, 2021: approximately RMB472 million), which are denominated in RMB and Hong Kong dollar respectively, including pledged deposits of approximately RMB158 million as of June 30, 2022 (December 31, 2021: approximately RMB223 million).

### 2. Future plans for material investments and capital assets

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.

### 3. Significant investments held

As of June 30, 2022, the Group did not hold any significant investments.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 4. Debts and pledge of assets

	As of June 30, 2022			As of December 31, 2021		
	Effective interest rate (%)	Maturity (unaudited)	RMB'000	Effective interest rate (%)	Maturity (audited)	RMB'000
<b>Current</b>						
Secured other borrowings	12.00	2023	265,638	11.00	2022	253,974
Unsecured other borrowings	12.00	2023	33,205	11.00	2022	31,733
Current portion of secured long-term bank borrowings	5.50-6.50	2023	358,500	4.75-9.75	2022	166,000
			<b>657,343</b>			451,707
<b>Non-current</b>						
Secured bank borrowings	5.50-8.70	2023-2025	164,700	5.50-8.70	2023	344,000
			<b>822,043</b>			795,707

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 June 30 2022 RMB'000 (unaudited)	As of December 31 2021 RMB'000 (audited)
Analysed into:		
Bank and other borrowings repayable:		
Within one year or on demand	657,343	451,707
In the second year	94,700	344,000
In the third to fifth years, inclusive	70,000	–
	<b>822,043</b>	795,707

The Group's interest-bearing bank and other borrowings are at fixed interest rate and all denominated in RMB and U.S. dollar.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

	As of June 30 2022 RMB'000 (unaudited)	As of December 31 2021 RMB'000 (audited)
Investment properties	140,400	140,400
Properties under development	455,379	500,197
Property, plant and equipment	207,992	58,784
Right-of-use assets	8,235	8,349

### 5. Key financial ratios

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

	Notes	As of June 30 2022	As of December 31 2021
Current ratio (times)	1	1.14	1.17
Gearing ratio (%)	2	60.0	59.1
Net gearing ratio (%)	3	25.3	24.1

Notes:

- Current ratios were calculated based on the total current assets as of the end of the respective periods divided by the total current liabilities as of the end of the respective periods.
- Gearing ratios were calculated by total interest-bearing bank and other borrowings as of the end of the respective periods divided by total equity as of the end of the respective periods and multiplied by 100%.
- Net gearing ratios were calculated as total interest-bearing bank and other borrowings as of the end of the respective periods less cash and bank balances and pledged deposits as of the end of the respective periods divided by total equity as of the end of the respective periods and multiplied by 100%.

### 6. Capital commitments

As of June 30, 2022, the Group had capital expenditure commitments (unaudited) contracted but not provided for of approximately RMB202 million (as of December 31, 2021 (audited): approximately RMB176 million).



# MANAGEMENT DISCUSSION AND ANALYSIS

## 7. Commitments

### *Operating Lease Commitments*

#### *The Group as a lessor*

The Group lease its investment properties under operating lease arrangements with leases negotiated from terms ranging from one to ten years. At the end of the Reporting Period, the Group has total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	As of June 30 2022 RMB'000 (unaudited)	As of December 31 2021 RMB'000 (audited)
Within one year	9,676	9,179
In the second to fifth years, both inclusive	17,743	18,670
After five years	22,266	2,400
	<b>49,685</b>	<b>30,249</b>

### *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 RMB1,629.0 million (unaudited) as of June 30, 2022 (as of December 31, 2021 (audited): approximately RMB1,380.3 million). 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.

## 8. Material acquisitions and disposals

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

## 9. 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 10. Interest rate risk

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

## OTHERS

### Employees 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) the remuneration levels of industry peers; (iii) position and duty of the executive Directors; and (iv) adjustment of organizational structure and others, 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 the independent non-executive Directors is determined with reference to their respective duties and responsibilities in the Company and is reviewed annually.

During the Reporting Period, the Group's total staff costs (excluding the remuneration of the Directors and senior management) amounted to approximately RMB7.6 million (for the 2021 Corresponding Period: approximately RMB9.5 million), 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 employees through on-campus recruitment, experienced hire and online recruitment.

In addition, the Group has adopted the Share Option Scheme and the Share Award Scheme (as discussed in the section headed "Corporate Governance and Other Information" of this report) 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 June 30, 2022, the Group had a total of 376 employees (as of June 30, 2021: 422 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.

## EVENTS AFTER THE REPORTING PERIOD

The Group has no significant events since the end of the Reporting Period.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company had applied the principles and code provisions as set out in the Corporate Governance Code (the “**Corporate Governance Code**”) set out in Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and has complied with all code provisions in the Corporate Governance Code during the Reporting Period, except for the deviation from code provision C.2.1 of the Corporate Governance Code.

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

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

## COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as a code for the Directors to deal in securities of the Company.

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

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 Reporting Period.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## CHANGES IN DIRECTORS' AND CHIEF EXECUTIVE'S INFORMATION

### Changes in Directors' Information

Ms. Shen Lifeng has been appointed by the State-owned Assets Supervision and Administration Commission of the People's Government of Shenzhen Municipal as an external director of Shenzhen SEZ Construction and Development Group Co., Ltd. since November 2021 and has been appointed as an independent non-executive director of China South City Holdings Limited (a company listed on the Stock Exchange, stock code: 1668) since June 16, 2022.

Mr. Li Yaruixin has been appointed by the Standing Committee of Baoding Municipal People's Congress as a representative supervisor of the Baoding Municipal People's Congress on optimising the business environment since May 2022.

Save as disclosed above, during the Reporting Period and up to the date of this report, there is no other information on Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## SHARE OPTION SCHEME

The Company conditionally adopted the share option scheme through written resolutions on October 21, 2019 (the "**Share Option Scheme**"). 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 Directors believe the Share Option Scheme will enable the Group to reward our employees, our Directors and other selected participants for their contributions to the Group. For details of the Share Option Scheme, please refer to the section headed "Appendix V – Statutory and General Information – D. Other Information – 1. Share Option Scheme" in the prospectus of the Company dated October 30, 2019.

Since the date of the adoption of the Share Option Scheme and up to the end of the Reporting Period, no options have been granted, exercised, cancelled or lapsed under the Share Option Scheme, and there were no outstanding options under the Share Option Scheme.

## SHARE AWARD SCHEME

The Company has adopted the share award scheme (the "**Share Award Scheme**") on March 4, 2020 to recognise the contributions by certain employees of any members of the Group (including but not limited to any executive Directors) and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group. For details of the adoption of the Share Award Scheme, please refer to the announcement of the Company dated March 4, 2020.

### Grant of Awarded Shares

On January 21, 2022, the Company granted a total of 19,848,000 Awarded Shares (as defined in the announcement of the Company dated March 4, 2020) to 20 Selected Employees (as defined in the announcement of the Company dated March 4, 2020). 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.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

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 Shares, representing 100.52% of the average closing price of HK\$3.482 per ordinary share of the Company with a nominal value of HK\$0.01 each (the “ <b>Share</b> ”) 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:	<ol style="list-style-type: none"><li>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 “<b>Restricted Period</b>”).</li><li>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.</li><li>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.</li></ol>

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



## CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As of June 30, 2022, 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“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:

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

Notes:

- (1) All interests stated are long position.
- (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 of June 30, 2022, 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.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

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

So far as is known to the Company, as at June 30, 2022, 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 Shares <sup>(1)</sup>	Approximate Percentage of Shareholding in the Company
Jixiang International Industrial Company Limited <sup>(2)</sup>	Beneficial owner	594,000,000	73.38%
Ms. Zhou Chunlan <sup>(3)</sup>	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 above, as of June 30, 2022, 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.

### INTERIM DIVIDEND

The Board has resolved not to recommend the payment of an interim dividend during the Reporting Period (for the 2021 Corresponding Period: Nil).

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

During the Reporting Period, the Company or its subsidiaries did not purchase, sell or redeem any listed securities of the Company.

### 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 as at the date of this report.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## 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 of the Company (the “**Shareholders**”).

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

- a. actual and expected financial performances of the Group;
- b. the Group’s expected working capital requirements, capital expenditure requirements and future expansion plans;
- c. liquidity position of the Group;
- d. financial position of the Group;
- e. overall economic situation, 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. restriction on the dividend distribution; and
- h. other factors the Board deems relevant.

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

## AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION

At the annual general meeting of the Company held on May 26, 2022, the Shareholders passed the special resolution in relation to the approval and adoption of a new amended and restated memorandum and articles of association of the Company. The amendments are made in relation to core shareholder protection standards under Appendix 3 to the Listing Rules and to align with amendments to the laws of the Cayman Islands. The latest version of the second amended and restated memorandum and articles of association of the Company has come into effect on May 26, 2022, and published on the website of the Company and the website of the Stock Exchange. For details of the amendments, please refer to the circular of the Company dated April 26, 2022.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## AUDIT COMMITTEE

The Company has established an audit committee (the “**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 risk management 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 independent non-executive Directors, namely Mr. Li Xu, Mr. Liu Kaixiang and Mr. Li Qingxu. The chairman of the Audit Committee is Mr. Li Xu, who is with appropriate accounting and related financial management expertise.

The Audit Committee has reviewed the Company’s unaudited interim results, interim report and unaudited interim condensed consolidated financial information for the six months ended June 30, 2022 and confirmed that it has complied all applicable accounting principles, standards and requirements, and made sufficient disclosures.

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

Hong Kong, August 24, 2022

# Interim Condensed Consolidated Statement of Profit or Loss

Six months ended June 30, 2022

	NOTES	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
REVENUE	4	993,938	876,365
Cost of sales		(916,288)	(782,525)
<b>GROSS PROFIT</b>		<b>77,650</b>	93,840
Other income and gains		13,707	10,016
Selling and distribution expenses		(1,336)	(1,704)
Administrative expenses		(33,539)	(31,650)
Impairment losses on financial and contract assets, net		(15,382)	(7,590)
Fair value loss on financial assets through profit or loss		(4,694)	(4,862)
Loss on disposal on financial assets at fair value through profit or loss		(25,158)	–
Other expenses		(235)	(236)
Finance costs		(31,234)	(21,450)
<b>(LOSS)/PROFIT BEFORE TAX</b>	5	<b>(20,221)</b>	36,364
Income tax expense	6	(23,024)	(4,178)
<b>(LOSS)/PROFIT FOR THE PERIOD</b>		<b>(43,245)</b>	32,186
Attributable to:			
Owners of the parent		(43,245)	32,186
<b>(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	8		
Basic and diluted (RMB)			
– For (loss)/profit for the period		(0.05)	0.04



# Interim Condensed Consolidated Statement of Comprehensive Income

Six months ended June 30, 2022

	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
(LOSS)/PROFIT FOR THE PERIOD	(43,245)	32,186
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	(3,247)	(4,215)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	(3,247)	(4,215)
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	8,485	10,000
Income tax effect	-	(2,500)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	5,238	3,285
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(38,007)	35,471
Attributable to:		
Owners of the parent	(38,007)	35,471

# Interim Condensed Consolidated Statement of Financial Position

As of June 30, 2022

	NOTES	June 30 2022 RMB'000 (unaudited)	December 31 2021 RMB'000 (audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	222,832	227,947
Investment properties		140,400	140,400
Right-of-use assets		10,983	14,208
Other intangible assets		1,072	1,418
Equity investments designated at fair value through other comprehensive income		205,557	194,256
Financial assets at fair value through profit or loss		136,285	164,485
Deferred tax assets		84,981	85,525
<b>Total non-current assets</b>		<b>802,110</b>	<b>828,239</b>
<b>CURRENT ASSETS</b>			
Inventories		55	69
Trade receivables	12	697,092	641,828
Contract assets		1,572,643	1,353,270
Properties under development	10	2,177,985	2,393,101
Completed properties held for sale	11	1,032,787	973,845
Prepayments, other receivables and other assets		197,087	247,006
Tax recoverable		27,035	27,989
Pledged deposits		158,285	223,288
Cash and cash equivalents		316,794	248,749
<b>Total current assets</b>		<b>6,179,763</b>	<b>6,109,145</b>

## Interim Condensed Consolidated Statement of Financial Position

As of June 30, 2022

	NOTES	June 30 2022 RMB'000 (unaudited)	December 31 2021 RMB'000 (audited)
<b>CURRENT LIABILITIES</b>			
Trade payables	13	2,619,143	2,228,185
Other payables and accruals		1,841,512	2,118,161
Interest-bearing bank and other borrowings	14	657,343	451,707
Lease liabilities		746	1,909
Tax payable		321,353	440,694
Total current liabilities		5,440,097	5,240,656
<b>NET CURRENT ASSETS</b>		<b>739,666</b>	868,489
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,541,776</b>	1,696,728
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	14	164,700	344,000
Deferred tax liabilities		4,579	4,579
Lease liabilities		388	2,359
Total non-current liabilities		169,667	350,938
Net assets		1,372,109	1,345,790
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Share capital	15	7,281	7,281
Reserves		1,364,828	1,338,509
Total equity		1,372,109	1,345,790

Wang Xinling  
Director

Li Yaruixin  
Director

# Interim Condensed Consolidated Statement of Changes in Equity

Six months ended June 30, 2022

	Share capital RMB'000	Capital reserve RMB'000	Special reserve RMB'000	Statutory surplus reserve RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Exchange fluctuation reserve RMB'000	Shares held for share award scheme RMB'000	Other reserves RMB'000	Retained profits RMB'000	Total equity RMB'000
As at January 1, 2021 (audited)	7,281	433,783	-	43,643	8,625	(13,688)	(48,517)	894	883,864	1,315,885
Profit for the period	-	-	-	-	-	-	-	-	32,186	32,186
Other comprehensive income for the period:										
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	-	7,500	-	-	-	-	7,500
Exchange difference related to foreign operations	-	-	-	-	-	(4,215)	-	-	-	(4,215)
Total comprehensive income for the period	-	-	-	-	7,500	(4,215)	-	-	32,186	35,471
Transfer to special reserve	-	-	14,333	-	-	-	-	-	-	14,333
Utilisation of special reserve	-	-	(14,333)	-	-	-	-	-	-	(14,333)
As at June 30, 2021 (unaudited)	7,281	433,783	-	43,643	16,125	(17,903)	(48,517)	894	916,050	1,351,356

## Interim Condensed Consolidated Statement of Changes in Equity

Six months ended June 30, 2022

	Share capital RMB'000	Capital reserve RMB'000	Special reserve RMB'000	Statutory surplus reserve RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Exchange fluctuation reserve RMB'000	Shares held for share award scheme RMB'000	Other reserves RMB'000	Retained profits RMB'000	Total equity RMB'000
As at January 1, 2022 (audited)	7,281	433,783	-	43,643	471	(17,437)	(48,517)	894	925,672	1,345,790
Loss for the period	-	-	-	-	-	-	-	-	(43,245)	(43,245)
Other comprehensive income for the period:										
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	-	8,485	-	-	-	-	8,485
Exchange difference related to foreign operations	-	-	-	-	-	(3,247)	-	-	-	(3,247)
Total comprehensive income for the period	-	-	-	-	8,485	(3,247)	-	-	(43,245)	(38,007)
Shares granted for the share award scheme	-	-	-	-	-	-	48,517	15,809	-	64,326
Transfer to special reserve	-	-	10,870	-	-	-	-	-	-	10,870
Utilisation of special reserve	-	-	(10,870)	-	-	-	-	-	-	(10,870)
As at June 30, 2022 (unaudited)	7,281	433,783	-	43,643	8,956	(20,684)	-	16,703	882,427	1,372,109



# Interim Condensed Consolidated Statement of Cash Flows

Six months ended June 30, 2022

	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Net cash flows generated from/(used in) operating activities	55,262	(145,187)
Net cash flows generated from/(used in) investing activities	4,545	(71,433)
Net cash flows generated from financing activities	8,238	221,347
<b>Net increase in cash and cash equivalents</b>	<b>68,045</b>	4,727
Cash and cash equivalents at beginning of period	248,749	183,919
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>316,794</b>	188,646
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	475,079	453,975
Less: Pledged deposits	(158,285)	(265,329)
<b>Cash and cash equivalents as stated in the statement of cash flows</b>	<b>316,794</b>	188,646

# Notes to Interim Condensed Consolidated Financial Statements

June 30, 2022

## 1. CORPORATE AND GROUP INFORMATION

The Company is an exempted limited liability company incorporated in the Cayman Islands. The registered office address of the Company is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands.

During the six months ended June 30, 2022, 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.

## 2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended June 30, 2022 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended December 31, 2021.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2021, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IFRS 3

Amendments to IAS 16

Amendments to IAS 37

*Annual Improvements to IFRSs 2018-2020*

*Reference to the Conceptual Framework*

*Property, Plant and Equipment: Proceeds before Intended Use*

*Onerous Contracts – Cost of Fulfilling a Contract*

Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

The adoption of these amendments to IFRSs had no significant financial effect on the financial position and performance of the Group.

# Notes to Interim Condensed Consolidated Financial Statements

June 30, 2022

## 3. OPERATING SEGMENT INFORMATION

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

- (a) Construction contracting – this segment engages in the provision of services relating to construction as a general contractor for building construction projects, infrastructure construction projects and property investment; and
- (b) Property development and others – this segment engages in the sale of properties and the provision of services relating to properties.

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

For the six months ended June 30, 2022	Construction contracting RMB'000 (unaudited)	Property development and others RMB'000 (unaudited)	Total RMB'000 (unaudited)
<b>Segment revenue (note 4):</b>			
Sales to external customers	629,399	364,539	993,938
Intersegment sales	97,861	–	97,861
<b>Total revenue</b>	<b>727,260</b>	<b>364,539</b>	<b>1,091,799</b>
<i>Reconciliation:</i>			
Eliminations of intersegment sales			(97,861)
Revenue			993,938
<b>Segment results</b>	<b>(4,687)</b>	<b>(17,714)</b>	<b>(22,401)</b>
<i>Reconciliation:</i>			
Eliminations of intersegment results			2,180
Loss before tax			(20,221)

# Notes to Interim Condensed Consolidated Financial Statements

June 30, 2022

## 3. OPERATING SEGMENT INFORMATION *(Continued)*

As at June 30, 2022	Construction contracting RMB'000 (unaudited)	Property development and others RMB'000 (unaudited)	Total RMB'000 (unaudited)
<b>Segment assets</b>	5,532,720	10,262,663	15,795,383
<i>Reconciliation:</i>			
Eliminations of intersegment receivables			(8,813,510)
Total assets			6,981,873
<b>Segment liabilities</b>	4,277,183	7,157,235	11,434,418
<i>Reconciliation:</i>			
Eliminations of intersegment payables			(5,824,654)
Total liabilities			5,609,764

For the six months ended June 30, 2021	Construction contracting RMB'000 (unaudited)	Property development and others RMB'000 (unaudited)	Total RMB'000 (unaudited)
<b>Segment revenue (note 4):</b>			
Sales to external customers	769,573	106,792	876,365
Intersegment sales	300,148	–	300,148
Total revenue	1,069,721	106,792	1,176,513
<i>Reconciliation:</i>			
Eliminations of intersegment sales			(300,148)
Revenue			876,365
<b>Segment results</b>	19,750	28,968	48,718
<i>Reconciliation:</i>			
Eliminations of intersegment results			(12,354)
Profit before tax			36,364

# Notes to Interim Condensed Consolidated Financial Statements

June 30, 2022

## 3. OPERATING SEGMENT INFORMATION *(Continued)*

As at December 31, 2021	Construction contracting RMB'000 (audited)	Property development and others RMB'000 (audited)	Total RMB'000 (audited)
<b>Segment assets</b>	6,073,682	10,145,536	16,489,218
<i>Reconciliation:</i>			
Eliminations of intersegment receivables			(9,551,834)
Total assets			6,937,384
<b>Segment liabilities</b>	4,810,072	7,358,341	12,168,413
<i>Reconciliation:</i>			
Eliminations of intersegment payables			(6,576,819)
Total liabilities			5,591,594

## 4. REVENUE

An analysis of revenue is as follows:

	For the six months ended June 30	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
<i>Revenue from contracts with customers</i>	988,954	870,630
<i>Revenue from other sources</i>		
Gross rental income from operating leases:		
Other lease payments, including fixed payments	4,984	5,735
	993,938	876,365



# Notes to Interim Condensed Consolidated Financial Statements

June 30, 2022

## 4. REVENUE (Continued)

### Revenue from contracts with customers

#### Disaggregated revenue information

For the six months ended June 30, 2022

	Construction contracting RMB'000 (unaudited)	Property development and others RMB'000 (unaudited)	Total RMB'000 (unaudited)
<b>Types of goods or services</b>			
Construction contracting	629,399	–	629,399
Property development	–	359,555	359,555
<b>Total revenue from contracts with customers</b>	<b>629,399</b>	<b>359,555</b>	<b>988,954</b>
<b>Geographical markets</b>			
Mainland China	629,399	359,555	988,954
<b>Timing of revenue recognition</b>			
Goods transferred at a point in time	–	359,555	359,555
Services transferred over time	629,399	–	629,399
<b>Total revenue from contracts with customers</b>	<b>629,399</b>	<b>359,555</b>	<b>988,954</b>

For the six months ended June 30, 2021

	Construction contracting RMB'000 (unaudited)	Property development and others RMB'000 (unaudited)	Total RMB'000 (unaudited)
<b>Types of goods or services</b>			
Construction contracting	769,573	–	769,573
Property development	–	101,057	101,057
<b>Total revenue from contracts with customers</b>	<b>769,573</b>	<b>101,057</b>	<b>870,630</b>
<b>Geographical markets</b>			
Mainland China	769,573	101,057	870,630
<b>Timing of revenue recognition</b>			
Goods transferred at a point in time	–	101,057	101,057
Services transferred over time	769,573	–	769,573
<b>Total revenue from contracts with customers</b>	<b>769,573</b>	<b>101,057</b>	<b>870,630</b>

# Notes to Interim Condensed Consolidated Financial Statements

June 30, 2022

## 4. REVENUE (Continued)

### Revenue from contracts with customers (Continued)

#### 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 six months ended June 30, 2022

Segments	Construction contracting RMB'000 (unaudited)	Property development and others RMB'000 (unaudited)	Total RMB'000 (unaudited)
<b>Revenue from contracts with customers</b>			
External customers	629,399	359,555	988,954
Intersegment sales	97,861	–	97,861
	<b>727,260</b>	<b>359,555</b>	<b>1,086,815</b>
Intersegment eliminations	(97,861)	–	(97,861)
<b>Total revenue from contracts with customers</b>	<b>629,399</b>	<b>359,555</b>	<b>988,954</b>

For the six months ended June 30, 2021

Segments	Construction contracting RMB'000 (unaudited)	Property development and others RMB'000 (unaudited)	Total RMB'000 (unaudited)
<b>Revenue from contracts with customers</b>			
External customers	769,573	101,057	870,630
Intersegment sales	300,148	–	300,148
	<b>1,069,721</b>	<b>101,057</b>	<b>1,170,778</b>
Intersegment eliminations	(300,148)	–	(300,148)
<b>Total revenue from contracts with customers</b>	<b>769,573</b>	<b>101,057</b>	<b>870,630</b>

# Notes to Interim Condensed Consolidated Financial Statements

June 30, 2022

## 5. (LOSS)/PROFIT BEFORE TAX

The (loss)/profit before tax of the Group is stated after charging the following:

	For the six months ended June 30	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Cost of construction contracting	592,045	729,286
Cost of properties development and others	324,243	53,239
Employee benefit expenses (including directors' and chief executive's remuneration):		
– Wages, salaries and allowances	9,441	11,414
– Social insurance	2,452	1,913
– Welfare and other expenses	286	919
	12,179	14,246
Impairment of financial and contract assets, net	15,382	7,590

## 6. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Company and the Group's subsidiaries incorporated in the Cayman Islands and British Virgin Islands are not subject to any income tax. The Group's subsidiaries incorporated in Hong Kong are not liable for income tax as they did not have any assessable profits currently arising in Hong Kong for the six months ended June 30, 2022.

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 Law for the six months ended June 30, 2022.

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

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

# Notes to Interim Condensed Consolidated Financial Statements

June 30, 2022

## 6. INCOME TAX *(Continued)*

	For the six months ended June 30	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Current income tax	9,507	25,655
PRC LAT	12,972	(29,186)
Deferred income tax	545	7,709
	<b>23,024</b>	<b>4,178</b>

## 7. DIVIDENDS

The Board has resolved not to recommend the payment of interim dividends for the six months ended June 30, 2022 (for the 2021 Corresponding Period: Nil).

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

The Group had no potentially dilutive ordinary shares in issue for the six months ended June 30, 2022 and 2021. The calculation of basic and dilutive (loss)/earnings per share is based on:

	For the six months ended June 30	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
<b>(Loss)/earnings</b>		
(Loss)/profit attributable to ordinary equity holders of the parent, used in the basic (loss)/earnings per share calculation:		
(Loss)/profit attributable to ordinary equity holders of the parent	<b>(43,245)</b>	32,186

# Notes to Interim Condensed Consolidated Financial Statements

June 30, 2022

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

	Number of shares For the six months ended June 30	
	2022 (unaudited)	2021 (unaudited)
<b>Shares</b>		
Weighted average number of ordinary shares in issue ('000 shares)	807,251	789,608

## 9. PROPERTY, PLANT AND EQUIPMENT

	As at June 30 2022 RMB'000 (unaudited)	As at December 31 2021 RMB'000 (audited)
Beginning carrying amount for the period/year	227,947	230,903
Additions	508	4,567
Depreciation expenses	(5,623)	(7,523)
	222,832	227,947

## 10. PROPERTIES UNDER DEVELOPMENT

	As at June 30 2022 RMB'000 (unaudited)	As at December 31 2021 RMB'000 (audited)
Beginning carrying amount for the period/year	2,393,101	2,162,785
Additions	158,002	881,845
Transferred to completed properties held for sale	(373,118)	(651,529)
	2,177,985	2,393,101



# Notes to Interim Condensed Consolidated Financial Statements

June 30, 2022

## 11. COMPLETED PROPERTIES HELD FOR SALE

	As at June 30 2022 RMB'000 (unaudited)	As at December 31 2021 RMB'000 (audited)
Beginning carrying amount for the period/year	973,845	885,530
Transferred from properties under development	373,118	651,529
Transferred to cost of sales	(314,176)	(563,214)
	<b>1,032,787</b>	973,845

## 12. TRADE RECEIVABLES

An ageing analysis of the Group's trade receivables based on the invoice date and net of loss allowance, is as follows:

	As at June 30 2022 RMB'000 (unaudited)	As at December 31 2021 RMB'000 (audited)
Within 1 year	511,204	349,288
1 year to 2 years	124,097	144,016
2 years to 3 years	55,503	137,595
Over 3 years	6,288	10,929
	<b>697,092</b>	641,828

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.

# Notes to Interim Condensed Consolidated Financial Statements

June 30, 2022

## 13. TRADE PAYABLES

An ageing analysis of the Group's trade payable based on the invoice date, is as follows:

	As at June 30 2022 RMB'000 (unaudited)	As at December 31 2021 RMB'000 (audited)
Within 6 months	839,075	765,973
6 months to 1 year	486,265	150,772
1 year to 2 years	262,790	838,985
2 years to 3 years	680,423	331,266
Over 3 years	350,590	141,189
	<b>2,619,143</b>	<b>2,228,185</b>

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

## 14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at June 30, 2022			As at December 31, 2021		
	Effective interest rate (%)	Maturity (unaudited)	RMB'000	Effective interest rate (%)	Maturity (audited)	RMB'000
<b>Current</b>						
Other borrowings						
– secured	12.00	2023	265,638	11.00	2022	253,974
– unsecured	12.00	2023	33,205	11.00	2022	31,733
Current portion of long term bank borrowings						
– secured	5.50-6.50	2023	358,500	4.75-9.75	2022	166,000
			<b>657,343</b>			<b>451,707</b>
<b>Non-current</b>						
Bank borrowings						
– secured	5.50-8.70	2023-2025	164,700	5.50-8.70	2023	344,000
			<b>822,043</b>			<b>795,707</b>

# Notes to Interim Condensed Consolidated Financial Statements

June 30, 2022

## 14. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

	As at June 30 2022 RMB'000 (unaudited)	As at December 31 2021 RMB'000 (audited)
Analysed into:		
Bank and other borrowings repayable:		
Within one year or on demand	657,343	451,707
In the second year	94,700	344,000
In the third to fifth years, inclusive	70,000	–
	<b>822,043</b>	795,707

The Group's bank and other borrowings are denominated in RMB and US dollar.

The Group's interest-bearing bank and other borrowings are pledged by the assets, the aggregate carrying amounts are as follows:

	As at June 30 2022 RMB'000 (unaudited)	As at December 31 2021 RMB'000 (audited)
Investment properties	140,400	140,400
Properties under development	455,379	500,197
Property, plant and equipment	207,992	58,784
Right-of-use assets	8,235	8,349

# Notes to Interim Condensed Consolidated Financial Statements

June 30, 2022

## 15. SHARE CAPITAL

Shares	As at June 30 2022 HK\$'000 (unaudited)	As at December 31 2021 HK\$'000 (audited)
Authorised: 2,000,000,000 (December 31, 2021: 2,000,000,000) ordinary shares of HK\$0.01 each	20,000	20,000
	As at June 30 2022 RMB'000 (unaudited)	As at December 31 2021 RMB'000 (audited)
Issued and fully paid: 809,456,000 (December 31, 2021: 809,456,000) ordinary shares of HK\$0.01 each	7,281	7,281

## 16. CONTINGENT LIABILITIES

As at June 30, 2022, the Group has provided guarantees in respect of mortgage facilities for certain purchasers of the Group's properties amounting to approximately RMB1,629.0 million (unaudited) (As at December 31, 2021 (audited): RMB1,380.3 million).

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 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 in the financial statements for the six months ended June 30, 2022.

# Notes to Interim Condensed Consolidated Financial Statements

June 30, 2022

## 17. COMMITMENTS

The Group had the following capital commitments:

	As at June 30 2022 RMB'000 (unaudited)	As at December 31 2021 RMB'000 (audited)
Contracted, but not provided for: Construction contracting	202,254	176,148

## 18. RELATED PARTY TRANSACTIONS

(a) The Group had the following transactions with related parties during the period:

	For the six months ended June 30	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Loan from related parties	–	32,295
Interest expense on other borrowings	1,887	617
Purchases of raw materials from companies of which a director of the Company is a controlling shareholder	–	6,797
Property management fee paid to related parties	1,004	751
Other rental income	850	800
Other interest income	890	–



# Notes to Interim Condensed Consolidated Financial Statements

June 30, 2022

## 18. RELATED PARTY TRANSACTIONS (Continued)

### (b) Outstanding balances with related parties

	As at June 30 2022 RMB'000 (unaudited)	As at December 31 2021 RMB'000 (audited)
<b>Prepayments, other receivables and other assets:</b>		
Advances to the ultimate holding company (note 1)	6,516	5,626
Advances to related parties (note 2)	3,298	3,298
	<b>8,924</b>	8,924
<b>Other payables and accruals:</b>		
Amounts due to other related parties (note 2)	4,998	4,998
<b>Interest-bearing other borrowings</b>		
Loans from the ultimate holding company (note 3)	33,205	31,733

Notes:

- The balance was unsecured, interest-bearing at 12% per annum (December 31, 2021: 11% per annum), repayable on demand and non-trade.
- Balances with the above related parties were unsecured, non-interest-bearing, repayable on demand and non-trade.
- The balance was unsecured, interest-bearing at 12% per annum (December 31, 2021: 11% per annum), due within one year and non-trade. Pursuant to Rule 14A.90 of the Listing Rules, the loan was fully exempted from the announcement, circular and independent shareholders' approval requirements.

### (c) Compensation of senior management personnel:

	For the six months ended June 30	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Short-term employee benefits	4,512	4,759
Pension scheme contributions	52	42
Total compensation paid to senior management personnel	<b>4,564</b>	4,801

# Notes to Interim Condensed Consolidated Financial Statements

June 30, 2022

## 19. 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	
	As at June 30 2022 RMB'000 (unaudited)	As at December 31 2021 RMB'000 (audited)	As at June 30 2022 RMB'000 (unaudited)	As at December 31 2021 RMB'000 (audited)
<b>Financial assets</b>				
Equity investments designated at fair value through other comprehensive income	205,557	194,256	205,557	194,256
Financial assets at fair value through profit or loss	136,285	164,485	136,285	164,485
	<b>341,842</b>	<b>358,741</b>	<b>341,842</b>	<b>358,741</b>

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.

# Notes to Interim Condensed Consolidated Financial Statements

June 30, 2022

## 19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

*(Continued)*

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.

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 borrowings as at June 30, 2022 and December 31, 2021 was assessed to be insignificant.

## 20. APPROVAL OF THE FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the Board on August 24, 2022.