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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1427)

UNAUDITED INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED JUNE 30, 2020

FINANCIAL HIGHLIGHTS

As of June 30, 2020, the Group had land reserves of approximately 1,975,000 sq.m.. During the Reporting Period, the Group acquired a land parcel located at the High-Tech Development Zone, Zhuozhou with a land area of approximately 58,611 sq.m. and GFA of approximately 310,000 sq.m.

During the Reporting Period, the Group's revenue was RMB1,340 million, of which the revenue of property development business and construction contracting business were RMB661 million and RMB679 million respectively, representing an increase of RMB676 million (101.8%), RMB321 million (94.7%) and RMB354 million (109.2%) respectively.

The gross profit and gross profit margin were RMB298 million and 22.2% respectively.

The net profit was RMB128 million, representing an increase of RMB72 million or 127.0% as compared to the corresponding period of 2019.

As of June 30, 2020, the net gearing ratio was 18.4%.

INTERIM DIVIDEND

The Board declared an interim dividend of HK\$0.05 per ordinary share (equivalent to RMB0.045) for the six months ended June 30, 2020.

INTERIM RESULTS

The board of directors (the “**Board**”) of China Tianbao Group Development Company Limited (the “**Company**”) is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended June 30, 2020 (the “**Reporting Period**”) prepared under the International Financial Reporting Standards (the “**IFRSs**”), together with comparative figures for the six months ended June 30, 2019, as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Six months ended June 30, 2020

	<i>NOTES</i>	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
CONTINUING OPERATIONS			
REVENUE	4	1,340,334	664,334
Cost of sales		(1,042,454)	(505,528)
GROSS PROFIT		297,880	158,806
Other income and gains		15,064	2,736
Selling and distribution expenses		(7,126)	(2,869)
Administrative expenses		(35,841)	(32,180)
Impairment losses on financial and contract assets, net		(10,911)	(12,918)
Fair value gains on investment properties		–	4,400
Fair value loss at financial assets through profit or loss		(20,787)	–
Other expenses		(1,204)	(824)
Finance costs		(21,261)	(10,256)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	5	215,814	106,895
Income tax expense	6	(87,500)	(50,306)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		128,314	56,589
DISCONTINUED OPERATIONS			
Loss for the period from discontinued operations		–	(62)
PROFIT FOR THE PERIOD		128,314	56,527
Attributable to:			
Owners of the parent		128,314	56,527
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
	8		
Basic and diluted			
– For profit for the period		RMB0.16	RMB0.09
– For profit from continuing operations		RMB0.16	RMB0.09

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*Six months ended June 30, 2020*

	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
PROFIT FOR THE PERIOD	<u>128,314</u>	<u>56,527</u>
OTHER COMPREHENSIVE INCOME		
Exchange differences:		
Exchange differences on translation of foreign operations	<u>9,848</u>	<u>–</u>
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	–	7,000
Income tax effect	<u>–</u>	<u>(1,750)</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>–</u>	<u>5,250</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>138,162</u>	<u>61,777</u>
Attributable to:		
Owners of the parent	<u>138,162</u>	<u>61,777</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of June 30, 2020

		June 30, 2020	December 31, 2019
	<i>NOTES</i>	RMB'000	RMB'000
		(unaudited)	(audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	234,124	218,978
Investment properties		141,100	141,100
Right-of-use assets		12,034	12,662
Other intangible assets		1,687	1,788
Equity investments designated at fair value through other comprehensive income		143,000	143,000
Financial assets at fair value through profit or loss		179,382	184,655
Deferred tax assets		76,903	69,136
		<hr/>	<hr/>
TOTAL NON-CURRENT ASSETS		788,230	771,319
CURRENT ASSETS			
Inventories		–	16
Trade receivables	12	380,696	408,999
Contract assets		1,548,505	1,221,868
Properties under development	10	2,265,044	2,437,886
Completed properties held for sale	11	705,505	340,122
Prepayments, other receivables and other assets		159,882	475,000
Tax recoverable		26,414	15,074
Pledged deposits		220,770	130,417
Cash and cash equivalents		208,561	321,909
		<hr/>	<hr/>
TOTAL CURRENT ASSETS		5,515,377	5,351,291

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
As of June 30, 2020

		June 30, 2020	December 31, 2019
	<i>NOTES</i>	RMB'000	RMB'000
		(unaudited)	(audited)
CURRENT LIABILITIES			
Trade payables	<i>13</i>	1,894,889	1,701,274
Other payables and accruals		2,064,790	2,194,094
Interest-bearing bank borrowings	<i>14</i>	370,000	619,000
Lease liabilities		1,028	1,004
Tax payable		462,509	349,489
		<hr/>	<hr/>
TOTAL CURRENT LIABILITIES		4,793,216	4,864,861
		<hr/>	<hr/>
NET CURRENT ASSETS		722,161	486,430
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,510,391	1,257,749
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	<i>14</i>	285,000	170,000
Lease liabilities		443	963
		<hr/>	<hr/>
TOTAL NON-CURRENT LIABILITIES		285,443	170,963
		<hr/>	<hr/>
NET ASSETS		1,224,948	1,086,786
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the parent			
Share capital	<i>15</i>	7,281	7,281
Reserves		1,217,667	1,079,505
		<hr/>	<hr/>
TOTAL EQUITY		1,224,948	1,086,786
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands.

During the six months ended June 30, 2020, 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, 2020 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, 2019.

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, 2019, except for the adoption of the following revised IFRSs for the first time for the current period's financial information.

Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform
Amendments to IAS 1 and IAS 8	Definition of Material

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

3. OPERATING SEGMENT INFORMATION

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

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

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

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

For the six months ended June 30, 2020	Construction contracting RMB'000 (unaudited)	Property development and others RMB'000 (unaudited)	Total RMB'000 (unaudited)
Segment revenue (note 4):			
Sales to external customers	679,144	661,190	1,340,334
Intersegment sales	138,889	–	138,889
	<hr/>	<hr/>	<hr/>
Total revenue	818,033	661,190	1,479,223
<i>Reconciliation:</i>			
Eliminations of intersegment sales – continuing			<hr/> (138,889)
Revenue from continuing operations			<hr/> 1,340,334
Segment results	7,356	215,484	222,840
<i>Reconciliation:</i>			
Eliminations of intersegment results – continuing			<hr/> (7,026)
Profit before tax from continuing operations			<hr/> 215,814
For the six months ended June 30, 2019	Construction contracting RMB'000 (unaudited)	Property development and others RMB'000 (unaudited)	Total RMB'000 (unaudited)
Segment revenue (note 4):			
Sales to external customers	324,709	339,625	664,334
Intersegment sales	368,081	–	368,081
	<hr/>	<hr/>	<hr/>
Total revenue	692,790	339,625	1,032,415
<i>Reconciliation:</i>			
Eliminations of intersegment sales – continuing			<hr/> (368,081)
Revenue from continuing operations			<hr/> 664,334
Segment results	6,531	108,312	114,843
<i>Reconciliation:</i>			
Eliminations of intersegment results – continuing			<hr/> (7,948)
Profit before tax from continuing operations			<hr/> 106,895

The following table presents the asset and liability information of the Group's operating segments as at June 30, 2020 and December 31, 2019, respectively.

As at June 30, 2020	Construction contracting RMB'000 (unaudited)	Property development and others RMB'000 (unaudited)	Total RMB'000 (unaudited)
Segment assets	4,852,076	9,365,718	14,217,794
<i>Reconciliation:</i>			
Eliminations of intersegment receivables			<u>(7,914,187)</u>
Total assets			<u>6,303,607</u>
Segment liabilities	3,647,635	6,454,875	10,102,510
<i>Reconciliation:</i>			
Eliminations of intersegment payables			<u>(5,023,851)</u>
Total liabilities			<u>5,078,659</u>
As at December 31, 2019	Construction contracting RMB'000 (audited)	Property development and others RMB'000 (audited)	Total RMB'000 (audited)
Segment assets	4,708,750	8,935,920	13,644,670
<i>Reconciliation:</i>			
Eliminations of intersegment receivables			<u>(7,530,415)</u>
Total assets			<u>6,114,255</u>
Segment liabilities	3,509,968	6,585,863	10,095,831
<i>Reconciliation:</i>			
Eliminations of intersegment payables			<u>(5,068,362)</u>
Total liabilities			<u>5,027,469</u>

4. REVENUE

An analysis of revenue is as follows:

	For the six months ended June 30,	
	2020 <i>RMB'000</i> (unaudited)	2019 <i>RMB'000</i> (unaudited)
<i>Revenue from contracts with customers</i>	1,335,335	659,225
<i>Revenue from other sources</i>		
Gross rental income	4,999	5,109
	1,340,334	664,334

Revenue from contracts with customers

Disaggregated revenue information

For the six months ended June 30, 2020

	Construction contracting <i>RMB'000</i> (unaudited)	Property development <i>RMB'000</i> (unaudited)	Total <i>RMB'000</i> (unaudited)
Type of goods or services			
Construction contracting	679,144	–	679,144
Property development	–	656,191	656,191
	679,144	656,191	1,335,335
Total revenue from contracts with customers	679,144	656,191	1,335,335
Geographical markets			
Mainland China	679,144	656,191	1,335,335
Timing of revenue recognition			
Goods transferred at a point in time	–	656,191	656,191
Services transferred over time	679,144	–	679,144
Total revenue from contracts with customers	679,144	656,191	1,335,335

For the six months ended June 30, 2019

	Construction contracting <i>RMB'000</i> (unaudited)	Property development <i>RMB'000</i> (unaudited)	Total <i>RMB'000</i> (unaudited)
Type of goods or services			
Construction contracting	324,709	–	324,709
Property development	–	334,516	334,516
	<u>324,709</u>	<u>334,516</u>	<u>659,225</u>
Total revenue from contracts with customers	<u><u>324,709</u></u>	<u><u>334,516</u></u>	<u><u>659,225</u></u>
Geographical markets			
Mainland China	324,709	334,516	659,225
	<u>324,709</u>	<u>334,516</u>	<u>659,225</u>
Timing of revenue recognition			
Goods transferred at a point in time	–	334,516	334,516
Services transferred over time	324,709	–	324,709
	<u>324,709</u>	<u>334,516</u>	<u>659,225</u>
Total revenue from contracts with customers	<u><u>324,709</u></u>	<u><u>334,516</u></u>	<u><u>659,225</u></u>

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, 2020

Segments	Construction contracting <i>RMB'000</i> (unaudited)	Property Development <i>RMB'000</i> (unaudited)	Total <i>RMB'000</i> (unaudited)
Revenue from contracts with customers			
External customers	679,144	656,191	1,335,335
Intersegment sales	138,889	–	138,889
	<u>818,033</u>	<u>656,191</u>	<u>1,474,224</u>
Intersegment eliminations	(138,889)	–	(138,889)
	<u>679,144</u>	<u>656,191</u>	<u>1,335,335</u>
Total revenue from contracts with customers	<u><u>679,144</u></u>	<u><u>656,191</u></u>	<u><u>1,335,335</u></u>

For the six months ended June 30, 2019

Segments	Construction contracting <i>RMB'000</i> (unaudited)	Property Development <i>RMB'000</i> (unaudited)	Total <i>RMB'000</i> (unaudited)
Revenue from contracts with customers			
External customers	324,709	334,516	659,225
Intersegment sales	368,081	–	368,081
	<u>692,790</u>	<u>334,516</u>	<u>1,027,306</u>
Intersegment eliminations	(368,081)	–	(368,081)
	<u>324,709</u>	<u>334,516</u>	<u>659,225</u>
Total revenue from contracts with customers	<u><u>324,709</u></u>	<u><u>334,516</u></u>	<u><u>659,225</u></u>

5. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

The Group's profit before tax from continuing operations is arrived at after charging:

	For the six months ended June 30,	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Cost of construction contracting	644,661	307,749
Cost of properties development and others	397,793	197,779
Employee benefit expenses (including Directors' and chief executive's remuneration):		
– Wages, salaries and allowances	15,507	6,771
– Social insurance	1,605	2,472
– Welfare and other expenses	780	441
	<u>17,892</u>	<u>9,684</u>
Impairment of financial and contract assets, net	<u>10,911</u>	<u>12,918</u>

6. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Company and the Group's subsidiaries incorporated in the Cayman Islands and British Virgin Islands are not subject to any income tax. The Group's subsidiaries incorporated in Hong Kong are not liable for income tax as they did not have any assessable profits currently arising in Hong Kong during the six months ended June 30, 2020.

Subsidiaries of the Group operating in Mainland China were subject to the PRC corporate income tax rate of 25% in accordance with the PRC Corporation Income Tax ("CIT") during the six months ended June 30, 2020.

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

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

	For the six months ended June 30,	
	2020	2019
	RMB'000	<i>RMB'000</i>
	(unaudited)	(unaudited)
Current income tax	75,605	48,924
PRC LAT	19,496	26,680
Deferred income tax	<u>(7,601)</u>	<u>(25,298)</u>
	<u>87,500</u>	<u>50,306</u>

7. DIVIDENDS

The Board declared an interim dividend of HK\$0.05 (equivalent to RMB0.045) per ordinary share (six months ended June 30, 2019: Nil), amounting to HK\$40,472,800 (equivalent to approximately RMB36,426,000) (six months ended June 30, 2019: Nil).

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

The Group had no potentially dilutive ordinary shares in issue during the six months ended June 30, 2020. The calculations of basic and diluted earnings per share are based on:

	For the six months ended June 30,	
	2020	2019
	RMB'000	<i>RMB'000</i>
	(unaudited)	(unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:		
From continuing operations	128,314	56,589
From discontinued operations	<u>–</u>	<u>(62)</u>
Profit attributable to ordinary equity holders of the parent	<u>128,314</u>	<u>56,527</u>
Number of shares		
	For the six months ended June 30,	
	2020	2019
	(unaudited)	(unaudited)
Shares		
Weighted average number of ordinary shares in issue (thousands)	<u>809,456</u>	<u>599,999</u>

9. PROPERTY, PLANT AND EQUIPMENT

	As at June 30, 2020 <i>RMB'000</i> (unaudited)	As at December 31, 2019 <i>RMB'000</i> (audited)
Carrying amount at the beginning of the period/year	218,978	164,314
Additions	17,133	59,749
Depreciation charges	(1,987)	(5,037)
Disposals	—	(48)
	<u>234,124</u>	<u>218,978</u>

10. PROPERTIES UNDER DEVELOPMENT

	As at June 30, 2020 <i>RMB'000</i> (unaudited)	As at December 31, 2019 <i>RMB'000</i> (audited)
Carrying amount at the beginning of the period/year	2,437,886	2,594,931
Additions	526,437	812,681
Transferred to completed properties held for sale	(699,279)	(969,726)
	<u>2,265,044</u>	<u>2,437,886</u>

11. COMPLETED PROPERTIES HELD FOR SALE

	As at June 30, 2020 <i>RMB'000</i> (unaudited)	As at December 31, 2019 <i>RMB'000</i> (audited)
Carrying amount at the beginning of the period/year	340,122	54,120
Transferred from properties under development	699,279	969,726
Transferred to cost of sales	(333,896)	(683,724)
	<u>705,505</u>	<u>340,122</u>

12. TRADE RECEIVABLES

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

	As at June 30, 2020 <i>RMB'000</i> (unaudited)	As at December 31, 2019 <i>RMB'000</i> (audited)
Within 1 year	285,650	332,995
1 year to 2 years	56,345	65,834
2 years to 3 years	40,681	10,788
Over 3 years	33,080	23,531
Provision for impairment	(35,060)	(24,149)
	<u>380,696</u>	<u>408,999</u>

13. TRADE PAYABLES

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

	As at June 30, 2020 <i>RMB'000</i> (unaudited)	As at December 31, 2019 <i>RMB'000</i> (audited)
Within 6 months	883,939	863,373
6 months to 1 year	410,726	203,163
1 to 2 years	150,438	441,787
2 to 3 years	301,203	132,216
Over 3 years	148,583	60,735
	<u>1,894,889</u>	<u>1,701,274</u>

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

14. INTEREST-BEARING BANK BORROWINGS

	As at June 30, 2020			As at December 31, 2019		
	<i>Effective interest rate (%)</i>	<i>Maturity (unaudited)</i>	<i>RMB'000</i>	<i>Effective interest rate (%)</i>	<i>Maturity (audited)</i>	<i>RMB'000</i>
Current						
Bank borrowings – secured	5.66-8.00	2020-2021	320,000	5.66	2020	250,000
Current portion of long term bank borrowings – secured	4.75	2021	<u>50,000</u>	4.75-8.00	2020	<u>369,000</u>
			370,000			619,000
Non-current						
Bank borrowings – secured	4.75-9.75	2021-2022	<u>285,000</u>	4.75-9.75	2021-2022	<u>170,000</u>
			655,000			789,000

	As at June 30, 2020 <i>RMB'000</i> (unaudited)	As at December 31, 2019 <i>RMB'000</i> (audited)
Analysed into:		
Bank borrowings repayable:		
Within one year or on demand	370,000	619,000
In the second year	285,000	100,000
In the third to fifth years, inclusive	–	70,000
	655,000	789,000

The Group's borrowings are all denominated in RMB.

- As at June 30, 2020, the Group's investment properties with an aggregate carrying amount of approximately RMB84,433,000 (December 31, 2019: RMB84,433,000) were pledged to secure bank borrowings granted to the Group.
- As at June 30, 2020, certain of the Group's properties under development with an aggregate carrying amount of approximately RMB842,085,000 (December 31, 2019: RMB593,895,000) have been pledged to secure bank borrowings granted to the Group.
- As at June 30, 2020, certain of the Group's property, plant and equipment with a carrying amount of approximately RMB67,299,000 (December 31, 2019: RMB68,176,000) were pledged to secure bank borrowings granted to the Group.

15. SHARE CAPITAL

Shares	As at June 30, 2020 <i>HK\$'000</i> (unaudited)	As at December 31, 2019 <i>HK\$'000</i> (audited)
Authorised: 2,000,000,000 (December 31, 2019: 2,000,000,000) ordinary shares of HK\$0.01 each	<u>20,000</u>	<u>20,000</u>
	As at June 30, 2020 <i>RMB'000</i> (unaudited)	As at December 31, 2019 <i>RMB'000</i> (audited)
Issued and fully paid: 809,456,000 (December 31, 2019: 809,456,000) ordinary shares of HK\$0.01 each	<u>7,281</u>	<u>7,281</u>

16. CONTINGENT LIABILITIES

As at June 30, 2020, the Group has provided guarantees in respect of mortgage facilities for certain purchasers of the Group's properties amounting to approximately RMB1,518 million (June 30, 2019: RMB1,251 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 during the six months ended June 30, 2020

Furthermore, in March 2016, a claim was brought against the Group by an individual, seeking RMB14.1 million in payment arising from construction work subcontracted from the Group. The claim arose because the plaintiff alleged that the Group failed to pay the full amount in time. The case was dismissed by the Intermediate People's Court of Baoding, Hebei Province and remitted to retrial by the People's Court of Zhuozhou, Hebei Province as at the date of this announcement. Based on the legal advice of the defense counsel for this legal proceeding, the directors believe that the plaintiff's claim for damages are without merit. Accordingly, no provisions are provided in this regard based on the directors' estimation and assessment.

17. CAPITAL COMMITMENTS

The Group had the following capital commitments:

	As at June 30, 2020 <i>RMB'000</i> (unaudited)	As at December 31, 2019 <i>RMB'000</i> (audited)
Contracted, but not provided for: Construction contracting	<u>633,790</u>	<u>229,572</u>

18. RELATED PARTY TRANSACTIONS

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

	For the six months ended June 30,	
	2020 <i>RMB'000</i> (unaudited)	2019 <i>RMB'000</i> (unaudited)
Advances to related parties	–	100,228
Repayments by related parties	–	1,529,568
Advances from related parties	–	110,261
Repayments of advances from related parties	–	107,344
Purchases of raw materials from companies of which a director of the Company is a controlling shareholder	–	1,662
Property management fee paid to related parties	475	977
Other rental income	750	750
	<u>750</u>	<u>750</u>

(b) Other transactions with related parties

As at June 30, 2020, a Director of the Company provided a guarantee to the Group's interest-bearing bank borrowings of RMB50,000,000 (December 31, 2019: RMB50,000,000).

During the six months ended June 30, 2019, the Group disposed of two subsidiaries, Zhuozhou Tianbao Property Service Co., Ltd.* and Zhangbei Tianbao Neotype Construction Co., Ltd.*, to Baoxin Industrial Co., Ltd.* at cash consideration of RMB1,588,000 and RMB8,138,000, respectively.

(c) Outstanding balances with related parties

	As at June 30, 2020 <i>RMB'000</i> (unaudited)	As at December 31, 2019 <i>RMB'000</i> (audited)
Prepayments, other receivables and other assets:		
Advances to other related parties	<u>3,800</u>	<u>3,049</u>
Other payables and accruals:		
Amounts due to related parties	<u>2,850</u>	<u>2,375</u>

Balances with the above related parties were unsecured, non-interest bearing and repayable on demand and non-trade.

(d) **Compensation of senior management personnel**

	For the six months ended June 30,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Short-term employee benefits	6,674	364
Pension scheme contributions	48	89
	<hr/>	<hr/>
Total compensation paid to senior management personnel	6,722	453
	<hr/> <hr/>	<hr/> <hr/>

19. APPROVAL OF THE FINANCIAL STATEMENTS

The interim condensed consolidated financial information was approved and authorized for issue by the Board on August 25, 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW FOR THE FIRST HALF OF 2020

In the first half of 2020, the macro economy was exposed to constant pressure due to the impact of COVID-19 pandemic. Nevertheless, “Houses are for living, not for speculation; and introducing policies aligning with local conditions to promote the stable operation of the property market” remained as the major policy keynotes in respect of the real estate industry from the central government. According to the data released by the National Bureau of Statistics, from January to June in 2020, the sold area of the commercial housing was 694.04 million square meters, down by 8.4% year-on-year, while the commercial housing sales amounted to RMB6,689.5 billion, down by 5.4% year-on-year. The total national commercial housing sales in January-February and March of 2020 fell 35.9% and 14.6% year-on-year respectively due to the impact of COVID-19 pandemic. As the resumption of work and production accelerated the return to normal sales activities following the gradual control of the COVID-19 pandemic, the year-on-year decline in sales in April of 2020 narrowed significantly to 5%, while sales in May and June of 2020 recorded positive year-on-year growth, with increases of approximately 14% and 9% respectively. According to the National Bureau of Statistics, the national land transaction price of the real estate industry began to record year-on-year growth in March of 2020, and approximately RMB72.2 billion was recorded in April of 2020, a year-on-year increase of approximately 82.3%, which was the biggest increase among the months in the first half of the year.

According to the fixed asset investments data of January to June of 2020 released by the National Bureau of Statistics, the fixed asset investments in infrastructure from January to June 2020 decreased by 0.1% year-on-year, and the decline narrowed by 3.2 percentage points from the second half of 2019. The central government proposed to let central cities and city clusters play a leading role in cultivating industries and increase employment. With the support of huge application demand and national policies, new infrastructure construction has attracted wide attention. In the first half of 2020, various provinces rolled out infrastructure investment plans, introduced policies, accelerated the construction of major projects, speeded up the grant of project approvals, and encouraged the implementation of new investment projects, with a total investment of nearly RMB34 trillion.

The Group is mainly engaged in two business segments, including property development business and construction contracting business. During the Reporting Period, the revenue of the Group was RMB1,340 million, representing an increase of approximately 101.8% as compared with the corresponding period of last year; and the Group achieved net profit attributable to the Group of approximately RMB128 million, representing an increase of approximately 127.0% as compared with the corresponding period of last year.

1. *The property development business*

During the Reporting Period, the sales income of the property development business of the Group was RMB661 million. At the end of the Reporting Period, the Group had land reserves with a total gross floor area (“GFA”) of approximately 1,975,000 sq.m. (100% of GFA of land reserve was owned by the Group), representing an increase of 22.9% as compared with approximately 1,606,000 sq.m. as of December 31, 2019, which provides sufficient support for future development.

2. *The construction contracting business*

During the Reporting Period, the contract income of the construction contracting business of the Group was RMB679 million. New contracts were valued at RMB337 million while the value of backlog amounted to RMB3,349 million, representing an increase of 75% as compared with RMB1,912 million for the corresponding period of last year.

Currently, the construction contracting business of the Group has established footprint in 15 provinces in China and has set up new offices in Shandong Province, Anhui Province and Sichuan Province.

Business Review

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

Segment	Six months ended June 30			
	2020		2019	
	Revenue <i>RMB’000</i> (unaudited)	Percentage of total revenue (%) (unaudited)	Revenue <i>RMB’000</i> (unaudited)	Percentage of total revenue (%) (unaudited)
Property development business	661,190	49.3	339,625	51.1
Construction contracting business	679,144	50.7	324,709	48.9
Total	<u>1,340,334</u>	<u>100.0</u>	<u>664,334</u>	<u>100.0</u>

(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 income for the periods indicated:

Business line	Nature of income	Six months ended June 30			
		2020		2019	
		Revenue <i>RMB'000</i> (unaudited)	Percentage of total revenue (%) (unaudited)	Revenue <i>RMB'000</i> (unaudited)	Percentage of total revenue (%) (unaudited)
Property development sales	Sales of residential properties	656,191	99.2	334,516	98.5
Commercial property investment and operations	Rental income	4,999	0.8	5,109	1.5
Total		<u>661,190</u>	<u>100.0</u>	<u>339,625</u>	<u>100.0</u>

The following table sets forth a breakdown of the Group's revenue recognised from sales of properties development, the aggregate GFA delivered, and the recognised average selling price (“ASP”) per sq.m. by property project for the periods indicated:

	Six months ended June 30					
	2020			2019		
	GFA delivered <i>sq.m.</i>	Total revenue <i>RMB'000</i> (unaudited)	Recognised ASP <i>(RMB/sq.m.)</i>	GFA delivered <i>sq.m.</i>	Total revenue <i>RMB'000</i> (unaudited)	Recognised ASP <i>(RMB/sq.m.)</i>
Zhuozhou						
Tianbao Green City	18,480	185,966	10,063	-	-	-
Tianbao Lingyun City	-	-	-	42,595	334,516	7,853
Zhangjiakou						
Tianbao New City Phase II	115	914	7,948	-	-	-
Tianbao New City Phase III	40,748	229,680	5,637	-	-	-
Fuxinyuan	57,415	239,631	4,173	-	-	-
Total/Overall	<u>116,758</u>	<u>656,191</u>	<u>5,620</u>	<u>42,595</u>	<u>334,516</u>	<u>7,853</u>

As of June 30, 2020, the Group had a diverse portfolio of 20 projects consisting of 18 residential properties, one investment property and one hotel. Out of these 20 projects, 9 were completed projects, 6 were projects under development and 5 were projects held for future development.

Land Reserves

The following table sets out the GFA breakdown of the Group's land reserves by geographical location as of June 30, 2020:

Regions	Completed		Under development	Future development	Total land reserves	Percentage of total land reserves by geographical location (%)
	Unsold saleable GFA (sq.m.)	Completed rentable GFA held for property investment (sq.m.)	Planned GFA under development (sq.m.)	Planned GFA (sq.m.)	Total GFA (sq.m.)	
Zhuozhou	39,500	44,336	48,666	310,093	442,595	22.4
Zhangjiakou	166,346	-	843,611	523,007	1,532,964	77.6
Total	<u>205,846</u>	<u>44,336</u>	<u>892,277</u>	<u>833,100</u>	<u>1,975,559</u>	<u>100.0</u>

Commercial Property Investment and Operations

The Group owns and operates the Baoxin International Building, which the Group developed for long-term investment purposes. The Group holds this property for capital appreciation and receiving rental income. During the Reporting Period, the Group's rental income from investment property operating leases amounted to approximately RMB5.0 million (six months ended June 30, 2019: approximately RMB5.1 million).

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

One Hotel

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

(ii) Construction contracting business

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. The Group's construction projects in other geographical locations were mainly located in Sichuan, Anhui and Zhejiang Provinces.

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

Regions	Six months ended June 30			
	2020		2019	
	Revenue	Percentage of	Revenue	Percentage of
	<i>RMB'000</i>	<i>total revenue</i>	<i>RMB'000</i>	<i>total revenue</i>
	<i>(unaudited)</i>	<i>(%)</i>	<i>(unaudited)</i>	<i>(%)</i>
Beijing-Tianjin-Hebei	431,347	63.5	292,841	90.2
Other	247,797	36.5	31,868	9.8
Total	679,144	100.0	324,709	100.0

As of June 30, 2020, the Group completed 1,014 construction projects. The Group undertook most of such construction projects as a general contractor. As a general contractor, the Group performs all major aspects of the construction project, including building construction, foundation works, curtain wall construction, building decoration and fireproofing projects. The Group is also responsible for engaging subcontractors to provide construction services and the labor force for the construction project, coordinating the work of all parties, providing the major equipment and machinery, procuring raw materials and ensuring 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 charge a premium rate for the Group's services.

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

Project Types

The Group's construction contracting business mainly comprises (i) building construction and (ii) industrial, commercial and infrastructure construction. The following table sets forth the breakdown of revenue generated from the Group's construction contracting business by project type for the periods indicated:

Project type	Six months ended June 30			
	2020		2019	
	Revenue	Percentage of	Revenue	Percentage of
	<i>RMB'000</i>	total revenue	<i>RMB'000</i>	total revenue
	(unaudited)	(%)	(unaudited)	(%)
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Building construction	523,778	77.1	171,693	52.9
Industrial, commercial and infrastructure construction	155,366	22.9	153,016	47.1
Total	679,144	100.0	324,709	100.0

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

In addition to building construction, which has been the Group's core business, the Group also provides construction contracting services for municipal and public infrastructure projects. The Group's infrastructure construction projects primarily consist of urban roads, bridges, facilities for water supply and treatment, urban pipelines, city squares and street lighting. The Group's infrastructure construction customers are primarily local government entities.

The Group is also undertaking industrial and commercial construction contracting projects. These projects mainly include steel structure, landscaping for gardens, industrial construction and preservation of antiquities and historic buildings. The Group's industrial and commercial construction customers are enterprises in diverse industries.

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			
	2020	Percentage	2019	Percentage
	Contract value	of contract value	Contract value	of contract value
	RMB million	(%)	RMB million	(%)
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Beijing-Tianjin-Hebei	2,154.2	64.3	1,801.0	94.2
Other	1,195.2	35.7	111.0	5.8
Total	<u>3,349.4</u>	<u>100.0</u>	<u>1,912.0</u>	<u>100.0</u>

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			
	2020	Percentage	2019	Percentage
	Contract value	of contract value	Contract value	of contract value
	RMB million	(%)	RMB million	(%)
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Building construction	2,724.0	81.3	1,509.9	79.0
Industrial, commercial and infrastructure construction	625.4	18.7	402.1	21.0
Total	<u>3,349.4</u>	<u>100.0</u>	<u>1,912.0</u>	<u>100.0</u>

New Contract Value

New contract value represents the aggregate value of contracts entered into by the Group for the six months ended June 30, 2020 and for the six months ended June 30, 2019. 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:

	Six months ended June 30			
	2020		2019	
Regions	Contract value <i>RMB million</i> (unaudited)	Percentage of contract value (%) (unaudited)	Contract value <i>RMB million</i> (unaudited)	Percentage of contract value (%) (unaudited)
Beijing-Tianjin-Hebei	307.2	91.1	512.2	87.8
Other	29.8	8.9	71.1	12.2
Total	337.0	100.0	583.3	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:

	Six months ended June 30			
	2020		2019	
Project type	Contract value <i>RMB million</i> (unaudited)	Percentage of contract value (%) (unaudited)	Contract value <i>RMB million</i> (unaudited)	Percentage of contract value (%) (unaudited)
Building construction	95.1	28.2	367.0	62.9
Industrial, commercial and infrastructure construction	241.9	71.8	216.3	37.1
Total	337.0	100.0	583.3	100.0

After obtaining the Premium Class Certificate in 2017, the Group has been involving in larger-scale building construction projects with increased complexity and higher returns nationwide, the value of the new contracts entered by the Group amounted to RMB337.0 million for the six months ended June 30, 2020. 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 RMB1,195.2 million, and the percentage of which increased from 5.8% for the first half of 2019 to 35.7% for the Reporting Period.

Financial Review

1. Revenue

The revenue of the Group was primarily derived from two business segments: (i) property development business and (ii) construction contracting business. Total revenue increased from approximately RMB664 million for the six months ended June 30, 2019 to approximately RMB1,340 million for the six months ended June 30, 2020, representing an increase of 101.8%.

1.1 Property development business

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

The aggregate GFA delivered increased from 42,595 sq.m. for the six months ended June 30, 2019 to 116,758 sq.m. for the six months ended June 30, 2020 and the recognised revenue increased from approximately RMB335 million for the six months ended June 30, 2019 to approximately RMB656 million for the six months ended June 30, 2020. The above increments were primarily attributable to the completion and delivery of Tianbao Green City, Tianbao New City Phase III and Fuxinyuan to purchasers in the first half of 2020, of which Tianbao Green City was sold at a higher ASP.

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

1.2 Construction contracting business

The revenue of the Group's construction contracting business was primarily derived from the provision of construction contracting services mainly as a general contractor for building construction projects, and industrial, commercial and infrastructure construction projects.

The overall increase in the revenue from the Group's construction contracting business was primarily attributable to increased revenue from building construction and industrial, commercial and infrastructure construction projects due to an increase in project volume and scale of such construction projects.

2. Cost of sales

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

The Group's cost of sales increased from approximately RMB506 million for the six months ended June 30, 2019 to approximately RMB1,042 million for the six months ended June 30, 2020, representing an increase of 106.2%, which was in line with the growth of property development business and construction contracting business of the Group.

3. Gross profit and gross profit margin

The Group's gross profit increased from approximately RMB159 million for the six months ended June 30, 2019 to approximately RMB298 million for the six months ended June 30, 2020, and its gross profit margin decreased slightly from 23.9% for the six months ended June 30, 2019 to approximately 22.2% for the six months ended June 30, 2020. The Group's gross profit was primarily derived from property development business, its gross profit margin remained stable at approximately 40% for both six months ended June 30, 2019 and 2020. During the Reporting Period, Tianbao Green City and Tianbao New City Phase III were completed and delivered to purchasers, the gross profit margin of these projects reached 50.2%. The gross profit margin of the construction contracting business remained stable at approximately 5.1%.

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 people.

The Group's selling and distribution expenses increased from approximately RMB2.9 million for the six months ended June 30, 2019 to approximately RMB7.1 million for the six months ended June 30, 2020, which was due to the increased selling and marketing activities of property projects.

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 11.4% from approximately RMB32 million for the six months ended June 30, 2019 to approximately RMB36 million for the six months ended June 30, 2020, which was mainly due to the business expansion of the Group and the rise of staff costs resulting from an increase in the number of staff. Among the administrative expenses of approximately RMB36 million, staff costs (including Directors' remuneration) amounted to approximately RMB18 million (for the six months ended June 30, 2019: approximately RMB10 million).

6. Finance costs

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

The Group's finance costs increased from approximately RMB10 million for the six months ended June 30, 2019 to approximately RMB21 million for the six months ended June 30, 2020, which was mainly due to the fact that a large portion of the interest expenses incurred from the loans raised were not capitalized to property development projects during the Reporting Period.

7. Income tax expenses

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

The Group's income tax expenses increased by 73.9% from approximately RMB50 million for the six months ended June 30, 2019 to approximately RMB88 million for the six months ended June 30, 2020, which was mainly due to the Group's taxable profit derived from the property development business and construction contracting business and the provision of LAT for the units delivered to purchasers of the property development business.

8. Profit for the Reporting Period

For the six months ended June 30, 2020, the Group's profit amounted to approximately RMB128 million, representing an increase of 127.0% from RMB56 million for the corresponding period of last year.

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, and the Group may use a portion of the proceeds from the global offering to finance a portion of its capital requirements.

1. Cash position

As of June 30, 2020, the Group's total deposits, cash and cash equivalents amounted to approximately RMB429 million (December 31, 2019: approximately RMB452 million), which are denominated in RMB and Hong Kong dollar, including pledged deposits of approximately RMB220 million as of June 30, 2020 (December 31, 2019: approximately RMB130 million).

2. Future plans for material investments and capital assets

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

3. Significant investments held

As of June 30, 2020, the Group did not hold any significant investments.

4. Debts and pledge of assets

	As of June 30, 2020			As of December 31, 2019		
	<i>Effective interest rate (%)</i>	<i>Maturity (unaudited)</i>	<i>RMB'000</i>	<i>Effective interest rate (%)</i>	<i>Maturity (audited)</i>	<i>RMB'000</i>
Current						
Secured bank borrowings	5.66-8.00	2020-2021	320,000	5.66	2020	250,000
Current portion of secured long-term bank borrowings	4.75	2021	<u>50,000</u>	4.75-8.00	2020	<u>369,000</u>
			370,000			619,000
Non-current						
Secured bank borrowings	4.75-9.75	2021-2022	<u>285,000</u>	4.75-9.75	2021-2022	<u>170,000</u>
			<u>655,000</u>			<u>789,000</u>

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

	As of June 30, 2020	As of December 31, 2019
	RMB'000 (unaudited)	RMB'000 (audited)
Analysed into:		
Bank borrowings repayable:		
Within one year or on demand	370,000	619,000
In the second year	285,000	100,000
In the third to fifth years, inclusive	<u>–</u>	<u>70,000</u>
	<u>655,000</u>	<u>789,000</u>

The Group's interest-bearing bank borrowings are all denominated in RMB.

The Group's interest-bearing bank borrowings are secured by its property, plant and equipment, investment properties and properties under development with aggregate carrying amounts of, as of June 30, 2020, approximately RMB67 million (December 31, 2019: RMB68 million), RMB84 million (December 31, 2019: RMB84 million) and RMB842 million (December 31, 2019: RMB594 million), respectively.

5. *Key financial ratios*

The Group's net gearing ratio (total interest-bearing bank borrowings less cash and bank balances and pledged deposits divided by total equity as of the end of the respective periods) was approximately 18.4% as of June 30, 2020 (as of December 31, 2019: 31.0%). The Group's gearing ratio (total interest-bearing bank borrowings divided by total equity as of the end of the respective periods) was approximately 53.5% as of June 30, 2020 (as of December 31, 2019: 72.6%). The Group's current ratio (current assets divided by current liabilities) was approximately 1.15 times as of June 30, 2020 (as of December 31, 2019: 1.10 times).

6. *Capital commitments*

As of June 30, 2020, the Group had capital expenditure commitments contracted but not provided for of approximately RMB634 million (December 31, 2019: approximately RMB230 million).

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, 2020 RMB'000 (unaudited)	As of December 31, 2019 RMB'000 (audited)
Within one year	8,075	9,011
In the second to fifth years, both inclusive	9,002	7,492
After five years	2,175	355
	<u>19,252</u>	<u>16,858</u>

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 RMB1,518 million as at June 30, 2020 (as of June 30, 2019: RMB1,251 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.

Legal Contingents

In March 2016, a claim was brought against the Group by an individual, seeking RMB14.1 million in payment arising from construction work subcontracted from the Group. The claim arose because the plaintiff alleged that the Group failed to pay the full amount in time. The case was dismissed by the Intermediate People's Court of Baoding, Hebei Province and remitted to retrial by the People's Court of Zhuozhou, Hebei Province as at the date of this announcement. Based on the legal advice of the defense counsel for this legal proceeding, the Directors believe that the plaintiff's claim for damages is without merit. Accordingly, no provisions are made in this regard based on the Directors' estimation and assessment.

8. *Material acquisitions and disposals*

On January 6, 2020, Tianbao Real Estate Group Co., Ltd.* (formerly known as Tianbao Property Development Company Limited*), an indirect wholly-owned subsidiary of the Company, entered into a contract for grant of the right of use of state-owned construction land with Zhuozhou Natural Resources and Planning Bureau* in respect of a land parcel situated north to Yongji East Road and east to Pengcheng Street in the High-Tech Development Zone, Zhuozhou, the PRC with a total area of 58,611 sq.m. The total consideration was RMB246,276,000, and the term of the land use right is 40 years and will be used for other commercial service purpose. The proposed construction project of the land parcel, whose name is Tianbao Smart Building Technology Park Project with the total planned GFA of approximately 310,000 sq.m., shall commence before October 1, 2020 and be completed before September 30, 2023. For further details, please refer to the announcement of the Company dated January 6, 2020.

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

9. Use of proceeds from initial public offering

The trading of Shares in the Company on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) commenced on November 11, 2019, and the Group raised net proceeds of initial public offering of approximately HK\$489.18 million (equivalent to approximately RMB437.14 million) (including the net proceeds received upon partial exercise of the over-allotment options as set out in the Prospectus, the “**Net Proceeds**”), after deducting the underwriting commission and other expenses in connection with the IPO.

As of June 30, 2020, an analysis of the utilisation of proceeds from IPO is as follows:

Proposed use of Net Proceeds as set out in the Prospectus	Approximate percentage of Net Proceeds (%)	Proceeds utilised in the same manner and proportions as stated in the Prospectus (RMB million)	Cumulative amount of proceeds utilised as of December 31, 2019 (RMB million)	Proceeds utilised during the six months ended June 30, 2020 (RMB million)	Unutilised Net Proceeds as of June 30, 2020 (RMB million)
To increase land reserves by acquiring land parcels in cities in Beijing-Tianjin-Hebei Region	50	218.57	133.16	–	85.41
To construct property projects under development	20	87.42	48.08	39.34	–
Funds for construction projects of backlog	20	87.42	87.42	–	–
General working capital	10	43.73	19.26	24.47	–
Total	100	437.14	287.92	63.81	85.41

As of June 30, 2020, the Company’s unutilised Net Proceeds were approximately RMB85.41 million. The Company intends to apply the unutilised Net Proceeds from IPO as of June 30, 2020 in the manner and proportion set out in the Prospectus. The unutilised Net Proceeds are expected to be utilised in full by the end of year 2020.

10. 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.

11. Interest rate risk

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

Others

1. 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) remuneration of industry peers; (iii) position and duty of executive Directors; and (iv) adjustment of organizational structure, and are reviewed annually in order to offer a reasonable remuneration package to attract, retain and motivate the Directors and senior management to serve the Group. The fee of independent non-executive Directors is determined with reference to their respective duty and responsibility in the Company and is reviewed annually.

During the Reporting Period, the Group's total staff costs (excluding the remuneration of the Directors and senior management) amounted to approximately RMB11 million (the same period of 2019: approximately RMB9 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 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, 2020, the Group had a total of 391 employees (June 30, 2019: 328 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.

OUTLOOK FOR THE SECOND HALF OF 2020

Looking forward to the second half of 2020, the central government will adhere to the positioning of “houses are for living, not for speculation”, and will continue to focus on “stabilization” in the regulation and control policy of the property market, so as to achieve the annual goal of stabilizing land prices, housing prices and expectations. The monetary policy will continue to be loose, but the financial supervision on the real estate sector will remain strict. Local governments will continue to implement policies depending on their own actual situations. The focus of real estate investments will be the core cities of the first-, second- and third-tier metropolitan areas where housing demand is supported by the long-term economic development, while the overall sales growth trend of real estate companies will be sustained through the continuous demand for housing improvement, and products will continue to be iteratively upgraded.

Currently, the process of urbanization in China has entered into its mid-late phase, and the outline of urban agglomerations as the main form of new urbanization will be clearer. With the construction of urban agglomerations and central cities, the demand for huge digital infrastructure applications will become more prominent. The construction of new areas in first- and second-tier cities and the development of mega-industrial towns and new infrastructure will bring new opportunities to the development of the construction industry.

In the second half of 2020, the Group will continue to adhere to the expansion strategy of “construction first and property development to follow”, and fully utilise the synergies between property development and construction contracting. As for the property development, the Group will focus on the development of metropolitan cities, satellite cities and other high-quality land resources, as well as, expand commercial complexes. In the area of construction contracting business, the Group will constantly improve the qualifications of its infrastructure segment, develop engineering technology and information technology, and establish a sound information system, to seize key infrastructure projects, enlarge and strengthen its historic building business, and steadily increase its market share and the revenue from construction contracting business.

The Group consolidates our brand by developing high-end quality projects and safeguards our brand with construction projects of excellent quality, to make concerted efforts in construction and development, our two prime businesses. Meanwhile, guided by our mechanism and culture, the Group establishes a team of talents with high efficiency, so as to create a “service + quality” cultural system and facilitate collaborative development of two major businesses.

EVENTS AFTER THE REPORTING PERIOD

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

INTERIM DIVIDEND

The Board has declared the payment of an interim dividend of HK\$0.05 per ordinary share (equivalent to RMB0.045 per share calculated at the exchange rate of HK\$1 to RMB0.89279) for the six months ended June 30, 2020 (six months ended June 30, 2019: Nil). The proposed interim dividend for 2020 shall be declared in RMB and payable in Hong Kong dollars, and is expected to be paid on November 11, 2020 to the shareholders of the Company (the “**Shareholders**”) whose names appear on the register of members of the Company on October 29, 2020.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determination of entitlement to the proposed interim dividend, the register of members of the Company will be closed for a period from October 27, 2020 (Tuesday) to October 29, 2020 (Thursday) (both days inclusive) during which no transfer of shares will be registered. In order to qualify for the proposed interim dividend, all completed transfer forms accompanied by the relevant share certificates, must be lodged with Computershare Hong Kong Investor Services Limited at shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on October 23, 2020 (Friday).

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

For the six months ended June 30, 2020, the Group did not purchase, sell or redeem any securities of the Company listed on the Stock Exchange.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Group is committed to achieving high standards of corporate governance to safeguard the interests of Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the “**Corporate Governance Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) as its own code of corporate governance.

During the Reporting Period, the Company has complied with all the applicable code provisions as set out in the Corporate Governance Code, except for the deviation from the Corporate Governance Code provision A.2.1.

Pursuant to code provision A.2.1 of the Corporate Governance Code, the responsibilities between the chairman and the chief executive officer should be separate and should not be performed by the same individual. Mr. Li Baotian has been serving as the chairman of the Board and the chief executive officer of the Company during the six months ended June 30, 2020. However, the Board believes that vesting the roles of both chairman of the Board and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more efficient overall strategic planning for the Group.

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

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS

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

After making specific enquiries to all Directors, each of the Directors has confirmed that he/she has complied with the Model Code during the six months ended June 30, 2020.

The Company's employees, who are likely to be in possession of inside information of the Company, have also been subject to the Model Code for securities transactions. No incident of non-compliance of the Model Code by the Company's employees was noted by the Company during the six months ended June 30, 2020.

AUDIT COMMITTEE

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

The Audit Committee has reviewed this results announcement.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the HKEXnews website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.chinatbjt.com. The 2020 interim report of the Company will be despatched to the Shareholders and will be published on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

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

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

Hong Kong, August 25, 2020

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

* *For identification purpose only*