



China Tianbao Group Development Company Limited

中國天保集團發展有限公司

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

Stock Code: 01427



**2021** 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 (*Chairperson*)

Mr. Liu Kaixiang

Mr. Li Qingxu

## REMUNERATION COMMITTEE

Mr. Li Qingxu (*Chairperson*)

Mr. Li Xu

Mr. Liu Kaixiang

Ms. Wang Xinling

Mr. Li Yaruixin

## NOMINATION COMMITTEE

Mr. Li Baotian (*Chairperson*)

Mr. Li Xu

Mr. Liu Kaixiang

Ms. Shen Lifeng

Mr. Li Qingxu

## INVESTMENT DECISION COMMITTEE

Mr. Li Baotian (*Chairperson*)

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 (*Chairperson*)

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  
Mr. Lei Kin Keong

### AUTHORISED REPRESENTATIVES

Mr. Li Yaruixin  
Mr. Lei Kin Keong

### 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, 2021 (the “Reporting Period”).

During the Reporting Period, the Group’s revenue was approximately RMB876 million, representing a decrease of approximately RMB464 million (34.6%) as compared for the six months ended June 30, 2020 (“Corresponding Period of 2020”). The Group’s revenue of property development business was approximately RMB107 million, representing a decrease of approximately RMB554 million (83.8%) as compared to the Corresponding Period of 2020. The Group’s revenue of construction contracting business was approximately RMB769 million, representing an increase of approximately RMB90 million (13.3%) as compared to the Corresponding Period of 2020.

The Group’s gross profit and gross profit margin for the Reporting Period were approximately RMB94 million and 10.7% respectively.

The Group’s profit for the Reporting Period was approximately RMB32 million, representing a decrease of approximately RMB96 million or 74.9% as compared to the Corresponding Period of 2020.

As of June 30, 2021, the net gearing ratio of the Group was approximately 27.2% (as of December 31, 2020: 10.0%).

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

# BUSINESS REVIEW AND PROSPECT

## REVIEW FOR THE FIRST HALF OF 2021

In the first half of 2021, all parts of the PRC made active efforts to consolidate and expand the results of pandemic prevention and control as well as economic and social development by rational expansion in effective investment. With stable resumption in investment in fixed assets, there was further improvement in the quality of operation.

According to data released by the National Bureau of Statistics of the PRC, from January to June 2021, the property development investments in China amounted to RMB7,217.9 billion, representing a year-on-year increase of 15.0% and an increase of 17.2% as compared with the period from January to June 2019, indicating an average increase of 8.2% over a two-year span. Among them, investments in residential properties amounted to RMB5,424.4 billion, representing a year-on-year increase of 17.0%. From January to June 2021, the sales area of the commercial housing was 886.35 million square meters (“sq.m.”), representing a year-on-year increase of 27.7% and an increase of 17.0% as compared with the period from January to June 2019, indicating an average increase of 8.1% over a two-year span. Among them, the sales area of residential properties, office buildings and commercial buildings increased by 29.4%, 10.0% and 5.7%, respectively. The sales of commercial housing amounted to RMB9,293.1 billion, representing an year-on-year increase of 38.9% and an increase of 31.4% as compared with the period from January to June 2019, indicating an average increase of 14.7% over the two-year span.

According to data released by the National Bureau of Statistics, the value of the construction industry amounted to RMB3,333.5 billion in the first half of 2021, representing an increase of 8.6% as compared with the Corresponding Period of 2020, which accounted for 6.26% of GDP. In the first half of the year, the total value of contracts signed by construction companies across the country was RMB44,361.448 billion, a year-on-year increase of 13.49%, of which new contracts were valued at RMB14,413.403 billion, a year-on-year increase of 14.4%.

The Group is mainly engaged in two business segments: property development business and construction contracting business. During the Reporting Period, the revenue of the Group was approximately RMB876 million, representing a decrease of approximately 34.6% as compared with the Corresponding Period of 2020; and the Group achieved profit for the period attributable to the Group of approximately RMB32 million, representing a decrease of approximately 74.9% as compared with the Corresponding Period of 2020.

### 1. The property development business

During the Reporting Period, the sales income of the property development business of the Group was approximately RMB107 million. At the end of the Reporting Period, the Group had land reserves with a total gross floor area (“GFA”) of approximately 1,954,000 sq.m. (such land reserve was wholly owned by the Group), representing a decrease of approximately 1.6% as compared with approximately 1,986,000 sq.m. as of December 31, 2020, 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 approximately RMB769 million. New contracts and the backlog were valued at approximately RMB919 million and approximately RMB4,083 million, respectively, representing an increase of approximately RMB582 million (172.7%) and approximately RMB733 million (21.9%) as compared with the Corresponding Period of 2020 respectively.

As at the date of this report, the construction contracting business of the Group has established footprints in 18 provinces and cities in China and has set up new offices in Guangdong Province, Hubei Province, Shaanxi Province, Inner Mongolia, Jiangxi Province and Guangxi Province.

# BUSINESS REVIEW AND PROSPECT

## OUTLOOK FOR THE SECOND HALF OF 2021

Looking forward to the second half of 2021, as the global pandemic evolves, and the external environment is becoming increasingly complex and severe, the domestic economic recovery will remain unstable and uneven.

In terms of industrial policies, the central government will stay committed to the keynote of “Houses are for living, not for speculation”, and promote the steady and healthy development of the property markets with stable land prices, housing prices and market expectations. Meanwhile, it will accelerate the development of rental housing and implement the favorable policies such as land use and taxation. At the local government level, cities with escalated control may continue to extend to hotspot third- and fourth-tier cities. In addition, the land supply rules of “Two Concentration” (兩集中) in hotspot cities are subject to adjustments to strengthen the linked effect of housing and land.

Under the guidance of the new development pattern with mega domestic economy loop as backbone and inter-propelled by the twin domestic and international economy loops, the central government proposes to strengthen the bottom line of the “three guarantees” at the grassroots level, reasonably grasps the progress of investment within budget and issue of local government bonds, and advances to form a physical workload by the end of this year and at the beginning of next year, while unswervingly boosting the high-quality development of the “Belt and Road” initiative. The construction market in the second half of 2021 will present an ecology featuring coexistence of old and new infrastructures and diversified patterns.

The Group will remain committed to implementing the expansion strategy of “construction first and property development to follow” in light of industrial policies and market changes, and give full play to the synergies of property development and construction contracting. As for the property development, the Group will take “internal reforms and external sales” as its development direction, continuously improve the development tone of collectivisation, scale and standardisation, boost the multi-type operations of the real estate and move forward by adapting itself to reforms. In the area of construction contracting, the Group will seek breakthroughs in the qualification reform to strengthen its general contracting service capabilities, establish branches across the country, and optimize its management system to achieve information-based multi-system integration, so as to steadily increase its market share and the revenue generated from construction contracting business.

# BREAKDOWN OF PROPERTIES

The breakdown of properties of the Group as of June 30, 2021 is set out as follows:

Project name	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>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 (田合鵬華)	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	12,343.8	-	-	-	-	-	100%
4. Tianbao Lingyun City (天保凌雲城)	26,666.7	89,120.8	60,902.6	12,233.5	-	-	-	-	-	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	5,386.2	-	-	-	-	-	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	17,549.0	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	8,108.6	-	-	-	-	-	100%
8. Tianbao New City Phase II (天保新城二期)	66,340.0	132,035.7	118,368.2	7,215.6	-	-	-	-	-	100%
9. Tianbao New City Phase III (天保新城三期)	92,189.5	241,355.8	211,032.7	26,851.0	-	-	-	-	-	100%
10. Zhangbei Zhongdu Ginza (張北中都銀座)	8,106.7	-	-	-	-	86,690.5	77,598.0	2,180.9	-	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	49,597.8	-	-	-	-	-	100%
12. Tianbao Edelweiss City (Residential) (天保雪絨花都(住宅))	100,192.0	-	-	-	-	272,073.6	162,624.9	87,476.9	-	100%
13. Tianbao Edelweiss City (Commercial) (天保雪絨花都(商業))	54,709.0	-	-	-	-	10,238.4	8,410.0	531.5	154,020.1	100%
14. Tianbao Boyue Bay (天保鉞悅灣)	81,815.0	-	-	-	-	193,581.1	80,826.2	43,277.3	-	100%
15. Tianbao Hushan Yard (天保湖山大院)	145,569.5	-	-	-	-	223,540.0	172,389.8	4,583.6	167,388.4	100%
16. Tianbao Jingbei Health City (Commercial) (天保京北健康城(商業))	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%

## BREAKDOWN OF PROPERTIES

Project name	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>										
19. 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>										
20. Project Haiziwa Hotel (海子窪酒店)	52,237.0	-	-	-	-	-	-	-	57,460.7	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			
	2021		2020	
	Revenue RMB'000 (unaudited)	Percentage of total revenue (%) (unaudited)	Revenue RMB'000 (unaudited)	Percentage of total revenue (%) (unaudited)
Property development business	106,792	12.2	661,190	49.3
Construction contracting business	769,573	87.8	679,144	50.7
<b>Total</b>	<b>876,365</b>	<b>100.0</b>	<b>1,340,334</b>	<b>100.0</b>

### (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	For the six months ended June 30			
		2021		2020	
		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	101,057	94.6	656,191	99.2
Commercial property investment and operations	Rental income	5,735	5.4	4,999	0.8
<b>Total</b>		<b>106,792</b>	<b>100.0</b>	<b>661,190</b>	<b>100.0</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

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

### **Projects in Zhuozhou**

#### ***Tianbao Green City (天保綠城)***

Located on the north side of Guanyun Road and the west side of Xuyi Village in Zhuozhou, the project covers a total site area of 33,764.1 sq.m.. The project has convenient transportation facilities connecting Beijing-Shijiazhuang High-speed Railway and Beijing-Hong Kong-Macao Expressway. The GFA of the project is approximately 105,000 sq.m., including high-rise residential buildings, commercial properties and parking lots. As of June 30, 2021, 872 units have been launched and 787 units have been sold for Tianbao Green City.

#### ***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 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, 2021, 436 units have been sold for Tianbao Xinyue Bay. The project has been delivered to purchasers in batches since 2020.

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

The project is located at the intersection of Yongji East Road and Pengcheng Street in Zhuozhou. It covers a site area of 58,610.9 sq.m. and a GFA of approximately 310,000 sq.m.. The project is about 6 kilometers from Zhuozhou High-speed Railway Station, about 17 kilometers from Beijing Daxing International Airport and about 1 kilometer from Zhuozhou City Terminal of Beijing Daxing International Airport. This project is a high-end complex integrating business office, corporate headquarters office, commerce, micro-movie bar, catering and conferences. There are approximately 4,100 units in this project, and it is in the main construction stage. As of June 30, 2021, 1,816 units have been launched and 296 units have been sold for this project.

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

The project is located at No. 33 Guanyun East Road, Zhuozhou Development Zone, 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" in 2019 for the property development industry. 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, 2021, there were only a small amount of unsold units in the first and second phases of Tianbao New City, and about 200 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, and was opened in December 2020.

#### *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, 2021, 876 units had been allocated to the previous households registered with the government while 176 units were sold to the public purchasers.

#### *Tianbao Edelweiss City (天保雪絨花都)*

The 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. As of June 30, 2021, 855 units under this project have been sold.

## MANAGEMENT DISCUSSION AND ANALYSIS

### *Tianbao Boyue Bay (天保鉞悅灣)*

The project is located in the southwest of the urban area of Yu County, with West Outer Ring Road in the east, Qianjin West Road in the west, Heping West Road in the south and 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, and 422 units have been sold as of June 30, 2021.

### *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-2020 while pre-sales started at the end of 2020. Jingbei Health City is a medical and healthcare project consisting of apartments and a hospital, providing supporting facilities for the elderly and medical care. For the apartments, there are five smart health apartments with a saleable GFA of about 60,000 sq.m. The hospital has a 13-storey inpatient department, 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.

### *Haiziwa Hotel (海子窪酒店)*

Haiziwa Hotel is a project under development located in Zhangbei County, Zhangjiakou. As of June 30, 2021, the project was in the process of obtaining necessary permits and the Group had not commenced operations at Haiziwa Hotel. Conveniently located near Nasutu (那蘇圖) resort in Zhangjiakou, Hebei Province, Haiziwa Hotel occupies 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.

## 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, 2021:

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	34,175	44,336	134,658	175,434	388,603	19.9
Zhangjiakou	91,773	–	926,987	547,027	1,565,787	80.1
Total	125,948	44,336	1,061,645	722,461	1,954,390	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. The Group commenced the commercial operation of Baoxin International Building in 2016 and has been achieving stable rental income.

### (ii) Construction contracting business

The Group has been engaged in the construction contracting business since 1998, as a general contractor for building, infrastructure and industrial and commercial construction projects. 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 Jiangsu Provinces.

## MANAGEMENT DISCUSSION AND ANALYSIS

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			
	2021		2020	
	Revenue RMB'000 (unaudited)	Percentage of total revenue (%) (unaudited)	Revenue RMB'000 (unaudited)	Percentage of total revenue (%) (unaudited)
Beijing-Tianjin-Hebei	618,512	80.4	431,347	63.5
Other	151,061	19.6	247,797	36.5
Total	769,573	100.0	679,144	100.0

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			
	2021		2020	
	Revenue RMB'000 (unaudited)	Percentage of total revenue (%) (unaudited)	Revenue RMB'000 (unaudited)	Percentage of total revenue (%) (unaudited)
Building construction	466,118	60.6	523,778	77.1
Industrial, commercial and infrastructure construction	303,455	39.4	155,366	22.9
<b>Total</b>	<b>769,573</b>	<b>100.0</b>	<b>679,144</b>	<b>100.0</b>

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

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

1. *Mumen Military Conference Memorial Hall Reconstruction and Expansion Project (木門軍事會議紀念館改擴建項目)*

The project is located in Wangcang County, Guangyuan City, Sichuan Province, with a contract value of RMB2.77 million. The project adds a cultural relic protection pavilion for niche for a statue of the Buddha and expands the tomb cliff viewing platform, providing a safe and comfortable environment for tourists.

2. *Indoor Ceiling Project for Station Buildings Project of Xi'an Railway Station Reconstruction and Expansion Project of the Xi'an Railway Hub (西安鐵路樞紐西安站改擴建工程站房工程室內吊頂工程)*

The project is located in Xincheng District, Xi'an City, Shaanxi Province, with a contract value of RMB30 million. The project covers the processing, fabrication, and installation of aluminum ceilings in the public areas of the north station building and elevated waiting room of Xi'an Railway Station Reconstruction and Expansion Project of the Xi'an Railway Hub, and the construction of the ceiling surface lamp troughs and various moulding grooves.

3. *Xiaguan Xinju Project in Yu County (蔚縣下關馨居工程)*

North Area

The project is located in Yu County, Zhangjiakou City, with a contract value of RMB87 million. The project includes 1#-3# residential buildings, gates, underground garages, with an aggregate GFA of 35,620 sq.m., including, for the 1# residential building, the shear wall structure, 2 floors underground and 13 floors above ground; for the 2# residential building, the shear wall structure, 2 floors underground, and 15 floors above ground; for the 3# residential building, the shear wall structure, 2 floors underground, 4 floors above ground; and garage skeleton structure, and 1 floor underground.

South Area

The contract value is RMB172 million. The project includes 9#-12#, 19# residential buildings, 20#, 21# auxiliary buildings, 26# commercial buildings, kindergartens, underground garages (south area), with an aggregate GFA of 67,062 sq.m..

4. *Ordos Polytechnic School Maintenance Project (鄂爾多斯理工學校維修項目)*

The project is located in Dongsheng District, Ordos City, with a contract value of RMB60 million. The project covers roof waterproof project, office building basement waterproof repair, replacement of sunshine board of office building entrance and exit, cultural and sports center and strong board and glass sunroof repair, etc.

## MANAGEMENT DISCUSSION AND ANALYSIS

5. *Construction of the Urban Old Community Reconstruction Project (Steel Railway Office) in Huimin District, Hohhot City in 2021 (呼和浩特市回民區 2021年城鎮老舊小區改造工程 (鋼鐵路辦事處)施工)*

The project is located in Huimin District, Hohhot City, with a contract value of RMB29 million. The project includes cable renovation, roof waterproofing, drainage pipe network, rainwater pipe network, rainwater downpipe network, rainwater pipe network and direct-buried heating pipe network in the west lane of Yanzhan, repair of putty among stairwells, road hardening, exterior wall insulation, exterior wall paint painting, etc.
6. *General Construction Project Contract on the Land in the Old Plant Area of Beijing Longhu Shijiazhuang Metallurgical Research Institute (北京龍湖石家莊冶金研究院舊廠區地塊項目總承包工程合同)*

The project is located in the old factory area of the Metallurgical Research Institute of Tangu Street, Chang'an District, Shijiazhuang City, Hebei Province, with a contract value of RMB268 million. The project covers frame shear wall structure, 1 floor underground, and 7-26 floors above ground, with a GFA of approximately 150,397 sq.m..
7. *Cultural Palace Construction Project for Workers in Dalad Banner (達拉特旗工人文化宮建設項目)*

The project is located in Shulinzhao Town, Dalad Banner, with a contract value of RMB35 million. The Cultural Palace will serve as the place for local citizens to carry out cultural and entertainment activities upon completion. The total land area of the project is approximately 16,594 sq.m., with an aggregate GFA of 8,565 sq.m., mainly used for the construction of the main part of the Cultural Palace for Workers in Dalad Banner and its outdoor ancillary projects.
8. *Civic Center project in Yu County (蔚縣市民中心項目)*

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

## 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			
	2021		2020	
	Contract value RMB million (unaudited)	Percentage of contract value (%) (unaudited)	Contract value RMB million (unaudited)	Percentage of contract value (%) (unaudited)
Beijing-Tianjin-Hebei	2,724.0	66.7	2,154.2	64.3
Other	1,358.5	33.3	1,195.2	35.7
Total	4,082.5	100.0	3,349.4	100.0

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

Project type	As of June 30			
	2021		2020	
	Contract value RMB million (unaudited)	Percentage of contract value (%) (unaudited)	Contract value RMB million (unaudited)	Percentage of contract value (%) (unaudited)
Building construction	2,961.3	72.5	2,724.0	81.3
Industrial, commercial and infrastructure construction	1,121.2	27.5	625.4	18.7
Total	4,082.5	100.0	3,349.4	100.0

## 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 Corresponding Period of 2020. The contract value is the amount that the Group expects to receive under the terms of the contract if the contract is performed by the Group in accordance with its terms.

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

Regions	2021		2020	
	Contract value RMB million (unaudited)	Percentage of contract value (%) (unaudited)	Contract value RMB million (unaudited)	Percentage of contract value (%) (unaudited)
Beijing-Tianjin-Hebei	728.5	79.3	307.2	91.1
Other	190.0	20.7	29.8	8.9
Total	918.5	100.0	337.0	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	2021		2020	
	Contract value RMB million (unaudited)	Percentage of contract value (%) (unaudited)	Contract value RMB million (unaudited)	Percentage of contract value (%) (unaudited)
Building construction	321.8	35.0	95.1	28.2
Industrial, commercial and infrastructure construction	596.7	65.0	241.9	71.8
Total	918.5	100.0	337.0	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 RMB918.5 million during the Reporting Period. The newly contracted regions expanded from focusing on the Beijing-Tianjin-Hebei region to Inner Mongolia and Shaanxi 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 RMB1,358.5 million, accounting for approximately 33.3% 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 decreased by 34.6% from approximately RMB1,340 million for the Corresponding Period of 2020 to approximately RMB876 million during the Reporting Period, mainly due to the outbreak of the COVID-19 and China's regulatory policies imposed on the real estate market (including the restrictions on purchase and pricing of houses), which resulted in a decrease in the number of properties sold at a price lower than the expected, ultimately resulted in lower revenue from the delivery of certain properties during the Reporting Period.

#### 1.1 *Property development business*

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

The aggregate GFA delivered decreased from 116,758 sq.m. for the Corresponding Period of 2020 to 17,106 sq.m. during the Reporting Period and the recognised revenue decreased from approximately RMB656 million for the Corresponding Period of 2020 to approximately RMB101 million during the Reporting Period. The above changes 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, and less GFA delivered during the Reporting Period as compared to that of the Corresponding Period of 2020, as there were no large projects available for delivery in the first half of 2021.

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, 2021, the Group held one commercial investment property, Baoxin International Building, which had a rentable GFA of 44,336.1 sq.m..

#### 1.2 *Construction contracting business*

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

# 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 property development business primarily includes land costs, construction costs and rent costs. The cost for construction contracting services primarily includes labor costs, raw material costs, machinery costs, subcontracting costs and other costs.

The Group's cost of sales decreased from approximately RMB1,042 million for the Corresponding Period of 2020 to approximately RMB783 million during the Reporting Period, representing a decrease of 24.9%, which was in line with the fluctuations of 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 RMB298 million for the Corresponding Period of 2020 to approximately RMB94 million during 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 22.2% for the Corresponding Period of 2020 to approximately 10.7% during the Reporting Period. The Group's gross profit was primarily derived from property development business, and its gross profit margin remained stable at approximately 40% for both six months ended June 30, 2020 and 2021. The gross profit margin of the construction contracting business remained stable at approximately 5%.

## 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 RMB7.1 million for the Corresponding Period of 2020 to approximately RMB1.7 million during 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 decreased by 11.7% from approximately RMB36 million for the Corresponding Period of 2020 to approximately RMB32 million during the Reporting Period. Staff costs (including Directors' remuneration) amounted to approximately RMB14 million (for the Corresponding Period of 2020: approximately RMB18 million).

# MANAGEMENT DISCUSSION AND ANALYSIS

## 6. Finance costs

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

The Group's finance costs remained at approximately RMB21 million for both six months ended June 30, 2020 and 2021.

## 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 decreased by 95% from approximately RMB88 million for the Corresponding Period of 2020 to approximately RMB4 million during 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. Profit for the Reporting Period

Due to the reasons above, during the Reporting Period, the Group's profit of the period amounted to approximately RMB32 million, representing a decrease of 74.9% from approximately RMB128 million for the Corresponding Period of 2020.

## 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 business development and expansion. The Group expects these sources to continue to be its principal sources of liquidity.

### 1. Cash position

As of June 30, 2021, the Group's total pledged deposits, cash and cash equivalents amounted to approximately RMB454 million (December 31, 2020: approximately RMB449 million), which are denominated in RMB and Hong Kong dollar respectively, including pledged deposits of approximately RMB265 million as of June 30, 2021 (December 31, 2020: approximately RMB265 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, 2021, the Group did not hold any significant investments.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 4. Debts and pledge of assets

	As of June 30, 2021			As of December 31, 2020		
	Effective interest rate (%)	Maturity (unaudited)	RMB'000	Effective interest rate (%)	Maturity (audited)	RMB'000
<b>Current</b>						
Secured bank borrowings	4.75-8.00	2022	231,350	5.66	2021	250,000
Secured other borrowings	11.00	2022	258,472	-	-	-
Unsecured other borrowings	11.00	2022	32,295	-	-	-
Current portion of secured long-term bank borrowings	9.75	2022	50,000	4.75-9.75	2021	98,000
			572,117			348,000
<b>Non-current</b>						
Secured bank borrowings	5.50	2023	250,000	4.75-8.00	2022	232,450
			822,117			580,450

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

	As of June 30 2021 RMB'000 (unaudited)	As of December 31 2020 RMB'000 (audited)
Analysed into:		
Bank and other borrowings repayable:		
Within one year or on demand	572,117	348,000
In the second year	250,000	232,450
	822,117	580,450

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

## MANAGEMENT DISCUSSION AND ANALYSIS

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

	As of June 30 2021 RMB'000 (unaudited)	As of December 31 2020 RMB'000 (audited)
Investment properties	140,400	140,400
Properties under development	500,391	303,507
Completed properties held for sale	–	27,661
Property, plant and equipment	62,231	63,320
Right-of-use assets	8,464	8,579

Save as the above assets pledged as collateral, the Group pledged the equity of certain subsidiaries for financing purposes.

### 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 2021	As of December 31 2020
Current ratio (times)	1	1.14	1.15
Gearing ratio (%)	2	60.8	44.1
Net gearing ratio (%)	3	27.2	10.0

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, 2021, the Group had capital expenditure commitments contracted but not provided for of approximately RMB483 million (as of December 31, 2020: approximately RMB267 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 2021 RMB'000 (unaudited)	As of December 31 2020 RMB'000 (audited)
Within one year	12,125	9,514
In the second to fifth years, both inclusive	21,656	16,889
After five years	14,786	4,957
	48,567	31,360

### *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 RMB1,719.6 million as at June 30, 2021 (as of December 31, 2020: approximately RMB1,718.7 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 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

### 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 RMB9.5 million (Corresponding Period of 2020: approximately RMB11 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") 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, 2021, the Group had a total of 422 employees (as of June 30, 2020: 391 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 Group is committed to achieving high standards of corporate governance to safeguard the interests of shareholders of the Company (the “Shareholders”) and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the “Corporate Governance Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong (the “Stock Exchange”) 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. The Directors will do their best to urge the Company to continue to comply with the Corporate Governance Code.

Pursuant to code provision A.2.1 of the Corporate Governance Code, the responsibilities between the chairman and the chief executive officer should be separate and should not be performed by the same individual. Mr. Li Baotian has been serving as the chairman of the Board and the chief executive officer of the Company during the 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 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 Reporting Period.

The Group’s employees, who are 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 employees was noted by the Group during the Reporting Period.

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

### Changes in Directors’ Information

Mr. Liu Kaixiang ceased to serve as an independent non-executive director of BAIC Motor Corporation Limited (北京汽車股份有限公司) (a company listed on the Stock Exchange (stock code: 1958)) on March 24, 2021.

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

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### 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.

During the Reporting Period, no Shares were purchased by the trustee of the Share Award Scheme from the market. No awarded Shares were granted or has agreed to grant to eligible employees pursuant to the Share Award Scheme during the six months ended June 30, 2021. As of June 30, 2021, there were 19,848,000 shares held by the trustee.

### 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, 2021, the interests or short positions of the Directors or the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the 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:

Name of Director	Member/ Associated Corporation of the Group	Capacity/Nature of Interest	Number of Shares <sup>(1)</sup>	Approximate Percentage of Shareholding in the Company
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.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

Save as disclosed above, as of June 30, 2021, none of the Directors or the chief executives of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be entered in the register required to be kept by the Company pursuant to section 352 of the SFO, or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

So far as is known to the Company, as at June 30, 2021, as recorded in the register required to be kept by the Company under section 336 of the SFO, the following persons, other than a Director or chief executive of the Company, had an interest of 5% or more in the Shares or underlying Shares:

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

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## INTERIM DIVIDEND

The Board has resolved not to recommend the payment of an interim dividend during the Reporting Period (for the Corresponding Period of 2020: HK\$0.05 per ordinary share).

## 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.

## 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.

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.

## 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, 2021 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 25, 2021

# Interim Condensed Consolidated Statement of Profit or Loss

Six months ended June 30, 2021

	NOTES	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
REVENUE	4	876,365	1,340,334
Cost of sales		(782,525)	(1,042,454)
<b>GROSS PROFIT</b>		<b>93,840</b>	297,880
Other income and gains		10,016	15,064
Selling and distribution expenses		(1,704)	(7,126)
Administrative expenses		(31,650)	(35,841)
Impairment losses on financial and contract assets, net		(7,590)	(10,911)
Fair value loss at financial assets at fair value through profit or loss		(4,862)	(20,787)
Other expenses		(236)	(1,204)
Finance costs		(21,450)	(21,261)
<b>PROFIT BEFORE TAX</b>	5	<b>36,364</b>	215,814
Income tax expense	6	(4,178)	(87,500)
<b>PROFIT FOR THE PERIOD</b>		<b>32,186</b>	128,314
Attributable to:			
Owners of the parent		32,186	128,314
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	8		
Basic and diluted			
– For profit for the period		RMB0.04	RMB0.16

# Interim Condensed Consolidated Statement of Comprehensive Income

Six months ended June 30, 2021

	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
PROFIT FOR THE PERIOD	32,186	128,314
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	(4,215)	9,848
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	10,000	-
Income tax effect	(2,500)	-
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	3,285	9,848
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	35,471	138,162
Attributable to:		
Owners of the parent	35,471	138,162

# Interim Condensed Consolidated Statement of Financial Position

As of June 30, 2021

	NOTES	June 30, 2021 RMB'000 (unaudited)	December 31, 2020 RMB'000 (audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	232,215	230,903
Investment properties		140,400	140,400
Right-of-use assets		10,734	11,298
Other intangible assets		1,621	1,930
Equity investments designated at fair value through other comprehensive income		148,000	138,000
Financial assets at fair value through profit or loss		264,047	205,687
Deferred tax assets		68,164	78,373
<b>TOTAL NON-CURRENT ASSETS</b>		<b>865,181</b>	<b>806,591</b>
<b>CURRENT ASSETS</b>			
Trade receivables	12	444,487	515,034
Contract assets		1,199,718	1,306,539
Properties under development	10	2,496,184	2,162,785
Completed properties held for sale	11	989,080	885,530
Prepayments, other receivables and other assets		275,872	310,632
Tax recoverable		26,000	24,612
Pledged deposits		265,329	264,978
Cash and cash equivalents		188,646	183,919
<b>TOTAL CURRENT ASSETS</b>		<b>5,885,316</b>	<b>5,654,029</b>

# Interim Condensed Consolidated Statement of Financial Position

As of June 30, 2021

	NOTES	June 30, 2021 RMB'000 (unaudited)	December 31, 2020 RMB'000 (audited)
<b>CURRENT LIABILITIES</b>			
Trade payables	13	2,006,812	2,075,486
Other payables and accruals		2,367,041	1,952,157
Interest-bearing bank and other borrowings	14	572,117	348,000
Lease liabilities		443	963
Tax payable		202,728	535,679
<b>TOTAL CURRENT LIABILITIES</b>		<b>5,149,141</b>	<b>4,912,285</b>
<b>NET CURRENT ASSETS</b>		<b>736,175</b>	<b>741,744</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,601,356</b>	<b>1,548,335</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	14	250,000	232,450
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>250,000</b>	<b>232,450</b>
<b>NET ASSETS</b>		<b>1,351,356</b>	<b>1,315,885</b>
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Share capital	15	7,281	7,281
Reserves		1,344,075	1,308,604
<b>TOTAL EQUITY</b>		<b>1,351,356</b>	<b>1,315,885</b>

Wang Xinling  
Director

Li Yaruixin  
Director

# Interim Condensed Consolidated Statement of Changes in Equity

Six months ended June 30, 2021

	Attributable to owners of the parent							
	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	Retained profits RMB'000	Total equity RMB'000
As at January 1, 2020 (audited)	7,281	433,783	-	43,643	12,375	1,085	588,619	1,086,786
Profit for the period	-	-	-	-	-	-	128,314	128,314
Exchange differences on translation of foreign operations	-	-	-	-	-	9,848	-	9,848
Total comprehensive income for the period	-	-	-	-	-	9,848	128,314	138,162
Transfer to special reserve	-	-	12,943	-	-	-	(12,943)	-
Utilisation of special reserve	-	-	(12,943)	-	-	-	12,943	-
As at June 30, 2020 (unaudited)	7,281	433,783	-	43,643	12,375	10,933	716,933	1,224,948

# Interim Condensed Consolidated Statement of Changes in Equity

Six months ended June 30, 2021

	Attributable to owners of the parent									
	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 differences on translation of 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 Cash Flows

Six months ended June 30, 2021

	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Net cash flows (used in)/generated from operating activities	(145,187)	63,747
Net cash flows used in investing activities	(71,433)	(18,346)
Net cash flows generated from/(used in) financing activities	221,347	(158,749)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>4,727</b>	<b>(113,348)</b>
Cash and cash equivalents at beginning of period	183,919	321,909
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>188,646</b>	<b>208,561</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	453,975	429,331
Less: Pledged deposits	(265,329)	(220,770)
<b>Cash and cash equivalents as stated in the statement of cash flows</b>	<b>188,646</b>	<b>208,561</b>

# Notes to Interim Condensed Consolidated Financial Statements

June 30, 2021

## 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, 2021, 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, 2021 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, 2020.

## 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, 2020, 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 9, IAS 39 and IFRS 7,  
IFRS 4 and IFRS16  
Amendments to IFRS 16

Interest Rate Benchmark Reform

Covid-19-Related Rent Concessions

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, 2021

## 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.

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, 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
<b>Total revenue</b>	<b>1,069,721</b>	<b>106,792</b>	<b>1,176,513</b>
<i>Reconciliation:</i>			
Eliminations of intersegment sales			<u>(300,148)</u>
<b>Revenue</b>			<u><b>876,365</b></u>
<b>Segment results</b>	<b>19,750</b>	<b>28,968</b>	<b>48,718</b>
<i>Reconciliation:</i>			
Eliminations of intersegment results			<u>(12,354)</u>
<b>Profit before tax</b>			<u><b>36,364</b></u>

# Notes to Interim Condensed Consolidated Financial Statements

June 30, 2021

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

As at June 30, 2021	Construction contracting RMB'000 (unaudited)	Property development and others RMB'000 (unaudited)	Total RMB'000 (unaudited)
<b>Segment assets</b>	7,694,245	7,548,887	15,243,132
<i>Reconciliation:</i>			
Eliminations of intersegment receivables			<u>(8,492,635)</u>
Total assets			<u>6,750,497</u>
<b>Segment liabilities</b>	5,098,478	5,808,548	10,907,026
<i>Reconciliation:</i>			
Eliminations of intersegment payables			<u>(5,507,885)</u>
Total liabilities			<u>5,399,141</u>

For the six months ended June 30, 2020	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	679,144	661,190	1,340,334
Intersegment sales	138,889	–	138,889
Total revenue	818,033	661,190	1,479,223
<i>Reconciliation:</i>			
Eliminations of intersegment sales			<u>(138,889)</u>
Revenue			<u>1,340,334</u>
<b>Segment results</b>	7,356	215,484	222,840
<i>Reconciliation:</i>			
Eliminations of intersegment results			<u>(7,026)</u>
Profit before tax			<u>215,814</u>

# Notes to Interim Condensed Consolidated Financial Statements

June 30, 2021

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

As at December 31, 2020	Construction contracting RMB'000 (audited)	Property development and others RMB'000 (audited)	Total RMB'000 (audited)
<b>Segment assets</b>	6,533,409	8,100,367	14,633,776
<i>Reconciliation:</i>			
Eliminations of intersegment receivables			(8,173,156)
Total assets			6,460,620
<b>Segment liabilities</b>	3,950,335	6,393,907	10,344,242
<i>Reconciliation:</i>			
Eliminations of intersegment payables			(5,199,507)
Total liabilities			5,144,735

## 4. REVENUE

An analysis of revenue is as follows:

	For the six months ended June 30	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
<i>Revenue from contracts with customers</i>	870,630	1,335,335
<i>Revenue from other sources</i>		
Gross rental income from investment property operating leases:		
Other lease payments, including fixed payments	5,735	4,999
	876,365	1,340,334

# Notes to Interim Condensed Consolidated Financial Statements

June 30, 2021

## 4. REVENUE (Continued)

### Revenue from contracts with customers

#### Disaggregated revenue information

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>

For the six months ended June 30, 2020

	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	679,144	–	679,144
Property development	–	656,191	656,191
<b>Total revenue from contracts with customers</b>	<b>679,144</b>	<b>656,191</b>	<b>1,335,335</b>
<b>Geographical markets</b>			
Mainland China	679,144	656,191	1,335,335
<b>Timing of revenue recognition</b>			
Goods transferred at a point in time	–	656,191	656,191
Services transferred over time	679,144	–	679,144
<b>Total revenue from contracts with customers</b>	<b>679,144</b>	<b>656,191</b>	<b>1,335,335</b>

# Notes to Interim Condensed Consolidated Financial Statements

June 30, 2021

## 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, 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>

For the six months ended June 30, 2020

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	679,144	656,191	1,335,335
Intersegment sales	138,889	-	138,889
	<b>818,033</b>	<b>656,191</b>	<b>1,474,224</b>
Intersegment eliminations	(138,889)	-	(138,889)
<b>Total revenue from contracts with customers</b>	<b>679,144</b>	<b>656,191</b>	<b>1,335,335</b>

# Notes to Interim Condensed Consolidated Financial Statements

June 30, 2021

## 5. PROFIT BEFORE TAX

The profit before tax of the Group is stated after charging the following:

	For the six months ended June 30	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Cost of construction contracting	729,286	644,661
Cost of properties development and others	53,239	397,793
Employee benefit expenses (including directors' and chief executive's remuneration):		
– Wages, salaries and allowances	11,414	15,507
– Social insurance	1,913	1,605
– Welfare and other expenses	919	780
	14,246	17,892
Impairment of finance and contract assets, net	7,590	10,911

## 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, 2021.

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 Law for the six months ended June 30, 2021.

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.

# Notes to Interim Condensed Consolidated Financial Statements

June 30, 2021

## 6. INCOME TAX (Continued)

	For the six months ended June 30	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Income tax – current	25,655	75,605
PRC LAT		
– Provision for the period	1,651	19,496
– Overprovision in previous years	(30,837)	–
Deferred income tax	7,709	(7,601)
	4,178	87,500

## 7. DIVIDENDS

The Board has resolved not to recommend the payment of an interim dividend during the Reporting Period (for the six months ended June 30, 2020: HK\$0.05 (equivalent to RMB0.045) per ordinary share amounted to HK\$40,472,800 (equivalent to approximately RMB36,426,000)).

## 8. 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, 2021 and 2020. The calculation of basic and dilutive earnings per share is based on:

	For the six months ended June 30	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:		
Profit attributable to ordinary equity holders of the parent	32,186	128,314

# Notes to Interim Condensed Consolidated Financial Statements

June 30, 2021

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

	Number of shares For the six months ended June 30	
	2021 (unaudited)	2020 (unaudited)
<b>Shares</b>		
Weighted average number of ordinary shares in issue ('000 shares)	809,456	809,456

## 9. PROPERTY, PLANT AND EQUIPMENT

	As at June 30 2021 RMB'000 (unaudited)	As at December 31 2020 RMB'000 (audited)
Beginning carrying amount for the period/year	230,903	218,978
Additions	6,445	18,098
Depreciation expenses	(5,133)	(6,173)
	232,215	230,903

## 10. PROPERTIES UNDER DEVELOPMENT

	As at June 30 2021 RMB'000 (unaudited)	As at December 31 2020 RMB'000 (audited)
Beginning carrying amount for the period/year	2,162,785	2,437,886
Additions	489,802	1,171,417
Transferred to completed properties held for sale	(156,403)	(1,446,518)
	2,496,184	2,162,785

# Notes to Interim Condensed Consolidated Financial Statements

June 30, 2021

## 11. COMPLETED PROPERTIES HELD FOR SALE

	As at June 30 2021 RMB'000 (unaudited)	As at December 31 2020 RMB'000 (audited)
Beginning carrying amount for the period/year	885,530	340,122
Transferred from properties under development	156,403	1,446,518
Transferred to cost of sales	(52,853)	(901,110)
	989,080	885,530

## 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 2021 RMB'000 (unaudited)	As at December 31 2020 RMB'000 (audited)
Within 1 year	265,726	272,007
1 year to 2 years	82,983	209,937
2 years to 3 years	93,318	29,699
Over 3 years	2,460	3,391
	444,487	515,034

Trade receivables mainly represented receivables from construction contracting. The payment terms of contract work receivables are stipulated in the relevant contracts. The Group's trading terms with its customers are mainly on credit. The credit period offered by the Group is three to six months, except for retention receivable.

# Notes to Interim Condensed Consolidated Financial Statements

June 30, 2021

## 13. TRADE PAYABLES

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

	As at June 30 2021 RMB'000 (unaudited)	As at December 31 2020 RMB'000 (audited)
Within 6 months	423,684	1,259,508
6 months to 1 year	557,240	127,757
1 year to 2 years	139,044	518,189
2 years to 3 years	882,863	158,673
Over 3 years	3,981	11,359
	<b>2,006,812</b>	<b>2,075,486</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, 2021			As at December 31, 2020		
	Effective interest rate (%)	Maturity (unaudited)	RMB'000	Effective interest rate (%)	Maturity (audited)	RMB'000
<b>Current</b>						
Bank borrowings						
– secured	4.75-8.00	2022	231,350	5.66	2021	250,000
Other borrowings						
– secured	11.00	2022	258,472	–	–	–
– unsecured	11.00	2022	32,295	–	–	–
Current portion of long term bank borrowings						
– secured	9.75	2022	50,000	4.75-9.75	2021	98,000
			<b>572,117</b>			<b>348,000</b>
<b>Non-current</b>						
Bank borrowings						
– secured	5.50	2023	250,000	4.75-8.00	2022	232,450
			<b>822,117</b>			<b>580,450</b>

# Notes to Interim Condensed Consolidated Financial Statements

June 30, 2021

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

	As at June 30 2021 RMB'000 (unaudited)	As at December 31 2020 RMB'000 (audited)
Analysed into:		
Bank and other borrowings repayable:		
Within one year or on demand	572,117	348,000
In the second year	250,000	232,450
	<b>822,117</b>	<b>580,450</b>

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 2021 RMB'000 (unaudited)	As at December 31 2020 RMB'000 (audited)
Investment properties	140,400	140,400
Properties under development	500,391	303,507
Completed properties held for sale	-	27,661
Property, plant and equipment	62,231	63,320
Right of use assets	8,464	8,579

Save as the above assets pledged as collateral, the Group pledged the equity of certain subsidiaries for financing purposes.

# Notes to Interim Condensed Consolidated Financial Statements

June 30, 2021

## 15. SHARE CAPITAL

Shares	As at June 30 2021 HK\$'000 (unaudited)	As at December 31 2020 HK\$'000 (audited)
Authorised: 2,000,000,000 (December 31, 2020: 2,000,000,000) ordinary shares of HK\$0.01 each	20,000	20,000
	As at June 30 2021 RMB'000 (unaudited)	As at December 31 2020 RMB'000 (audited)
Issued and fully paid: 809,456,000 (December 31, 2020: 809,456,000) ordinary shares of HK\$0.01 each	7,281	7,281

## 16. CONTINGENT LIABILITIES

As at June 30, 2021, the Group has provided guarantees in respect of mortgage facilities for certain purchasers of the Group's properties amounting to approximately RMB1,719.6 million (As at December 31, 2020: RMB1,718.7 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, 2021.

# Notes to Interim Condensed Consolidated Financial Statements

June 30, 2021

## 17. COMMITMENTS

The Group had the following capital commitments:

	As at June 30 2021 RMB'000 (unaudited)	As at December 31 2020 RMB'000 (audited)
Contracted, but not provided for: Construction contracting	483,338	267,458

## 18. RELATED PARTY TRANSACTIONS

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

	For the six months ended June 30	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Loan from related parties	32,295	–
Payment of interests to related parties	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	751	475
Other rental income	800	750

(b) Other transactions with related parties

As at June 30, 2021, one Director of the Company provided guarantee to the Group's interest-bearing bank and other borrowings of RMB290,767,000 (December 31, 2020: RMB48,000,000).

# Notes to Interim Condensed Consolidated Financial Statements

June 30, 2021

## 18. RELATED PARTY TRANSACTIONS (Continued)

### (c) Outstanding balances with related parties

	As at June 30 2021 RMB'000 (unaudited)	As at December 31 2020 RMB'000 (audited)
<b>Prepayments, other receivables and other assets:</b>		
Advances to related parties (note 1)	3,999	3,198
Advances to the ultimate holding company (note 2)	6,301	170
<b>Other payables and accruals:</b>		
Amounts due to other related parties (note 1)	4,459	4,309
Due to the ultimate holding company (note 1)	–	23,970
Interest-bearing borrowings from the ultimate holding company (note 3)	32,295	–

Notes:

- Balances with the above related parties were unsecured, non-interest-bearing, repayable on demand and non-trade.
- The balance was unsecured, interest-bearing at 11% per annum, repayable on demand and non-trade.
- The balance was unsecured, interest-bearing at 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.

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

	For the six months ended June 30	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Short-term employee benefits	4,759	6,674
Pension scheme contributions	42	48
<b>Total compensation paid to senior management personnel</b>	<b>4,801</b>	<b>6,722</b>

# Notes to Interim Condensed Consolidated Financial Statements

June 30, 2021

## 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 2021 RMB'000 (unaudited)	As at December 31 2020 RMB'000 (audited)	As at June 30 2021 RMB'000 (unaudited)	As at December 31 2020 RMB'000 (audited)
<b>Financial assets</b>				
Equity investments designated at fair value through other comprehensive income	148,000	138,000	148,000	138,000
Financial assets at fair value through profit or loss	264,047	205,687	264,047	205,687
	<b>412,047</b>	343,687	<b>412,047</b>	343,687

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivables, financial assets included in prepayments, other receivables and other assets, trade payables and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's management is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, management analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

Financial assets at fair value through profit or loss represent listed equity investments where the fair value is based on quoted market prices.

As at June 30, 2021 and December 31, 2020, the management has applied the comparable companies' market value approach in determining fair value of unlisted equity investments, which is classified as equity investments at FVOCI under IFRS 9, using price to earnings ratio ("P/E") multiple, which are calculated by using comparable companies' financial statements, to determine the fair value of the unlisted equity investments and taking into account of the appropriate adjustment for marketability discount. Comparable companies are based on similarity of business nature and profitability. The fair value measurement of the equity investments at FVOCI is categorised within Level 3 of the fair value hierarchy.

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, 2021 and December 31, 2020 was assessed to be insignificant.

# Notes to Interim Condensed Consolidated Financial Statements

June 30, 2021

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

(Continued)

### Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

	The following levels of fair value measurements are used at June 30, 2021			
	Quoted price in active markets (level 1) RMB'000 (unaudited)	Significant observable inputs (level 2) RMB'000 (unaudited)	Significant unobservable inputs (level 3) RMB'000 (unaudited)	Total RMB'000 (unaudited)
Recurring fair value measurements:				
Equity investments designated as at fair value through other comprehensive income	-	-	148,000	148,000
Financial assets at fair value through profit or loss	264,047	-	-	264,047

	The following levels of fair value measurements are used at December 31, 2020			
	Quoted price in active markets (level 1) RMB'000 (audited)	Significant observable input (level 2) RMB'000 (audited)	Significant unobservable input (level 3) RMB'000 (audited)	Total RMB'000 (audited)
Recurring fair value measurements:				
Equity investments designated as at fair value through other comprehensive income	-	-	138,000	138,000
Financial assets at fair value through profit or loss	205,687	-	-	205,687

# Notes to Interim Condensed Consolidated Financial Statements

June 30, 2021

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

*(Continued)*

### Fair value hierarchy *(Continued)*

There are no transfers of fair value measurements between level 1 and level 2 and no transfers to or from level 3 for the six months ended June 30, 2021 (six months ended June 30, 2020: nil).

Reconciliation of fair value measurements classified to level 3 of the fair value hierarchy:

### Equity investments designated at fair value through other comprehensive income

	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
As at 1 January	138,000	143,000
Total revenue recognised in other comprehensive income	10,000	–
As at 30 June	148,000	143,000

## 20. APPROVAL OF THE FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the Board on August 25, 2021.