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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1427)

UNAUDITED INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED JUNE 30, 2022

FINANCIAL HIGHLIGHTS

| | <i>Notes</i> | Six months ended June 30 | |
|---|--------------|---------------------------------|--------------------|
| | | 2022 | 2021 |
| | | RMB'000 | RMB'000 |
| | | (unaudited) | (unaudited) |
| Revenue | | | |
| – Property development and other business | | 364,539 | 106,792 |
| – Construction contracting business | | 629,399 | 769,573 |
| Gross profit | | 77,650 | 93,840 |
| Underlying (loss)/profit | <i>1</i> | (13,393) | 37,048 |
| Reported (loss)/profit | <i>2</i> | (43,245) | 32,186 |
| | | RMB | RMB |
| (Loss)/earnings per share | | (0.05) | 0.04 |

Notes:

- Underlying (loss)/profit is calculated as reported (loss)/profit less fair value loss on financial assets through profit or loss and loss on disposal on financial assets at fair value through profit or loss, and is not prepared under the IFRSs.
- Reported (loss)/profit is prepared under the IFRSs.

INTERIM DIVIDEND

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

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of China Tianbao Group Development Company Limited (the “**Company**”) is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended June 30, 2022 (the “**Reporting Period**”) prepared under the International Financial Reporting Standards (the “**IFRSs**”), together with comparative figures for the six months ended June 30, 2021 (the “**2021 Corresponding Period**”), as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Six months ended June 30, 2022

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*Six months ended June 30, 2022*

| | 2022 RMB'000 (unaudited) | 2021 <i>RMB'000</i> (unaudited) |
|---|---|---------------------------------------|
| (LOSS)/PROFIT FOR THE PERIOD | <u>(43,245)</u> | <u>32,186</u> |
| 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 | <u>(3,247)</u> | <u>(4,215)</u> |
| Net other comprehensive income that may be reclassified to profit or loss in subsequent periods | (3,247) | (4,215) |
| Other comprehensive income that will not be reclassified to profit or loss in subsequent periods: | | |
| Equity investments designated at fair value through other comprehensive income: | | |
| Changes in fair value | 8,485 | 10,000 |
| Income tax effect | <u>—</u> | <u>(2,500)</u> |
| OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX | <u>5,238</u> | <u>3,285</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | <u>(38,007)</u> | <u>35,471</u> |
| Attributable to: | | |
| Owners of the parent | <u>(38,007)</u> | <u>35,471</u> |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of June 30, 2022

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(CONTINUED)

As of June 30, 2022

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

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

During the six months ended June 30, 2022, the Group was involved in the following principal activities:

- Construction contracting
- Property development and others

In the opinion of the Directors, the holding company and the ultimate holding company of the Company is Jixiang International Industrial Company Limited, which is incorporated in the British Virgin Islands.

2.1 BASIS OF PREPARATION

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

| | |
|--|---|
| Amendments to IFRS 3 | <i>Reference to the Conceptual Framework</i> |
| Amendments to IAS 16 | <i>Property, Plant and Equipment: Proceeds before Intended Use</i> |
| Amendments to IAS 37 | <i>Onerous Contracts – Cost of Fulfilling a Contract</i> |
| <i>Annual Improvements to HKFRSs 2018-2020</i> | Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41 |

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

3. OPERATING SEGMENT INFORMATION

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

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

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

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

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

| As at June 30, 2022 | Construction contracting RMB'000 (unaudited) | Property development and others RMB'000 (unaudited) | Total RMB'000 (unaudited) |
|---|---|--|--|
| Segment assets | 5,532,720 | 10,262,663 | 15,795,383 |
| <i>Reconciliation:</i> | | | |
| Eliminations of intersegment receivables | | | <u>(8,813,510)</u> |
| Total assets | | | <u>6,981,873</u> |
| Segment liabilities | 4,277,183 | 7,157,235 | 11,434,418 |
| <i>Reconciliation:</i> | | | |
| Eliminations of intersegment payables | | | <u>(5,824,654)</u> |
| Total liabilities | | | <u>5,609,764</u> |
| | | | |
| For the six months ended June 30, 2021 | Construction contracting RMB'000 (unaudited) | Property development and others RMB'000 (unaudited) | Total RMB'000 (unaudited) |
| Segment revenue (note 4): | | | |
| Sales to external customers | 769,573 | 106,792 | 876,365 |
| Intersegment sales | 300,148 | – | 300,148 |
| Total revenue | <u>1,069,721</u> | <u>106,792</u> | <u>1,176,513</u> |
| <i>Reconciliation:</i> | | | |
| Eliminations of intersegment sales | | | <u>(300,148)</u> |
| Revenue | | | <u>876,365</u> |
| Segment results | 19,750 | 28,968 | 48,718 |
| <i>Reconciliation:</i> | | | |
| Eliminations of intersegment results | | | <u>(12,354)</u> |
| Profit before tax | | | <u>36,364</u> |

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

4. REVENUE

An analysis of revenue is as follows:

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

Revenue from contracts with customers**Disaggregated revenue information**

For the six months ended June 30, 2022

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

For the six months ended June 30, 2021

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

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

For the six months ended June 30, 2022

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

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) |
|--|---|--|--|
| Revenue from contracts with customers | | | |
| External customers | 769,573 | 101,057 | 870,630 |
| Intersegment sales | 300,148 | – | 300,148 |
| | <u>1,069,721</u> | <u>101,057</u> | <u>1,170,778</u> |
| Intersegment eliminations | (300,148) | – | (300,148) |
| | <u>(300,148)</u> | <u>–</u> | <u>(300,148)</u> |
| Total revenue from contracts with customers | <u>769,573</u> | <u>101,057</u> | <u>870,630</u> |

5. (LOSS)/PROFIT BEFORE TAX

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

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

6. INCOME TAX

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

Subsidiaries of the Group operating in Mainland China were subject to the People's Republic of China ("PRC") corporate income tax rate of 25% in accordance with the PRC Corporate Income Tax Law for the six months ended June 30, 2022.

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

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

9. PROPERTY, PLANT AND EQUIPMENT

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

10. PROPERTIES UNDER DEVELOPMENT

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

11. COMPLETED PROPERTIES HELD FOR SALE

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

12. TRADE RECEIVABLES

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

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

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.

13. TRADE PAYABLES

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

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

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

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

| | As at June 30, 2022 | | | As at December 31, 2021 | | |
|--|-----------------------------|----------------------|----------------|-----------------------------|-------------------------------|----------------|
| | Effective interest rate (%) | Maturity (unaudited) | RMB'000 | Effective interest rate (%) | Maturity (audited) | RMB'000 |
| Current | | | | | | |
| Other borrowings | | | | | | |
| – secured | 12.00 | 2023 | 265,638 | 11.00 | 2022 | 253,974 |
| – unsecured | 12.00 | 2023 | 33,205 | 11.00 | 2022 | 31,733 |
| Current portion of long term bank borrowings | | | | | | |
| – secured | 5.50-6.50 | 2023 | 358,500 | 4.75-9.75 | 2022 | 166,000 |
| | | | 657,343 | | | 451,707 |
| Non-current | | | | | | |
| Bank borrowings | | | | | | |
| – secured | 5.50-8.70 | 2023-2025 | 164,700 | 5.50-8.70 | 2023 | 344,000 |
| | | | 822,043 | | | 795,707 |
| | | | | As at June 30 2022 | As at December 31 2021 | |
| | | | | RMB'000 | RMB'000 | |
| | | | | (unaudited) | (audited) | |
| Analysed into: | | | | | | |
| Bank and other borrowings repayable: | | | | | | |
| Within one year or on demand | | | | 657,343 | | 451,707 |
| In the second year | | | | 94,700 | | 344,000 |
| In the third to fifth years, inclusive | | | | 70,000 | | – |
| | | | | 822,043 | | 795,707 |

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

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

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

15. SHARE CAPITAL

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

16. CONTINGENT LIABILITIES

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

The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon the issuance of real estate ownership certificates to the purchasers, which will generally be available within one to two years after the purchasers take possession of the relevant properties.

The Directors consider that the fair value of the guarantees is not significant, and in case of default on payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalties. Therefore, no provision for the guarantees has been made in the financial statements for the six months ended June 30, 2022.

17. COMMITMENTS

The Group had the following capital commitments:

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

18. RELATED PARTY TRANSACTIONS

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

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

(b) **Outstanding balances with related parties**

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

Notes:

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

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

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

19. APPROVAL OF THE FINANCIAL STATEMENTS

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

- Property development business. As a property developer, the Group focuses primarily on the development and sales of residential properties, and leasing and operation of an investment property.
- Construction contracting business. As a construction company, the Group provides construction contracting services mainly as a general contractor for building construction projects, infrastructure construction projects, and industrial and commercial construction projects.

For the six months ended June 30, 2022, the Group's revenue was approximately RMB994 million, representing an increase of 13.4% comparing to RMB876 million for the 2021 Corresponding Period.

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

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

The reported loss for the Reporting Period amounted to approximately RMB43 million, representing a difference of approximately RMB75 million comparing to the reported profit of RMB32 million for the 2021 Corresponding Period, which was mainly attributable to a decrease of gross profit in property development business and construction contracting business, a fair value loss on financial assets through profit or loss recorded in the Reporting Period and an increase in the impairment losses on financial and contract assets.

Reconciliation of underlying (loss)/profit and reported (loss)/profit:

| | For the six months ended June 30 | |
|---|---|----------------------|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| Reported (loss)/profit | (43,245) | 32,168 |
| Fair value loss on financial assets through profit or loss | 4,694 | 4,862 |
| Loss on disposal of financial assets at fair value through profit or loss | 25,158 | — |
| Underlying (loss)/profit | <u>(13,393)</u> | <u>37,048</u> |

REVIEW FOR THE FIRST HALF OF 2022

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

The real estate industry

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

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

The construction industry

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

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

OUTLOOK FOR THE SECOND HALF OF 2022

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

The real estate industry

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

The construction industry

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

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

The healthcare project

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

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

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

* *for identification purpose only*

BUSINESS REVIEW

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

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

(i) Property development business

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

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

| Business line | Nature of revenue | For the six months ended June 30 | | | |
|---|------------------------------------|--|--|--|--|
| | | 2022 | | 2021 | |
| | | Revenue <i>RMB'000</i> (unaudited) | Percentage of total revenue (%) (unaudited) | Revenue <i>RMB'000</i> (unaudited) | Percentage of total revenue (%) (unaudited) |
| Property development and sales | Sales of residential properties | 359,555 | 98.6 | 101,057 | 94.6 |
| Commercial property investment and operations | Rental income | 4,984 | 1.4 | 5,735 | 5.4 |
| Total | | <u>364,539</u> | <u>100.0</u> | <u>106,792</u> | <u>100.0</u> |

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

Projects in Zhuozhou

Tianbao Green City (天保綠城)

Located on the north side of Guanyun Road and the west side of Xuyi Village in Zhuozhou, the project covers a total site area of 33,764.1 square metre (“sq.m.”). The project has convenient transportation facilities connecting Beijing-Shijiazhuang High-speed Railway and Beijing-Hong Kong-Macao Expressway. The gross floor area (“GFA”) of the project is approximately 105,000 sq.m., including high-rise residential buildings, commercial properties and parking lots. As of June 30, 2022, 872 units have been launched and 827 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 approximately 17,593.3 sq.m. and has a GFA of approximately 48,000 sq.m., including high-rise residential buildings. There are 480 units in the project. As of June 30, 2022, 447 units have been sold 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, 2022, 1,816 units have been launched and 389 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” for the property development industry in 2019. Baoxin International Building has contributed stable rental income to the Group.

Projects in Zhangjiakou

Tianbao New City (天保新城)

The project is located in the core area of Zhangbei County, at the intersection of Zhongdu Street and Xinghe Road in Zhangbei County. It covers a site area of approximately 230,000 sq.m., with a total GFA of approximately 600,000 sq.m. The project is developed and constructed in three phases, mainly high-rise and middle-high-rise buildings, consisting of 46 residential buildings, community clubs, kindergartens and a large-scale commercial complex Zhongdu Ginza (中都銀座). As of June 30, 2022, there were only a small amount of unsold units in the first and second phases of Tianbao New City, and about 105 units in the third phase were unsold.

Tianbao New City – Zhangbei Zhongdu Ginza (天保新城—張北中都銀座)

The project is located in the northwest of the residential area of Tianbao New City, mainly consisting of two high-rise apartments, office buildings and commercial podiums, being a landmark building in Zhangbei County. The project is a comprehensive high-end commercial building integrating shopping malls, cinemas, catering, conferences, offices, hotels, leisure, business and other functions, with a total GFA of approximately 86,690.5 sq.m. The mall portion of which, named Tianbao Plaza (天保廣場), is a 5-storey diversified shopping hotspot with supermarkets, lifestyle stores, restaurants and cinemas. Pre-sale of high-rise apartments began in September 2020, with the portions sold commenced delivery to purchasers in 2021.

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

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

Tianbao Edelweiss City (天保雪絨花都)

The residential and commercial project is located on the north side of Yu County Economic Development Zone, with urban planning roads in the south, Edelweiss Avenue in the north, Industrial Street in the east and urban planning roads in the west. It consists of residential communities and commercial facilities. The project covers an area of approximately 155,000 sq.m., with a total GFA of approximately 430,000 sq.m. Star-rated hotels, AAAAA-level office buildings and high-end communities will be built to create a multi-functional and high-efficiency urban complex integrating commercial offices, landmark buildings, residence, catering and entertainment. Pre-sale of Tianbao Edelweiss City with a total of 1,228 residential units have been launched in 2019. As of June 30, 2022, 978 units under this project have been sold, and were delivered to purchasers in the 4th quarter of 2021.

Tianbao Boyue Bay (天保铂悦湾)

The project is located in the southwest of the urban area of Yu County, with West Outer Ring Road in the east, Qianjin West Road in the west, Heping West Road in the south and Lipuzi Village in the north. The project includes middle-high-rise residential units, high-rise residential units and commercial properties, covering an area of approximately 81,815 sq.m. and a total planned GFA of approximately 193,000 sq.m. The construction work of the project started in 2019, and the pre-sale began in 2020. Tianbao Boyue Bay has a total of 720 residential units, and 660 units have been sold as of June 30, 2022, and were delivered to purchasers in the first half of 2022.

Tianbao Jingbei Health City (天保京北健康城)

The project is located in Tumu Village, Tumu Town, Yanshan Cultural New City, Huailai County, adjacent to Guanting Lake to enjoy unique and spectacular scenery and within easy reach of Beijing-Tibet Expressway, Beijing-Xinjiang Expressway, 110 National Highway and Beijing-Zhangjiakou High-speed Railway to enjoy the capital's half-an-hour life circle. The project includes the residential part, namely Tianbao Hushan Yard (天保湖山大院), and the commercial part including apartments and a hospital, namely Jingbei Health City (京北健康城). The project covers a total area of approximately 200,000 sq.m., with a planned GFA of approximately 532,000 sq.m. Tianbao Hushan Yard plans to build 31 residential buildings, and the construction has started in mid-2017 while pre-sales started at the end of 2020. Jingbei Health City is a medical and healthcare project consisting of apartments and a hospital, providing supporting facilities for the elderly and medical care. For the apartments, there are five smart health apartments with a saleable GFA of about 60,000 sq.m. The hospital has a 13-storey inpatient department, a 4-storey outpatient department and a 2-storey ground floor area with a GFA of approximately 60,000 sq.m. Pre-sale of the apartments began in mid-2020. During the Reporting Period, the project was constructed according to the predetermined work schedule. The interior and exterior finishes of the apartments were completed and greening work was underway.

Tianbao Jingxifu (天保京西府)

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

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

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

Land Reserves

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

| Regions | Completed | | Under development | Future development | Total land reserves | Percentage of total land reserves by geographical location (%) |
|-------------|--------------------------------|--|--|------------------------|----------------------|--|
| | Unsold saleable GFA (sq.m.) | Rentable GFA held for property investment (sq.m.) | Planned GFA under development (sq.m.) | Planned GFA (sq.m.) | Total GFA (sq.m.) | |
| Zhuozhou | 26,588 | 44,336 | 134,658 | 175,435 | 381,017 | 22.2 |
| Zhangjiakou | 203,002 | – | 552,937 | 577,895 | 1,333,834 | 77.8 |
| Total | <u>229,590</u> | <u>44,336</u> | <u>687,595</u> | <u>753,330</u> | <u>1,714,851</u> | <u>100.0</u> |

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.

(ii) Construction contracting business

The Group has been engaged in the construction contracting business since 1998, as a general contractor for building, industrial, commercial and infrastructure construction projects. The Group generates a majority of its revenue from construction contracting business. During the Reporting Period, the Group generated a majority of its construction contracting revenue from construction projects located in Beijing-Tianjin-Hebei region, mainly in Hebei Province and Beijing. The Group's construction projects in other geographical locations were mainly located in Inner Mongolia, Anhui Province, Hubei Province and Shandong Province.

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

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

Project Types

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Backlog and New Contract Value

Backlog value

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

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

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

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

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

New Contract Value

New contract value represents the aggregate value of contracts entered into by the Group during the Reporting Period and for the 2021 Corresponding Period. The contract value is the amount that the Group expects to receive under the terms of the contract if the contract is performed by the Group in accordance with its terms.

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

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

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

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

After obtaining the Premium Class Certificate in 2017, the Group has been involved in larger-scale building construction projects with increased complexity and higher returns nationwide. The value of the new contracts entered into by the Group amounted to approximately RMB874.6 million during the Reporting Period. The newly contracted regions expanded from focusing on the Beijing-Tianjin-Hebei region to Inner Mongolia and Anhui Province, etc.

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

FINANCIAL REVIEW

1. Revenue

The revenue of the Group was primarily derived from two business segments: (i) property development business; and (ii) construction contracting business. Total revenue increased by 13.4% from approximately RMB876 million for the 2021 Corresponding Period to approximately RMB994 million for the Reporting Period, mainly due to the facts that in order to ensure the collection of payment from the construction contracting business, the Group reduced the number of contracts for general construction contracting involving the business of property developers, resulting in the decrease in revenue from building construction; the Group delivered a mass of properties with lower selling prices, resulting in the increase in the revenue from properties during the Reporting Period as compared to the 2021 Corresponding Period.

1.1 Property development business

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

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

The rental income of the Group was primarily derived from lease of commercial investment properties. The Group holds these commercial investment properties for capital appreciation and leases them to generate rental income. As of June 30, 2022, the Group held one commercial investment property, Baoxin International Building, which had a rentable GFA of 44,336.1 sq.m..

1.2 Construction contracting business

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

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

2. Cost of sales

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

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

3. Gross profit and gross profit margin

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

4. Selling and distribution expenses

The Group's selling and distribution expenses primarily consist of (i) advertising, marketing and business development expenses; and (ii) staff costs in relation to our sales personnel.

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

5. Administrative expenses

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

The Group's administrative expenses increased by 3.6% from approximately RMB32 million for the 2021 Corresponding Period to approximately RMB33 million for the Reporting Period. Staff costs (including Directors' remuneration) amounted to approximately RMB12 million during the Reporting Period (for the 2021 Corresponding Period: approximately RMB14 million).

6. Finance costs

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

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

7. Income tax expenses

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

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

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

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

LIQUIDITY, FINANCE AND CAPITAL

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

1. Cash position

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

2. Future plans for material investments and capital assets

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

3. Significant investments held

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

4. Debts and pledge of assets

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

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

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

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

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

| | As of June 30 2022 RMB'000 (unaudited) | As of December 31 2021 RMB'000 (audited) |
|-------------------------------|---|--|
| Investment properties | 140,400 | 140,400 |
| Properties under development | 455,379 | 500,197 |
| Property, plant and equipment | 207,992 | 58,784 |
| Right-of-use assets | 8,235 | 8,349 |
| | <u>822,043</u> | <u>795,707</u> |

5. Key financial ratios

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

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

Notes:

1. 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.
2. 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%.
3. Net gearing ratios were calculated as total interest-bearing bank and other borrowings as of the end of the respective periods less cash and bank balances and pledged deposits as of the end of the respective periods divided by total equity as of the end of the respective periods and multiplied by 100%.

6. Capital commitments

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

7. Commitments

Operating Lease Commitments

The Group as a lessor

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

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

Contingent Liabilities

Mortgage guarantee

The Group has provided guarantees in respect of mortgage facilities for certain purchasers of the Group's properties amounting to approximately RMB1,629.0 million as of June 30, 2022 (as of December 31, 2021: approximately RMB1,380.3 million). The Group's guarantee period starts from the dates of the grant of relevant mortgage loans and ends upon the issuance of real estate ownership certificates to the purchasers, which will generally be available within one to two years after the purchasers take possession of the relevant properties.

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

8. Material acquisitions and disposals

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

9. Foreign currency risk

The Group primarily operates in the PRC. The majority of the Group's transactions were denominated and settled in RMB. Currently, the Group has not entered into any hedging activities aimed at or intended to manage our exposure to foreign exchange risk and did not use any financial instruments for hedging purposes. The Group will continue to monitor foreign exchange activities and safeguard the cash value of the Group with its best effort.

10. Interest rate risk

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

OTHERS

Employees and remuneration policies

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

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

During the Reporting Period, the Group's total staff costs (excluding the remuneration of the Directors and senior management) amounted to approximately RMB7.6 million (for the 2021 Corresponding Period: approximately RMB9.5 million), including salaries, wages, allowances and benefits.

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

In addition, the Group has adopted the share option scheme and the share award scheme for the purpose of providing incentives and rewards to eligible persons who contribute to the success of the Group's continual operation and development.

As of June 30, 2022, the Group had a total of 376 employees (as of June 30, 2021: 422 employees). The Group has established a comprehensive training system for our employees, based on their responsibilities, covering professional knowledge, technical, operational and managerial skills, corporate culture, internal control and other areas. Such programs are designed to foster career development for our employees and thus to invest in the future of the Group's human resources.

EVENTS AFTER THE REPORTING PERIOD

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

INTERIM DIVIDEND

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

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

During the Reporting Period, the Company and any of its subsidiaries did not purchase, sell or redeem any securities of the Company listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

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

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

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

The Company’s employees, who are likely to be in possession of inside information of the Company, have also been subject to the Model Code for securities transactions. No incident of non-compliance of the Model Code by the Company’s employees was noted by the Company during the Reporting Period.

AUDIT COMMITTEE

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

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

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the HKEXnews website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.chinatbjt.com. The 2022 interim report of the Company with all the information as required by the Listing Rules will be despatched to the shareholders of the Company (the “**Shareholders**”) and will be published on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

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

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

Hong Kong, August 24, 2022

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