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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)

**ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED
 DECEMBER 31, 2022**

FINANCIAL HIGHLIGHTS

	<i>Notes</i>	Year ended December 31	
		2022	2021
		RMB'000	RMB'000
Revenue			
– Property development and other business		468,458	690,819
– Construction contracting business		1,455,411	2,208,722
Gross profit		114,712	243,634
Underlying (loss)/profit	<i>1</i>	(159,435)	78,632
Reported (loss)/profit	<i>2</i>	(347,346)	41,808
		RMB	RMB
(Loss)/earnings per share		(0.43)	0.05

- Notes:* 1. Underlying (loss)/profit is calculated as reported (loss)/profit less fair value loss on investment properties, realised loss of financial assets at fair value through profit or loss and fair value loss on financial assets at fair value through profit or loss, and is not prepared under the IFRSs.
2. Reported (loss)/profit is prepared under the IFRSs.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended December 31, 2022 (for the year ended December 31, 2021: Nil).

RESULTS HIGHLIGHTS

The board (the “**Board**”) of directors (the “**Directors**”) of China Tianbao Group Development Company Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended December 31, 2022 (the “**Reporting Period**” or “**Year**”) prepared under the International Financial Reporting Standards (the “**IFRSs**”), together with comparative figures for the year ended December 31, 2021, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the year ended December 31	
		2022	2021
	Notes	RMB'000	RMB'000
REVENUE	4	1,923,869	2,899,541
Cost of sales		<u>(1,809,157)</u>	<u>(2,655,907)</u>
Gross profit		114,712	243,634
Other income and gains	4	(97,784)	16,113
Selling and distribution expenses		(1,277)	(3,559)
Administrative expenses		(65,879)	(62,875)
Impairment losses on financial and contract assets, net		(162,681)	(46,326)
Fair value loss on investment properties		(72,379)	–
Fair value loss on financial assets at fair value through profit or loss		(7,378)	(36,824)
Other expenses		(2,560)	(3,378)
Finance costs		<u>(70,866)</u>	<u>(57,989)</u>
(LOSS)/PROFIT BEFORE TAX	5	(366,092)	48,796
Income tax expense	6	<u>18,746</u>	<u>(6,988)</u>
(LOSS)/PROFIT FOR THE YEAR		<u>(347,346)</u>	<u>41,808</u>
Attributable to:			
Owners of the parent		<u>(347,346)</u>	<u>41,808</u>
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic and diluted			
– For (loss)/earnings for the year		<u>RMB(0.43)</u>	<u>RMB0.05</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended December 31	
	2022	2021
	RMB'000	RMB'000
(LOSS)/PROFIT FOR THE YEAR	<u>(347,346)</u>	<u>41,808</u>
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	<u>(10,235)</u>	<u>(3,749)</u>
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	<u>(10,235)</u>	<u>(3,749)</u>
Other comprehensive (loss)/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	<u>(51,270)</u>	<u>(8,154)</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	<u>(61,505)</u>	<u>(11,903)</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	<u>(408,851)</u>	<u>29,905</u>
Attributable to:		
Owners of the parent	<u>(408,851)</u>	<u>29,905</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at December 31	
		2022	2021
	<i>Notes</i>	RMB'000	<i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		220,244	227,947
Investment properties		239,800	140,400
Right-of-use assets		10,443	14,208
Other intangible assets		829	1,418
Equity investments designated at fair value through other comprehensive income		141,176	194,256
Financial assets at fair value through profit or loss		44,077	164,485
Deferred tax assets		84,485	85,525
		<hr/>	<hr/>
Total non-current assets		741,054	828,239
CURRENT ASSETS			
Inventories		53	69
Trade receivables	9	335,124	641,828
Contract assets		1,089,967	1,353,270
Properties under development		2,314,414	2,393,101
Completed properties held for sale		822,253	973,845
Prepayments, other receivables and other assets		320,837	247,006
Tax recoverable		24,346	27,989
Pledged deposits		402,796	223,288
Cash and cash equivalents		222,976	248,749
		<hr/>	<hr/>
Total current assets		5,532,766	6,109,145

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

		As at December 31	
		2022	2021
	<i>Notes</i>	RMB'000	<i>RMB'000</i>
CURRENT LIABILITIES			
Trade payables	<i>10</i>	1,762,454	2,228,185
Other payables and accruals		2,219,099	2,118,161
Interest-bearing bank and other borrowings		644,238	451,707
Lease liabilities		716	1,909
Tax payable		366,462	440,694
Total current liabilities		4,992,969	5,240,656
NET CURRENT ASSETS		539,797	868,489
TOTAL ASSETS LESS CURRENT LIABILITIES		1,280,851	1,696,728
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		260,000	344,000
Deferred tax liabilities		20,796	4,579
Lease liabilities		–	2,359
Total non-current liabilities		280,796	350,938
Net assets		1,000,055	1,345,790
EQUITY			
Equity attributable to owners of the parent			
Share capital		7,281	7,281
Reserves		992,774	1,338,509
Total equity		1,000,055	1,345,790

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

1. CORPORATE AND GROUP INFORMATION

China Tianbao Group Development Company Limited is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The principal place of business in Hong Kong was located at Unit 3326, 33/F, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Group is mainly engaged in (i) construction contracting; and (ii) 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 a limited liability company incorporated in the British Virgin Islands.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with IFRSs issued by the International Accounting Standards Board (the "IASB"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and equity investments which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

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

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

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

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

Going concern basis

As at 31 December 2022, the Group's current portion of interest-bearing bank and other borrowings amounted to approximately RMB644,238,000, while its cash and cash equivalents amounted to approximately RMB222,976,000. Subsequent to 31 December 2022, USD44,000,000 (equivalent to RMB305,139,000) of the offshore interest bearing bank and other borrowings was due on 6 February 2023 and unpaid as at the announcement date. In view of the volatility of the property market in China, coupled with the limited source of financing from the capital market, the Group may take longer time than expected to realise cash from the sale of its properties, and the proceeds from construction contracting and/or have the cash from external financing to meet its loan repayment obligations.

In view of the above circumstances, the Directors have given careful consideration to the Group's future liquidity requirements, operating performance and available sources of financing in assessing the Group's ability to operate as a going concern. The following plans and measures are formulated to manage the working capital and improve the financial position of the Group:

- (a) The Group continues to generate positive operating cash flows for the next twelve months by implementing various strategies to improve the Group's income from sales of properties and construction contract services, project management and rentals from investment properties to generate additional operating cash inflows and putting extra efforts on the collection of outstanding trade receivables and other receivables;
- (b) The Group is actively reviewing its debt structure and looking for funding opportunities; the Group is actively negotiating with several financial institutions to renew/obtain loans at a reasonable cost;
- (c) The Group continues to monitor capital expenditure to balance and relieve cash resource to support operations and take action to tighten cost controls over various operating expenses;
- (d) The Group continues to identify suitable investors and engage in discussions with certain potential investors on possible investments in certain property development projects to raise additional capital.

The Directors have reviewed the Group's cash flow forecast covering a period of twelve months from the end of the Reporting Period and are of the opinion that, taking into account of the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the Directors believe it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2022 on a going concern basis.

Notwithstanding the above, given the volatility of the property market in China and the uncertainties to obtain continuous support by the banks and the Group's creditors, material uncertainties exist as to whether management of the Company will be able to achieve its plans and measures as described above.

Should the going concern assumption be inappropriate, adjustments may have to be made to write down the values of assets to their recoverable amounts, to provide for any further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 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>
Annual Improvements to IFRSs 2018-2020	<i>Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41</i>

The nature and the impact of the revised IFRSs that are applicable to the Group are described below:

- (a) Amendments to IFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the “**Conceptual Framework**”) issued in June 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by IAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to IFRSs 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:
- *IFRS 9 Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i> ²
IFRS 17	<i>Insurance Contracts</i> ¹
Amendments to IFRS 17	<i>Insurance Contracts</i> ^{1,5}
Amendment to IFRS 17	<i>Initial Application of IFRS 17 and IFRS 9 – Comparative Information</i> ⁶
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)</i> ^{2,4}
Amendments to IAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)</i> ²
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> ¹
Amendments to IAS 8	<i>Definition of Accounting Estimates</i> ¹
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> ¹

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

² Effective for annual periods beginning on or after 1 January 2024

³ No mandatory effective date yet determined but available for adoption

⁴ As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024

⁵ As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

⁶ An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of IFRS 17

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor’s profit or loss only to the extent of the unrelated investor’s interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group’s financial statements.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the HKICPA issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

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

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

Amendments to IAS 12 narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

3. OPERATING SEGMENT INFORMATION

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

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

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

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 year ended 31 December 2022

	Construction contracting RMB'000	Property development and others RMB'000	Total RMB'000
Segment revenue (note 4)			
Sales to external customers	1,455,411	468,458	1,923,869
Intersegment sales	<u>226,202</u>	<u>–</u>	<u>226,202</u>
Total revenue	1,681,613	468,458	2,150,071
<i>Reconciliation:</i>			
Eliminations of intersegment sales			<u>(226,202)</u>
Revenue			<u><u>1,923,869</u></u>
Segment results	(130,831)	(222,774)	(353,605)
<i>Reconciliation:</i>			
Eliminations of intersegment results			<u>(12,487)</u>
Loss before tax			<u><u>(366,092)</u></u>
Segment assets	5,216,066	10,049,895	15,265,961
<i>Reconciliation:</i>			
Eliminations of intersegment receivables			<u>(8,992,141)</u>
Total assets			<u><u>6,273,820</u></u>
Segment liabilities	4,058,654	7,202,134	11,260,788
<i>Reconciliation:</i>			
Eliminations of intersegment payables			<u>(5,987,023)</u>
Total liabilities			<u><u>5,273,765</u></u>
Other segment information:			
Depreciation and amortisation	1,485	8,258	9,743
Impairment losses on financial and contract assets, net	163,654	(973)	162,681
Capital expenditure*	<u>206</u>	<u>46</u>	<u>252</u>

For the year ended 31 December 2021

	Construction contracting RMB'000	Property development and others RMB'000	Total RMB'000
Segment revenue (note 4)			
Sales to external customers	2,208,722	690,819	2,899,541
Intersegment sales	690,021	–	690,021
	<u>2,898,743</u>	<u>690,819</u>	<u>3,589,562</u>
<i>Reconciliation:</i>			
Eliminations of intersegment sales			<u>(690,021)</u>
Revenue			<u><u>2,899,541</u></u>
Segment results	43,559	17,171	60,730
<i>Reconciliation:</i>			
Eliminations of intersegment results			<u>(11,934)</u>
Profit before tax			<u><u>48,796</u></u>
Segment assets	6,073,682	10,415,536	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>
Other segment information:			
Depreciation and amortisation	1,406	9,004	10,410
Impairment losses on financial and contract assets, net	44,707	1,619	46,326
Capital expenditure*	<u>3,617</u>	<u>1,160</u>	<u>4,777</u>

* Capital expenditure consists of additions to property, plant and equipment and intangible assets.

Geographical information

(a) Revenue from external customers

The Group has derived substantially all of its revenue in the People's Republic of China ("PRC"), and hence, geographical information is not considered necessary.

(b) Non-current assets

	As at December 31	
	2022	2021
	RMB'000	RMB'000
Hong Kong	761	1,523
Mainland China	470,555	382,450
	<u>471,316</u>	<u>383,973</u>

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

Revenue of approximately RMB94,449,000 (2021: RMB166,551,000) was derived from sales by the construction contracting segment to a single customer, including sales to a group of entities which are known to be under common control with that customer.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue, other income and gains is as follows:

	For the year ended December 31	
	2022	2021
	RMB'000	RMB'000
Revenue from contracts with customers	1,912,000	2,888,490
Revenue from other sources		
Gross rental income from operating leases:		
Other lease payments, including fixed payments	11,869	11,051
	<u>1,923,869</u>	<u>2,899,541</u>

Revenue from contracts with customers

(a) Disaggregated revenue information

For the year ended 31 December 2022

	Construction contracting RMB'000	Property development RMB'000	Total RMB'000
Types of goods or services			
Construction contracting	1,455,411	–	1,455,411
Property development	–	456,589	456,589
	<u>1,455,411</u>	<u>456,589</u>	<u>1,912,000</u>
Total revenue from contracts with customers	<u>1,455,411</u>	<u>456,589</u>	<u>1,912,000</u>
Geographical market			
Mainland China	<u>1,455,411</u>	<u>456,589</u>	<u>1,912,000</u>
Timing of revenue recognition			
Goods transferred at a point in time	–	456,589	456,589
Services transferred over time	1,455,411	–	1,455,411
	<u>1,455,411</u>	<u>456,589</u>	<u>1,912,000</u>
Total revenue from contracts with customers	<u>1,455,411</u>	<u>456,589</u>	<u>1,912,000</u>

For the year ended 31 December 2021

	Construction contracting RMB'000	Property development RMB'000	Total RMB'000
Types of goods or services			
Construction contracting	2,208,722	–	2,208,722
Property development	–	679,768	679,768
	<u>2,208,722</u>	<u>679,768</u>	<u>2,888,490</u>
Total revenue from contracts with customers	<u>2,208,722</u>	<u>679,768</u>	<u>2,888,490</u>
Geographical market			
Mainland China	<u>2,208,722</u>	<u>679,768</u>	<u>2,888,490</u>
Timing of revenue recognition			
Goods transferred at a point in time	–	679,768	679,768
Services transferred over time	2,208,722	–	2,208,722
	<u>2,208,722</u>	<u>679,768</u>	<u>2,888,490</u>
Total revenue from contracts with customers	<u>2,208,722</u>	<u>679,768</u>	<u>2,888,490</u>

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

For the year ended 31 December 2022

Segment	Construction contracting <i>RMB'000</i>	Property development <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue from contracts with customers			
External customers	1,455,411	456,589	1,912,000
Intersegment sales	<u>226,202</u>	<u>–</u>	<u>226,202</u>
	1,681,613	456,589	2,138,202
Intersegment eliminations	<u>(226,202)</u>	<u>–</u>	<u>(226,202)</u>
Total revenue from contracts with customers	<u><u>1,455,411</u></u>	<u><u>456,589</u></u>	<u><u>1,912,000</u></u>

For the year ended 31 December 2021

Segment	Construction contracting <i>RMB'000</i>	Property development <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue from contracts with customers			
External customers	2,208,722	679,768	2,888,490
Intersegment sales	<u>690,021</u>	<u>–</u>	<u>690,021</u>
	2,898,743	679,768	3,578,511
Intersegment eliminations	<u>(690,021)</u>	<u>–</u>	<u>(690,021)</u>
Total revenue from contracts with customers	<u><u>2,208,722</u></u>	<u><u>679,768</u></u>	<u><u>2,888,490</u></u>

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Construction contracting	209,250	201,076
Property development	<u>337,929</u>	<u>667,232</u>
	<u><u>547,179</u></u>	<u><u>868,308</u></u>

(b) **Performance obligations**

Information about the Group's performance obligations is summarised below:

Construction contracting

The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 days from the date of billing. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

Property development

The performance obligation is satisfied when the customer obtains the physical possession or the legal title of the completed property and the Group has a present right to payment and the collection of the consideration is probable.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2022 RMB'000	2021 <i>RMB'000</i>
Amounts expected to be recognised as revenue:		
Within one year	1,830,724	3,114,152
After one year	6,574,186	2,901,908
	8,404,910	6,016,060

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to construction services, of which the performance obligations are to be satisfied within four years, while those related to property development are to be satisfied within two years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

	For the year ended December 31	
	2022 RMB'000	2021 <i>RMB'000</i>
Other income		
Interest income	6,955	3,184
Dividend income from equity investments designated at fair value through other comprehensive income	–	10,739
Dividend income from financial assets at fair value through profit or loss	970	668
Government grants	2,227	1,451
	10,152	16,042
(Loss)/Gains		
Realised loss of financial assets at fair value through profit or loss	(108,154)	–
Others	218	71
	(97,784)	16,113

5. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax is arrived at after charging:

	For the year ended December 31	
	2022	2021
	RMB'000	RMB'000
Cost of construction contracting	1,378,760	2,090,668
Cost of property development and others	430,397	565,239
Depreciation of property, plant and equipment	7,955	7,523
Depreciation of right-of-use assets	1,199	2,166
Amortisation of other intangible assets	589	721
Minimum lease payments under operating leases	73	180
Lease payments not included in the measurement of lease liabilities	1,274	1,331
Auditor's remuneration	2,000	2,000
Employee benefit expenses (excluding directors' and chief executive's remuneration):		
– Wages, salaries and allowances	14,648	14,597
– Social insurance	6,057	5,827
– Welfare and other expenses	614	1,669
	21,319	22,093
Impairment of trade receivables, net	177,038	42,028
Impairment of contract assets, net	(13,876)	2,510
Impairment losses on financial assets included in prepayments, other receivables and other assets	(481)	1,788
	162,681	46,326
Changes in fair value of investment properties	72,379	–
Dividend income from equity investments designated at fair value through other comprehensive income	–	(10,739)
Dividend income from financial assets at fair value through profit or loss	(970)	(668)
Interest income	(6,955)	(3,184)
Loss on disposal of items of property, plant and equipment, and prepaid land lease payments	110	–

6. INCOME TAX

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

Subsidiaries of the Group operating in Mainland China were subject to the PRC corporate income tax rate of 25% in accordance with the PRC Corporate Income Tax during the year.

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

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

	For the year ended December 31	
	2022	2021
	RMB'000	RMB'000
Current income tax	18,124	41,452
PRC LAT	(54,127)	(31,891)
Deferred income tax	17,257	(2,573)
Total tax charge for the year	(18,746)	6,988

7. DIVIDENDS

	2022	2021
	RMB'000	RMB'000
Interim – Nil (2021:Nil) per ordinary share	–	–

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

The calculation of the basic (loss)/earnings per share amounts is based on the (loss)/profit for the Year attributable to ordinary equity holders of the parent, and the ordinary shares of 808,314,000 (2021: 789,608,000) in issue during the year, as adjusted to reflect the number of shares exercised under the share award scheme during the year ended December 31, 2022.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2022 and 2021.

The calculation of basic and diluted (loss)/earnings per share is based on:

	For the year ended December 31	
	2022	2021
	RMB'000	RMB'000
Earnings		
(Loss)/profit attributable to ordinary equity holders of the parent, used in the basic (loss)/earnings per share calculation	<u>(347,346)</u>	<u>41,808</u>
	Number of shares	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic (loss)/earnings per share calculation	<u>808,314,000</u>	<u>789,608,000</u>

9. TRADE RECEIVABLES

	As at December 31	
	2022	2021
	RMB'000	RMB'000
Trade receivables	613,178	742,844
Impairment	<u>(278,054)</u>	<u>(101,016)</u>
	<u>335,124</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 as detailed below. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

At the end of the reporting period, the due settlements of the Group's retention receivables are as follows:

	As at December 31	
	2022	2021
	RMB'000	RMB'000
Retentions included in trade receivables	68,598	44,860
Provision for impairment	<u>(19,986)</u>	<u>(8,333)</u>
Retentions included in trade receivables, net	<u>48,612</u>	<u>36,527</u>

An ageing analysis of the Group's trade receivables excluding retentions at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

Trade receivables without retention receivables

	As at December 31	
	2022	2021
	RMB'000	<i>RMB'000</i>
Within 1 year	107,036	353,035
1 year to 2 years	151,650	129,138
2 years to 3 years	76,833	169,936
Over 3 years	209,061	45,875
	<hr/> 544,580 <hr/>	<hr/> 697,984 <hr/>

Retention receivables included in trade receivables represented the Group's unconditional right to receive upon completion of the warranty period of 1 to 5 years.

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

	As at December 31	
	2022	2021
	RMB'000	<i>RMB'000</i>
Within 1 year	120,060	349,288
1 year to 2 years	100,006	144,016
2 years to 3 years	52,746	137,595
Over 3 years	62,312	10,929
	<hr/> 335,124 <hr/>	<hr/> 641,828 <hr/>

The movements in the loss allowance for impairment of trade receivables are as follows:

	For the year ended December 31	
	2022	2021
	RMB'000	<i>RMB'000</i>
At beginning of year	101,016	58,988
Impairment losses, net	177,038	42,028
	<hr/> 278,054 <hr/>	<hr/> 101,016 <hr/>

10. TRADE PAYABLES

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

	As at December 31	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Within 6 months	459,101	765,973
6 months to 1 year	426,521	150,772
1 to 2 years	98,398	838,985
2 to 3 years	542,455	331,266
Over 3 years	235,979	141,189
	<hr/>	<hr/>
	1,762,454	2,228,185
	<hr/> <hr/>	<hr/> <hr/>

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

The Group principally engages in the following businesses:

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

Financial Results

For the year ended December 31, 2022, the Group's revenue was approximately RMB1,924 million, representing a decrease of 33.7% comparing to RMB2,900 million in 2021.

The underlying loss of the Group was approximately RMB159 million (2021: the underlying profit of RMB79 million).

The reported loss of the Group amounted to approximately RMB347 million, and the the reported profit amounted to approximately RMB42 million in 2021, mainly attributable to a decrease of gross profit in property development business, fair value loss on investment properties, realised loss of financial assets at fair value through profit or loss and impairment losses on financial and contract assets recorded in the year.

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

	For the year ended December 31	
	2022	2021
	RMB'000	RMB'000
Reported (loss)/profit	(347,346)	41,808
Fair value loss on investment properties	72,379	–
Realised loss of financial assets at fair value through profit or loss	108,154	–
Fair value loss on financial assets at fair value through profit or loss	7,378	36,824
Underlying (loss)/profit	<u>(159,435)</u>	<u>78,632</u>

Business Review

The Group's revenue for the year ended December 31, 2022 decreased by 33.7% to approximately RMB1,924 million (2021: RMB2,900 million).

The decrease in revenue of the property development business was mainly due to the fact that smaller amount of sales were recognised after the completion of the property sales. The decrease in revenue from the construction contracting business was mainly due to the lower revenue from building construction as the Group reduced the number of contracts for general construction contracting involving the business of property developers, to ensure the collection of payment from the construction contracting business; as well as the decrease in business volume, resulting from the subsequent delay in progress of construction and normal bidding because of the impact of the epidemic.

The Group's underlying loss was approximately RMB159 million (2021: underlying profit of approximately RMB79 million), which was primarily attributable to the fact that (i) 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 lower revenue and profit from building construction; (ii) due to the impact of the epidemic, the construction volume of the construction contracting business decreased and the sales of property projects in 2022 were less than the sales in 2021; (iii) the Group delivered a mass of properties with lower selling prices; (iv) an increase in provision for impairment of financial and contract assets on a prudent basis; and (v) fair value loss on investment properties.

As at December 31, 2022, the net assets of the Group were approximately RMB1,000 million (2021: RMB1,346 million), bank deposits of approximately RMB626 million (2021: RMB472 million) and total bank and other loans of approximately RMB904 million (2021: RMB796 million). As at December 31, 2022, the net debt (being total borrowings minus bank deposits) of the Group was approximately RMB278 million (2021: RMB324 million).

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

Segment	For the year ended December 31			
	2022		2021	
	Revenue	Percentage of	Revenue	Percentage of
	RMB'000	total revenue	RMB'000	total revenue
		(%)		(%)
Property development and other business	468,458	24.3	690,819	23.8
Construction contracting business	1,455,411	75.7	2,208,722	76.2
Total	<u>1,923,869</u>	<u>100.0</u>	<u>2,899,541</u>	<u>100.0</u>

Below is a review of each business segment of the Group.

(i) Property development and other business

The Group's property development business consists of (i) the development and sales of residential properties; and (ii) leasing and operation of investment properties. The revenue of the Group is derived from sales of residential properties and rental income from investment properties. As of December 31, 2022, the Group had a diverse portfolio of 22 property projects consisting of 19 residential and commercial properties, 2 investment properties and 1 hotel, which are all owned and developed by the Group. Among the 22 property projects, 7 projects are located in Zhuozhou and the remaining 15 projects are located in Zhangjiakou. Among these 22 projects, 14 projects were completed, 5 projects were under construction and 3 projects were held for future development. As of December 31, 2022, the Group had land reserves with a total gross floor area ("GFA") of approximately 1,739,812 square meters ("sq.m."), including (i) completed properties with a total unsold saleable GFA of approximately 212,944 sq.m. and a rentable GFA held for property investment of approximately 78,700 sq.m., accounting for approximately 16.8% of the Group's total land reserves; (ii) properties under development with a total planned GFA of approximately 694,838 sq.m., accounting for approximately 39.9% of the Group's total land reserves; and (iii) properties held for future development with a total planned GFA of approximately 753,330 sq.m., accounting for approximately 43.3% of the Group's total land reserves.

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

Business line	Nature of income	For the year ended December 31			
		2022		2021	
		Revenue RMB'000	Percentage of total revenue (%)	Revenue RMB'000	Percentage of total revenue (%)
Property development and sales	Sales of residential properties	456,589	97.5	679,768	98.4
Commercial property investment and operations	Rental income	11,869	2.5	11,051	1.6
Total		<u>468,458</u>	<u>100.0</u>	<u>690,819</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 sq.m. The project has convenient transportation facilities connecting Beijing-Shijiazhuang High-speed Railway and Beijing-Hong Kong-Macao Expressway. The GFA of the project is approximately 105,000 sq.m., including high-rise residential buildings, commercial properties and parking lots. As of December 31, 2022, 874 units have been launched and 808 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 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.. 1# and 3# buildings have a GFA of approximately 48,000 sq.m., including high-rise residential buildings. There are 480 units in these 2 buildings. As of December 31, 2022, 438 units have been sold for 1# and 3# buildings. The project has been delivered to purchasers in batches since 2020. 2# building has a GFA of 7,243.0 sq.m., including a high-rise residential building, with 56 units. 2# building is currently in the construction stage and is scheduled to be delivered in 2025.

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 currently its main parts are under construction stage. As of December 31, 2022, 934 units have been launched and 395 units have been sold for this project.

Baoxin International Building (保鑫國際大廈)

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

Projects in Zhangjiakou

Tianbao New City (天保新城)

The project is located in the core area of Zhangbei County, at the intersection of Zhongdu Street and Xinghe Road in Zhangbei County. It covers a site area of approximately 230,000 sq.m., with a total GFA of approximately 600,000 sq.m. The project is developed and constructed in three phases, mainly high-rise and middle-high-rise buildings, consisting of 46 residential buildings, community clubs, kindergartens and a large-scale commercial complex Zhongdu Ginza. As of December 31, 2022, the residential units of Tianbao New City were basically sold out, and few remaining street shops are on sale.

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

The project is located in the northwest of the residential area of Tianbao New City, mainly consisting of two high-rise apartments, office buildings and commercial podiums, being a landmark building in Zhangbei County. The project is a comprehensive high-end commercial building integrating shopping malls, cinemas, catering, conferences, offices, hotels, leisure, business and other functions, with a total GFA of approximately 86,690.5 sq.m. The mall portion of the project, named Tianbao Plaza, is a 5-storey diversified shopping hotspot with supermarkets, lifestyle stores, restaurants and cinemas, and officially opened in 2022. High-rise apartments started pre-sale in September 2020, with the portions sold to be delivered to purchasers since 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 available for sale. As of December 31, 2022, 1,183 residential units were sold.

Tianbao Edelweiss City (天保雪絨花都)

The project is a residential and commercial project located on the north side of Yu County Economic Development Zone, with urban planning roads in the south, Edelweiss Avenue in the north, Industrial Street in the east and urban planning roads in the west. It consists of residential communities and commercial facilities. The project covers a site area of approximately 155,000 sq.m., with a total GFA of approximately 430,000 sq.m. Star-rated hotels, AAAAA-level office buildings and high-end communities will be built to create a multi-functional and high-efficiency urban complex integrating commercial offices, landmark buildings, residence, catering and entertainment. Tianbao Edelweiss City has 1,942 residential units available for sale, of which pre-sale of Phase I and Phase II residential units launched in 2019 and 2021, respectively, and pre-sale of Phase III, comprising a total of 85 commercial units, launched in 2021. As of December 31, 2022, a total of 1,083 units have been sold, and were delivered to purchasers in the 4th quarter of 2021.

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 a site area of approximately 81,815 sq.m. and a total planned GFA of approximately 193,000 sq.m. The construction work of the project started in 2019, and the pre-sale began in 2020. Tianbao Boyue Bay has a total of 1,476 residential units available for sale, and as of December 31, 2022, 782 units have been sold, and were delivered to purchasers in the first half of 2022.

Tianbao Jingbei Health City (天保京北健康城)

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

Tianbao Jingxifu (天保京西府)

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

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

The project is a wholly self-owned project located in Zhangbei County, Zhangjiakou. As of December 31, 2022, the project has obtained all certificates. Conveniently located near Nasutu resort in Zhangjiakou, Hebei Province, Nasutu Hotel occupies a total site area of approximately 52,237 sq.m. and an aggregate GFA of approximately 33,967.5 sq.m. with a total of 180 guest rooms.

Land Reserves

The following table sets out the GFA breakdown of the Group's land reserves by geographical location as of December 31, 2022:

Region	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	26,213	44,336	141,901	175,435	387,885	22.3
Zhangjiakou	186,731	34,364	552,937	577,895	1,351,927	77.7
Total	212,944	78,700	694,838	753,330	1,739,812	100.0

Commercial Property Investment and Operations

The Group owns and operates Baoxin International Building and Tianbao Plaza, which the Group developed for long-term investment purposes. The Group holds these properties for capital appreciation and 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 the majority of its revenue from this business. For the year ended December 31, 2022, the Group generated the majority of its construction contracting revenue from construction projects located in Beijing-Tianjin-Hebei region, mainly in Hebei Province and in Beijing. The Group's construction projects in other geographical locations were mainly located in Inner Mongolia, Anhui, Hubei and Shandong Provinces. For the year ended December 31, 2022, the Group entered into new contracts with the aggregate value of approximately RMB2,959.9 million. As at December 31, 2022, the Group's aggregate backlog of construction projects was approximately RMB7,934.2 million.

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

Region	For the year ended December 31			
	2022		2021	
	Revenue <i>RMB'000</i>	Percentage of total revenue (%)	Revenue <i>RMB'000</i>	Percentage of total revenue (%)
Beijing-Tianjin-Hebei	861,210	59.2	1,678,344	76.0
Other	594,201	40.8	530,378	24.0
	<u>1,455,411</u>	<u>100.0</u>	<u>2,208,722</u>	<u>100.0</u>

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

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

Project Types

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

Project type	For the year ended December 31			
	2022		2021	
	Revenue	Percentage of	Revenue	Percentage of
	RMB'000	total revenue	RMB'000	total revenue
		(%)		(%)
Building construction	392,265	27.0	1,170,426	53.0
Industrial, commercial and infrastructure construction	<u>1,063,146</u>	<u>73.0</u>	<u>1,038,296</u>	<u>47.0</u>
Total	<u>1,455,411</u>	<u>100.0</u>	<u>2,208,722</u>	<u>100.0</u>

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 RMB788 million and an increase in revenue from industrial, commercial and infrastructure construction by approximately RMB25 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 this year:

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 approximately 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 approximately 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.

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)

The project is located in Ximalin Village, Ximalin Town, Wanquan District, Zhangjiakou City, Hebei Province, with a contract value of approximately 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 approximately 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.

Development Project for Tibetan Ecotourism of Jiangre Township, Linzhou County (林周縣江熱鄉藏地生態旅遊開發項目)

The project is located in Linzhou County, Lhasa City, Tibet Autonomous Region, with a contract value of approximately RMB14 million. The content of the project is the construction of featured resort camps, RV camps, tarpaulin camps, tree hotels, etc. in the tourist resort area.

Project for Government-subsidized Rental Housing of Shangqing Jiayuan Community (尚清嘉園小區保障性租賃住房項目)

The project is located in Baoding City, Hebei Province, with a contract value of approximately RMB549 million. The total GFA of the project is approximately 143,000 sq.m., with 11 residential buildings and other ancillary facilities. The expected completion date of the project is the end of 2025.

New Construction Project of Boye County Hospital Branch (博野縣醫院分院新建項目)

The project is located in Boye County, Baoding City, Hebei Province, with a contract value of approximately RMB155 million. The content of the project includes the construction of new internal and external wards buildings and other facilities, with a total GFA of approximately 41,000 sq.m.. The expected completion date of the project is 2024.

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 contract value of outstanding projects in the backlog by geographical locations as of the end of the Reporting Period:

Region	As of December 31			
	2022	Percentage of total contract	2021	Percentage of total contract
	Contract value <i>RMB million</i>	value (%)	Contract value <i>RMB million</i>	value (%)
Beijing-Tianjin-Hebei	2,953.8	37.2	2,466.1	35.7
Other	4,980.4	62.8	4,449.5	64.3
	7,934.2	100.0	6,915.6	100.0

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

Project type	As of December 31			
	2022	Percentage	2021	Percentage
	Contract value <i>RMB million</i>	of total contract value (%)	Contract value <i>RMB million</i>	of total contract value (%)
Building construction	2,690.1	33.9	2,277.1	32.9
Industrial, commercial and infrastructure construction	<u>5,244.1</u>	<u>66.1</u>	<u>4,638.5</u>	<u>67.1</u>
	<u>7,934.2</u>	<u>100.0</u>	<u>6,915.6</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. The contract value is the amount that the Group expects to receive under the terms of the contract if the contract is performed by the Group in accordance with its terms.

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

Region	For the year ended December 31			
	2022	Percentage	2021	Percentage
	Contract value <i>RMB million</i>	of total contract value (%)	Contract value <i>RMB million</i>	of total contract value (%)
Beijing-Tianjin-Hebei	1,676.4	56.6	1,646.8	30.9
Other	<u>1,283.5</u>	<u>43.4</u>	<u>3,683.3</u>	<u>69.1</u>
	<u>2,959.9</u>	<u>100.0</u>	<u>5,330.1</u>	<u>100.0</u>

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

Project type	For the year ended December 31			
	2022		2021	
	Contract value <i>RMB million</i>	Percentage of total contract value (%)	Contract value <i>RMB million</i>	Percentage of total contract value (%)
Building construction	1,099.0	37.1	1,006.1	18.9
Industrial, commercial and infrastructure construction	<u>1,860.9</u>	<u>62.9</u>	<u>4,324.0</u>	<u>81.1</u>
	<u>2,959.9</u>	<u>100.0</u>	<u>5,330.1</u>	<u>100.0</u>

After obtaining the Premium Class Certificate in 2017, the Group has been involving in larger-scale building construction projects with increased complexity and higher returns nationwide. The value of the new contracts entered into by the Group amounted to RMB2,959.9 million for the year ended December 31, 2022. The Group expanded the construction contracting business to regions other than Beijing-Tianjin-Hebei region during the year, including Anhui Province, Inner Mongolia, Shandong Province and Jiangsu Province.

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 of the Group decreased by 33.7% from approximately RMB2,900 million for the year ended December 31, 2021 to approximately RMB1,924 million for the year ended December 31, 2022.

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 fulfil the conditions for presales in accordance with PRC laws and regulations.

The aggregate GFA delivered decreased from approximately 135,000 sq.m. for the year ended December 31, 2021 to approximately 92,000 sq.m. for the year ended December 31, 2022 and the recognised revenue decreased from approximately RMB680 million for the year ended December 31, 2021 to approximately RMB457 million for the year ended December 31, 2022. The above changes were primarily attributable to no other major projects delivered to purchasers except for the large-scale delivery of Tianbao Boyue Bay, resulting in less area delivered during the year than that in 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 December 31, 2022, the Group held one commercial investment property, Baoxin International Building and one shopping mall, Tianbao Plaza, with a total rentable GFA of 78,700.4 sq.m.

1.2 Construction contracting business

The revenue of the Group's construction contracting business was primarily derived from the construction contracting services provided by the general contractors of building construction projects, infrastructure construction projects and industrial and commercial construction projects.

The overall decrease in the revenue from the Group's construction contracting business was primarily attributable to decrease in the number and scale of the building construction and industrial, commercial and infrastructure construction projects, as a result, revenue from this segment decreased by 34.1% from approximately RMB2,209 million for the year ended December 31, 2021 to approximately RMB1,455 million for the year ended December 31, 2022.

2. Cost of sales

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

The Group's cost of sales decreased from approximately RMB2,656 million for the year ended December 31, 2021 to approximately RMB1,809 million for the year ended December 31, 2022, representing a decrease of 31.9%, which was in line with the changes of property development business and construction contracting business of the Group.

3. Gross profit and gross profit margin

The following table sets forth a breakdown of gross profit and gross profit margin by business segment for the years indicated:

Segment	For the year ended December 31					
	2022		2021			
	Gross profit RMB'000	Percentage of gross profit (%)	Gross profit margin (%)	Gross profit RMB'000	Percentage of gross profit (%)	Gross profit margin (%)
Property development business	38,061	33.2	8.1	125,580	51.5	18.2
Construction contracting business	<u>76,651</u>	<u>66.8</u>	<u>5.3</u>	<u>118,054</u>	<u>48.5</u>	<u>5.3</u>
Total	<u><u>114,712</u></u>	<u><u>100.0</u></u>	<u><u>6.0</u></u>	<u><u>243,634</u></u>	<u><u>100.0</u></u>	<u><u>8.4</u></u>

The Group's gross profit decreased from approximately RMB244 million for the year ended December 31, 2021 to approximately RMB115 million for the year ended December 31, 2022, representing a decrease of 52.9%, which was primarily attributable to the decrease in gross profit of the Group's property development business from approximately RMB126 million for the year ended December 31, 2021 to approximately RMB38 million for the year ended December 31, 2022. The Group's gross profit margin decreased from 8.4% for the year ended December 31, 2021 to 6.0% for the year ended December 31, 2022. Among the projects that have been delivered to the purchasers during the Year, Tianbao Boyue Bay has delivered an area of approximately 57,000 sq.m. with low average selling prices and low gross profit margin, resulting in the decrease in gross profit margin of the Group's property development business from 18.2% for the year ended December 31, 2021 to 8.1% for the year ended December 31, 2022. The gross profit margin of the construction contracting business remained relatively stable at 5.3% for the year ended December 31, 2022 (2021: 5.3%).

4. Other income and gains

The Group's other income and gains included the recognition of government funding of approximately RMB2.2 million (2021: RMB1.5 million), the dividend income received from equity investments designated at fair value through other comprehensive income of approximately RMB Nil (2021: RMB10.7 million) and realised loss of financial assets at fair value through profit or loss of approximately RMB108 million (2021: Nil).

5. Selling and distribution expenses

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

The Group's selling and distribution expenses decreased by approximately RMB2.3 million from approximately RMB3.6 million for the year ended December 31, 2021 to approximately RMB1.3 million for the year ended December 31, 2022. Most of the selling and distribution expenses were capitalised to property development projects during the Year.

6. Administrative expenses

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

The Group's administrative expenses increased by 4.8% from approximately RMB62.9 million for the year ended December 31, 2021 to approximately RMB65.9 million for the year ended December 31, 2022. Staff costs (including Directors' remuneration) amounted to approximately RMB30.3 million (2021: RMB31.4 million), which was mainly due to a decrease in the number of staff, thus a lower of staff costs.

7. Impairment losses on financial assets and contract assets, net

The Group performs an impairment analysis as of December 31, 2022 using a provision matrix to measure expected credit losses ("ECLs"). The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date. An impairment analysis is performed at each reporting date using a provision matrix to measure ECLs.

For the year ended December 31, 2022, the Group's net impairment losses on financial assets amounted to approximately RMB162.7 million (2021: RMB46.3 million), primarily due to the Group considered the impairment of financial and contract assets on a prudent basis.

8. Finance costs

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

The Group's finance costs increased by 22.2% from approximately RMB58.0 million for the year ended December 31, 2021 to approximately RMB70.9 million for the year ended December 31, 2022, as the loans obtained by the Group from banks and other institutions increased by approximately RMB109 million compared to 2021, resulting in an increase in interest expenses.

9. Income tax expenses

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

The Group's income tax expenses decreased by 368% from approximately RMB7.0 million for the year ended December 31, 2021 to the reversal of approximately RMB18.7 million for the year ended December 31, 2022, which was mainly due to the decrease in provision for the Group's taxable profit derived from the property development business and construction contracting business and the reversal of LAT previously provided for the property development business due to the completion of settlement of LAT of some of the property projects.

10. Underlying (loss)/profit for the year

For the year ended December 31, 2022, the Group's underlying loss amounted to approximately RMB159 million, as compared to the underlying profit of approximately RMB79 million for the year ended December 31, 2021.

Liquidity, Finance and Capital

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

Cash position

As at December 31, 2022, the Group's total deposits, cash and cash equivalents amounted to approximately RMB626 million (2021: RMB472 million), which are denominated in RMB and Hong Kong dollars, respectively, including pledged deposits of approximately RMB403 million as at December 31, 2022 (2021: RMB223 million).

Future plans for material investments and acquisition of capital assets

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

As at 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.

Significant investments held

For the year ended December 31, 2022, the Group did not hold any significant investments.

Loan and pledge of assets

	As of December 31					
	2022			2021		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Secured other borrowings	11.00-12.00	2023	270,464	11.00	2022	253,974
Unsecured other borrowings	11.00-12.00	2023	34,675	11.00	2022	31,733
Current portion of secured long-term bank borrowings	5.50-8.70	2023	<u>339,099</u>	4.75-9.75	2022	<u>166,000</u>
			644,238			451,707
Non-current						
Secured bank borrowings	5.50-6.65	2024-2025	<u>260,000</u>	5.50-8.70	2023	<u>344,000</u>
			<u>904,238</u>			<u>795,707</u>

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

	As of December 31	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Bank and other borrowings repayable:		
Within one year or on demand	644,238	451,707
In the second year	110,000	344,000
In the third to fifth years, both inclusive	150,000	–
	<u> </u>	<u> </u>
Total	<u>904,238</u>	<u>795,707</u>

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

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

	As of December 31	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Investment properties	239,800	140,400
Properties under development	283,600	500,197
Property, plant and equipment	199,175	58,784
Right-of-use assets	8,120	8,349
	<u> </u>	<u> </u>

Key financial ratios

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

		As of December 31 or for the year ended December 31	
	<i>Notes</i>	2022	2021
Current ratio (<i>times</i>)	<i>1</i>	1.11	1.17
Gearing ratio (%)	<i>2</i>	90.4	59.1
Net gearing ratio (%)	<i>3</i>	27.9	24.1
Return on equity (%)	<i>4</i>	(29.6)	3.1
Return on total assets (%)	<i>5</i>	(5.3)	0.6
Gross profit margin (%)	<i>6</i>	6.0	8.4
Net profit margin (%)	<i>7</i>	(18.1)	1.4

Notes:

1. Current ratios were calculated based on the total current assets as of the respective dates divided by the total current liabilities as of the respective dates.
2. Gearing ratios were calculated by total interest-bearing bank and other borrowings as of the respective dates divided by total equity as of the respective dates and multiplied by 100%.
3. Net gearing ratios were calculated as total interest-bearing bank and other borrowings as of the respective dates less cash and bank balances and pledged deposits as of the respective dates, divided by total equity as of the respective dates and multiplied by 100%.
4. Return on equity was calculated based on the reported (loss) profit for the respective periods divided by the average total equity as of the respective periods (sum of opening and closing balances of the total equity of the respective periods and then divided by two) and multiplied by 100%.
5. Return on total assets was calculated based on the reported (loss) profit for the respective periods divided by the average total assets of the respective periods (sum of opening and closing balances of the total assets of the respective periods and then divided by two) and multiplied by 100%.
6. Gross profit margin was calculated on gross profit divided by revenue for the respective periods.
7. Net profit margin was calculated on reported (loss) profit for the year divided by revenue for the respective periods.

Commitments

Operating Lease Commitments

The Group as a lessor

The Group leases its investment properties under operating lease arrangements with lease terms negotiated ranging from one to ten years. At the end of the Reporting Period, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	6,971	9,179
In the second to fifth years, both inclusive	10,801	18,670
After five years	2,063	2,400
	<u>19,835</u>	<u>30,249</u>

Capital Commitments

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

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Contracted, but no provision has been made:		
Construction contracting	<u>241,695</u>	<u>176,148</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 RMB1,729.9 million (2021: RMB1,380.3 million) as of December 31, 2022. The Group's guarantee period starts from the dates of the grant of relevant mortgage loans and ends upon the issuance of real estate ownership certificates to the purchasers, which will generally be available within one to two years after the purchasers take possession of the relevant properties.

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

Others

1. Events after the Reporting Period

Subsequent to 31 December 2022, USD44,000,000 (equivalent to RMB305,139,000) of the interest bearing bank and other borrowings was due on 6 February 2023 and unpaid as at the date of this announcement. The relevant agreement clauses for extension of 12 months is in process.

2. Foreign Currency Risk

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

3. Interest Rate Risk

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

4. Corporate Governance

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

The Company has been in compliance with all applicable code provisions under the Corporate Governance Code. To the best knowledge of the Directors, the Company has complied with all applicable code provisions set out in the Corporate Governance Code during the Reporting Period and up to the date of this announcement, except for the deviation from provision C.2.1 of the Corporate Governance Code. The Directors will endeavor to procure the Company to continue to comply with the Corporate Governance Code.

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

5. *Material Acquisitions and Disposals*

During the year ended December 31, 2022, save as disclosed in “Future plans for material investments and acquisition of capital assets” in this section, there was no material acquisition and disposal of subsidiaries and assets by the Group.

6. *Compliance with the Model Code for Securities Transactions*

The Company has adopted the Model Code for Securities Transaction 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 year ended December 31, 2022.

The Company’s employees, who are likely to be in possession of inside information of the Company, have also been subject to the Model Code for securities transactions. No incident of non-compliance of the Model Code by the Company’s employees was noted by the Company during the year ended December 31, 2022.

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

During the year ended December 31, 2022, the Company and any of its subsidiaries did not purchase, sell or redeem any securities of the Company listed on the Stock Exchange.

FUTURE PROSPECT

Construction Contracting Business

As a pillar industry of the national economy, the construction industry is one of the key focuses of the domestic circular economy in the PRC. The Group continued to optimize its presence across the country, covering 26 provinces, municipalities and autonomous regions across the country. The Company attaches great importance to quality and continuously improves various subcontracting projects.

Property Business

After a recession in 2022, the property business returned to positive growth in 2023. With the recovery of the national economy, the accumulated purchasing power began to be released, which is conducive to the gradual stabilization and recovery of the property market.

Healthcare Project

In July 2022, the Group entered into 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) to jointly develop the healthcare project in Jingbei Health City. In March 2023, the Group established the Jingbei Health City Healthcare Project Preparatory Committee and appointed the chairperson of the Committee. The Group will further push forward the healthcare business, and build a top-end elderly care comprehensive community by cooperating with a Grade IIIA hospital, a longevity elderly care apartment and a health and elderly care residence.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended December 31, 2022 (for the year ended December 31, 2021: Nil).

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The Company proposes to hold the annual general meeting of the Company (the “**Annual General Meeting**”) at 9:00 a.m. on May 25, 2023.

For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from May 22, 2023 to May 25, 2023, both days inclusive, during which period no transfer of shares will be registered. All transfer documents of the Company accompanied by the relevant share certificates must be lodged with the share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on May 19, 2023.

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

During the year ended December 31, 2022, the Company and any of its subsidiaries did not purchase, sell or redeem any securities of the Company listed on 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 and has complied with all code provisions in the Corporate Governance Code set out in Appendix 14 to the Listing Rules during the year ended December 31, 2022, except for the deviation from code provision C.2.1 of the Corporate Governance Code.

Pursuant to code provision C.2.1 of the Corporate Governance Code, the responsibilities between the chairman and the chief executive officer should be separate and should not be performed by the same individual. Mr. Li Baotian has been serving as the chairman of the Board and the chief executive officer of the Company during the year ended December 31, 2022. 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 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 year ended December 31, 2022.

The Company's employees, who are likely to be in possession of inside information of the Company, have also been subject to the Model Code for securities transactions. No incident of non-compliance of the Model Code by the Company's employees was noted by the Company during the year ended December 31, 2022.

SCOPE OF WORK OF THE AUDITOR

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended December 31, 2022 as set out in the annual results announcement of the Group have been compared by the Group's auditor, Ernst & Young ("EY"), to the amounts set out in the Group's consolidated financial statements for the Year and the amounts were found to be in agreement. The work performed by EY in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by EY.

EXTRACT OF INDEPENDENT AUDITOR’S REPORT

The following is the extract of the independent auditor’s report from the external auditor of the Company:

“Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“**IFRSs**”) issued by the International Accounting Standards Board (“**IASB**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material uncertainty related to going concern

We draw attention to note 2.1 to the consolidated financial statements, which states that as at 31 December 2022, the Group’s current portion of interest-bearing bank and other borrowings amounted to RMB644,238,000, while its cash and cash equivalents amounted to RMB222,976,000. Subsequent to 31 December 2022, USD44,000,000 (equivalent to RMB305,139,000) of the offshore interest bearing bank and other borrowings was due on 6 February 2023 and unpaid as at the report date. This condition along with other matters as set forth in note 2.1, indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.”

AUDIT COMMITTEE

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

The Audit Committee has reviewed this results announcement and the audited consolidated financial statements for the year ended December 31, 2022 prepared under the IFRSs.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL 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 annual report of the Company with all the information as required by the Listing Rules will be despatched to the Shareholders (the “**Shareholders**”) of the Company 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

Hong Kong, March 23, 2023

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

* *for identification purpose only*