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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1427)

UNAUDITED INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED JUNE 30, 2023

FINANCIAL HIGHLIGHTS

	<i>Notes</i>	Six months ended June 30	
		2023	2022
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Revenue			
– Property development and other business		212,044	364,539
– Construction contracting business		732,219	629,399
Gross profit		90,326	77,650
Underlying profit/(loss)	<i>1</i>	25,787	(13,393)
Reported profit/(loss)	<i>2</i>	3,100	(43,245)
		RMB	RMB
Profit/(loss) per share		0.004	(0.054)

Notes:

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

INTERIM DIVIDEND

The Board has resolved not to recommend the payment of an interim dividend for the six months ended June 30, 2023 (for the six months ended June 30, 2022: Nil).

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of China Tianbao Group Development Company Limited (the “**Company**”) is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended June 30, 2023 (the “**Reporting Period**”) prepared under the International Financial Reporting Standards (the “**IFRSs**”), together with comparative figures for the six months ended June 30, 2022 (the “**2022 Corresponding Period**”), as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Six months ended June 30, 2023

	Notes	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
REVENUE	4	944,263	993,938
Cost of sales		<u>(853,937)</u>	<u>(916,288)</u>
GROSS PROFIT		90,326	77,650
Other income and gains		(8,219)	(11,451)
Selling and distribution expenses		(149)	(1,336)
Administrative expenses		(27,769)	(33,539)
Impairment losses on financial and contract assets, net		–	(15,382)
Fair value loss on investment properties		(3,000)	–
Fair value loss on financial assets at fair value through profit or loss		(9,484)	(4,694)
Other expenses		(651)	(235)
Finance costs		<u>(29,398)</u>	<u>(31,234)</u>
PROFIT/(LOSS) BEFORE TAX	5	11,656	(20,221)
Income tax expense	6	<u>(8,556)</u>	<u>(23,024)</u>
PROFIT/(LOSS) FOR THE PERIOD		<u>3,100</u>	<u>(43,245)</u>
Attributable to:			
Owners of the parent		<u>3,100</u>	<u>(43,245)</u>
PROFIT/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic and diluted (<i>RMB</i>)			
– For profit/(loss) for the period		<u>0.004</u>	<u>(0.054)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*Six months ended June 30, 2023*

	2023 RMB'000 (unaudited)	2022 <i>RMB'000</i> (unaudited)
PROFIT/(LOSS) FOR THE PERIOD	<u>3,100</u>	<u>(43,245)</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	<u>219</u>	<u>(3,247)</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	219	(3,247)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	<u>(3,228)</u>	<u>8,485</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>(3,009)</u>	<u>5,238</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>91</u>	<u>(38,007)</u>
Attributable to:		
Owners of the parent	<u>91</u>	<u>(38,007)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of June 30, 2023

		June 30 2023	December 31 2022
	<i>Notes</i>	RMB'000 (unaudited)	RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	217,146	220,244
Investment properties		236,800	239,800
Right-of-use assets		9,842	10,443
Other intangible assets		664	829
Equity investments designated at fair value through other comprehensive income		140,127	141,176
Financial assets at fair value through profit or loss		18,755	44,077
Deferred tax assets		82,136	84,485
		705,470	741,054
Total non-current assets			
CURRENT ASSETS			
Inventories		54	53
Trade receivables	12	341,322	335,124
Contract assets		1,187,788	1,089,967
Properties under development	10	1,914,697	2,314,414
Completed properties held for sale	11	1,227,890	822,253
Prepayments, other receivables and other assets		199,635	320,837
Tax recoverable		26,146	24,346
Pledged deposits		326,107	402,796
Cash and cash equivalents		214,772	222,976
		5,438,411	5,532,766
Total current assets			

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(CONTINUED)

As of June 30, 2023

		June 30	December 31
		2023	2022
	<i>Notes</i>	RMB'000	RMB'000
		(unaudited)	(audited)
CURRENT LIABILITIES			
Trade payables	13	1,480,596	1,762,454
Other payables and accruals		2,247,855	2,219,099
Interest-bearing bank and other borrowings	14	408,446	644,238
Lease liabilities		329	716
Tax payable		335,907	366,462
		<u>4,473,133</u>	<u>4,992,969</u>
Total current liabilities		4,473,133	4,992,969
NET CURRENT ASSETS			
		<u>965,278</u>	<u>539,797</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>1,670,748</u>	<u>1,280,851</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	14	649,000	260,000
Deferred tax liabilities		21,602	20,796
		<u>670,602</u>	<u>280,796</u>
Total non-current liabilities		670,602	280,796
Net assets		<u>1,000,146</u>	<u>1,000,055</u>
EQUITY			
Equity attributable to owners of the parent			
Share capital	15	7,281	7,281
Reserves		992,865	992,774
		<u>1,000,146</u>	<u>1,000,055</u>
Total equity		1,000,146	1,000,055

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

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

During the six months ended June 30, 2023, the Group was involved in the following principal activities:

- Construction contracting
- Property development and others

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

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended June 30, 2023 has been prepared in accordance with IAS 34 Interim Financial Reporting. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended December 31, 2022.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2022, except for the adoption of the following revised International Financial Reporting Standards for the first time for the current period's financial information.

IFRS 17	<i>Insurance Contracts</i>
Amendments to IFRS 17	<i>Insurance Contracts</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>

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

3. OPERATING SEGMENT INFORMATION

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

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

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

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

For the six months ended June 30, 2023	Construction contracting RMB'000 (unaudited)	Property development and others RMB'000 (unaudited)	Total RMB'000 (unaudited)
Segment revenue (note 4):			
Sales to external customers	732,219	212,044	944,263
Intersegment sales	<u>42,041</u>	<u>–</u>	<u>42,041</u>
Total revenue	774,260	212,044	986,304
<i>Reconciliation:</i>			
Eliminations of intersegment sales			<u>(42,041)</u>
Revenue			<u><u>944,263</u></u>
Segment results	15,747	(13,484)	2,263
<i>Reconciliation:</i>			
Eliminations of intersegment results			<u>9,393</u>
Profit before tax			<u><u>11,656</u></u>

As at June 30, 2023	Construction contracting RMB'000 (unaudited)	Property development and others RMB'000 (unaudited)	Total RMB'000 (unaudited)
Segment assets	4,774,834	10,135,170	14,910,004
<i>Reconciliation:</i>			
Eliminations of intersegment receivables			<u>(8,766,123)</u>
Total assets			<u><u>6,143,881</u></u>
Segment liabilities	3,608,317	7,300,660	10,908,977
<i>Reconciliation:</i>			
Eliminations of intersegment payables			<u>(5,765,242)</u>
Total liabilities			<u><u>5,143,735</u></u>
For the six months ended June 30, 2022	Construction contracting RMB'000 (unaudited)	Property development and others RMB'000 (unaudited)	Total RMB'000 (unaudited)
Segment revenue (note 4):			
Sales to external customers	629,399	364,539	993,938
Intersegment sales	<u>97,861</u>	<u>–</u>	<u>97,861</u>
Total revenue	727,260	364,539	1,091,799
<i>Reconciliation:</i>			
Eliminations of intersegment sales			<u>(97,861)</u>
Revenue			<u><u>993,938</u></u>
Segment results	(4,687)	(17,714)	(22,401)
<i>Reconciliation:</i>			
Eliminations of intersegment results			<u>2,180</u>
Loss before tax			<u><u>(20,221)</u></u>

As at December 31, 2022	Construction contracting <i>RMB'000</i> (audited)	Property development and others <i>RMB'000</i> (audited)	Total <i>RMB'000</i> (audited)
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>

4. REVENUE

An analysis of revenue is as follows:

	For the six months ended June 30	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
<i>Revenue from contracts with customers</i>	936,043	988,954
<i>Revenue from other sources</i>		
Gross rental income from operating leases:		
Other lease payments, including fixed payments	<u>8,220</u>	<u>4,984</u>
	<u>944,263</u>	<u>993,938</u>

Revenue from contracts with customers

Disaggregated revenue information

For the six months ended June 30, 2023

	Construction contracting RMB'000 (unaudited)	Property development and other RMB'000 (unaudited)	Total RMB'000 (unaudited)
Types of goods or services			
Construction contracting	732,219	–	732,219
Property development	–	203,824	203,824
	<u>732,219</u>	<u>203,824</u>	<u>936,043</u>
Total revenue from contracts with customers	<u>732,219</u>	<u>203,824</u>	<u>936,043</u>
Geographical market			
Mainland China	<u>732,219</u>	<u>203,824</u>	<u>936,043</u>
Timing of revenue recognition			
Goods transferred at a point in time	–	203,824	203,824
Services transferred over time	732,219	–	732,219
	<u>732,219</u>	<u>203,824</u>	<u>936,043</u>
Total revenue from contracts with customers	<u>732,219</u>	<u>203,824</u>	<u>936,043</u>

For the six months ended June 30, 2022

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

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

For the six months ended June 30, 2023

Segments	Construction contracting RMB'000 (unaudited)	Property development and other RMB'000 (unaudited)	Total RMB'000 (unaudited)
Revenue from contracts with customers			
External customers	732,219	203,824	936,043
Intersegment sales	<u>42,041</u>	<u>–</u>	<u>42,041</u>
	774,260	203,824	978,084
Intersegment eliminations	<u>(42,041)</u>	<u>–</u>	<u>(42,041)</u>
Total revenue from contracts with customers	<u><u>732,219</u></u>	<u><u>203,824</u></u>	<u><u>936,043</u></u>

For the six months ended June 30, 2022

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

5. PROFIT/(LOSS) BEFORE TAX

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

	For the six months ended June 30	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Cost of construction contracting	683,396	592,045
Cost of properties development and others	170,541	324,243
Employee benefit expenses (including directors' and chief executive's remuneration):		
–Wages, salaries and allowances	6,989	9,441
–Social insurance	3,314	2,452
–Welfare and other expenses	66	286
	<u>10,369</u>	<u>12,179</u>
Impairment of financial and contract assets, net	<u>–</u>	<u>15,382</u>

6. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operated. Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Company and the Group's subsidiaries incorporated in the Cayman Islands and British Virgin Islands are not subject to any income tax. The Group's subsidiaries incorporated in Hong Kong are not liable for income tax as they did not have any assessable profits currently arising in Hong Kong for the six months ended June 30, 2023.

Subsidiaries of the Group operating in Mainland China were subject to the PRC corporate income tax rate of 25% in accordance with the PRC Corporate Income Tax Law for the six months ended June 30, 2023.

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

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

	For the six months ended June 30	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Current income tax	2,550	9,507
PRC LAT	4,463	12,972
Deferred income tax	1,543	545
	<u>8,556</u>	<u>23,024</u>

7. DIVIDENDS

The Board has resolved not to recommend the payment of interim dividends for the six months ended June 30, 2023 (for the 2022 Corresponding Period: Nil).

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

The Group had no potentially dilutive ordinary shares in issue for the six months ended June 30, 2023 and 2022. The calculation of basic and dilutive profit/(loss) per share is based on:

	For the six months ended June 30	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit/(Loss)		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic profit/(loss) per share calculation:		
Profit/(loss) attributable to ordinary equity holders of the parent	<u>3,100</u>	<u>(43,245)</u>
Number of shares		
For the six months ended		
June 30		
	2023	2022
	(unaudited)	(unaudited)
Shares		
Weighted average number of ordinary shares in issue ('000 shares)	<u>809,456</u>	<u>807,251</u>

9. PROPERTY, PLANT AND EQUIPMENT

	As at	As at
	June 30	December 31
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(audited)
Carrying amount at the beginning of period/year	220,244	227,947
Additions	–	252
Depreciation expenses	<u>(3,098)</u>	<u>(7,955)</u>
	<u>217,146</u>	<u>220,244</u>

10. PROPERTIES UNDER DEVELOPMENT

	As at June 30 2023 RMB'000 (unaudited)	As at December 31 2022 <i>RMB'000</i> (audited)
Carrying amount at the beginning of period/year	2,314,414	2,393,101
Additions	173,942	370,009
Transferred to completed properties held for sale	<u>(573,659)</u>	<u>(448,696)</u>
	<u>1,914,697</u>	<u>2,314,414</u>

11. COMPLETED PROPERTIES HELD FOR SALE

	As at June 30 2023 RMB'000 (unaudited)	As at December 31 2022 <i>RMB'000</i> (audited)
Carrying amount at the beginning of period/year	822,253	973,845
Transferred from properties under development	573,659	448,696
Transferred to investment properties	–	(171,779)
Transferred to cost of sales	<u>(168,022)</u>	<u>(428,509)</u>
	<u>1,227,890</u>	<u>822,253</u>

12. TRADE RECEIVABLES

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

	As at June 30 2023 RMB'000 (unaudited)	As at December 31 2022 RMB'000 (audited)
Within 1 year	153,980	120,060
1 year to 2 years	109,892	100,006
2 years to 3 years	54,532	52,746
Over 3 years	22,918	62,312
	<u>341,322</u>	<u>335,124</u>

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

13. TRADE PAYABLES

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

	As at June 30 2023 RMB'000 (unaudited)	As at December 31 2022 RMB'000 (audited)
Within 6 months	94,553	459,101
6 months to 1 year	298,416	426,521
1 year to 2 years	375,338	98,398
2 years to 3 years	89,542	542,455
Over 3 years	622,747	235,979
	<u>1,480,596</u>	<u>1,762,454</u>

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

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at June 30, 2023			As at December 31, 2022		
	Effective interest rate (%)	Maturity (unaudited)	RMB'000	Effective interest rate (%)	Maturity (audited)	RMB'000
Current						
Other loans						
– secured	12.00	2023	279,156	11.00-12.00	2023	270,464
– unsecured	12.00	2023	35,790	11.00-12.00	2023	34,675
Current portion of long term bank borrowings – secured	5.50-8.70	2023	93,500	5.50-8.70	2023	339,099
			<u>408,446</u>			<u>644,238</u>
Non-current						
Bank borrowings – secured	5.20-6.65	2024-2026	649,000	5.50-6.65	2024-2025	260,000
			<u>1,057,446</u>			<u>904,238</u>

As at	As at
June 30	December 31
2023	2022
RMB'000	RMB'000
(unaudited)	(audited)

Analysed into:

Bank and other borrowings repayable:

Within one year or on demand	408,446	644,238
In the second year	579,000	110,000
In the third to fifth years, inclusive	70,000	150,000
	<u>1,057,446</u>	<u>904,238</u>

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

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

	As at	As at
	June 30	December 31
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(audited)
Investment properties	236,800	239,800
Properties under development	534,938	283,600
Property, plant and equipment	197,400	199,175
Right-of-use assets	8,006	8,120
	<u>977,144</u>	<u>730,700</u>

15. SHARE CAPITAL

	As at June 30 2023 HK\$'000 (unaudited)	As at December 31 2022 HK\$'000 (audited)
Shares		
Authorised:		
2,000,000,000 (December 31, 2022: 2,000,000,000) ordinary shares of HK\$0.01 each	<u>20,000</u>	<u>20,000</u>
	As at June 30 2023 RMB'000 (unaudited)	As at December 31 2022 RMB'000 (audited)
Issued and fully paid:		
809,456,000 (December 31, 2022: 809,456,000) ordinary shares of HK\$0.01 each	<u>7,281</u>	<u>7,281</u>

16. CONTINGENT LIABILITIES

As at June 30, 2023, the Group has provided guarantees in respect of mortgage facilities for certain purchasers of the Group's properties amounting to approximately RMB1,839.9 million (unaudited) (As at December 31, 2022 (audited): RMB1,729.9 million).

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

The Directors consider that the fair value of the guarantees is not significant, and in case of default on payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalties. Therefore, no provision for the guarantees has been made in the financial statements for the six months ended June 30, 2023.

17. COMMITMENTS

The Group had the following capital commitments:

	As at June 30 2023 RMB'000 (unaudited)	As at December 31 2022 RMB'000 (audited)
Contracted, but not provided for: Construction contracting	<u>200,793</u>	<u>241,695</u>

18. RELATED PARTY TRANSACTIONS

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

	For the six months ended June 30	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Interest expense on other borrowings	2,077	1,887
Purchases of raw materials from companies of which a director of the Company is a controlling shareholder	180	–
Repayments of advances from related parties	(30,000)	–
Property management fee paid to related parties	941	1,004
Other rental income	850	850
Other interest income	1,092	890
	<u>2,077</u>	<u>1,887</u>

(b) Outstanding balances with related parties

	As at June 30 2023 RMB'000 (unaudited)	As at December 31 2022 RMB'000 (audited)
	Prepayments, other receivables and other assets:	
Advances to the ultimate holding company (note 1)	3,662	3,927
Advances to related parties (note 2)	4,948	4,460
	<u>8,610</u>	<u>8,387</u>
Other payables and accruals:		
Amounts due to other related parties (note 2)	5,694	36,935
Interest-bearing other borrowings		
Loans from the ultimate holding company (note 3)	35,790	34,675

Notes:

- The balance was unsecured, interest-bearing at 12% per annum (December 31, 2022: 11% per annum), repayable on demand and non-trade.
- Balances with the above related parties were unsecured, non-interest-bearing, repayable on demand and non-trade.
- The balance was unsecured, interest-bearing at 12% per annum (December 31, 2022: 11% per annum), due within one year and non-trade. Pursuant to Rule 14A.90 of the Listing Rules, the loan was fully exempted from the announcement, circular and independent shareholders' approval requirements.

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

	For the six months ended June 30	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Short-term employee benefits	4,429	4,512
Pension scheme contributions	59	52
	<hr/>	<hr/>
Total compensation paid to senior management personnel	4,488	4,564
	<hr/> <hr/>	<hr/> <hr/>

19. APPROVAL OF THE FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the Board on August 23, 2023.

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 investment properties.
- 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.

During the Reporting Period, the Group's revenue was approximately RMB944 million, representing a decrease of approximately RMB50 million (5.0%) as compared to the 2022 Corresponding Period. The Group's revenue of property development business was approximately RMB212 million, representing a decrease of approximately RMB153 million (41.8%) as compared to the 2022 Corresponding Period. The Group's revenue of construction contracting business was approximately RMB732 million, representing an increase of approximately RMB103 million (16.3%) as compared to the 2022 Corresponding Period.

The Group's gross profit and gross profit margin for the Reporting Period were approximately RMB90 million and 9.6%, respectively.

The Group's underlying profit for the Reporting Period was approximately RMB26 million, as compared to the underlying loss of approximately RMB13 million for the 2022 Corresponding Period.

As at June 30, 2023, the net gearing ratio of the Group was approximately 51.6% (as at December 31, 2022: 27.9%).

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

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

	For the six months ended	
	June 30	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Reported profit/(loss)	3,100	(43,245)
Fair value loss on investment properties	3,000	–
Fair value loss on financial assets at fair value through profit or loss	9,484	4,694
Realised loss of financial assets at fair value through profit or loss	10,203	25,158
	25,787	(13,393)

REVIEW FOR THE FIRST HALF OF 2023

In the first half of 2023, the three major pressures of shrinking demand, supply shock and weakening expectation gradually eased, and the contribution of domestic demand to economic growth increased. However, the complex and ever-changing external environment still restricts the pace of recovery of China's macro economy to a certain extent.

The real estate industry

Since 2022, the state has repeatedly emphasised the position of the pillar industry of the real estate industry and promoted the smooth transition of the real estate industry to a new development model. In the first half of 2023, the overall performance of the real estate market rose first and then fell. Driven by factors such as the release of pent-up demand and the effective implementation of policies, the real estate market rebounded in the first quarter, but the backlog of housing demand was basically released in the early second quarter, and the new housing market in key cities remained inactive. According to the data from the National Bureau of Statistics, in the first half of 2023, the national real estate development investment was RMB5,855 billion, representing a year-on-year decrease of 7.9%; the sales area of commercial housing was 595.15 million square meters (“**sq.m.**”), representing a year-on-year decrease of 5.3%; the sales amount of commercial housing was RMB6,309.2 billion, representing an increase of 1.1%, of which the sales amount of residential housing increased by 3.7%.

The construction industry

In the first half of 2023, the gross production value of the construction industry in which the Company operates maintained a medium-to-low growth rate in general, the contract value of new contracts maintained growth and the growth rate rebounded, and the industry concentration further increased. According to the data from the National Bureau of Statistics, in the first half of 2023, the national gross production value of the construction industry was RMB13,226.1 billion, representing a year-on-year increase of 5.9%; the floor space under construction of the national construction industry was 11.78 billion square meters, representing a year-on-year decrease of 1.7%.

OUTLOOK FOR THE SECOND HALF OF 2023

In 2023, on the basis of achieving recovery growth in the first half of the year, China's economy is expected to accelerate the recovery of micro-foundation and continuously improve market expectations, thereby moving towards expansionary growth. Looking forward to the second half of the year, driven by the promotion of consumption policies and the accelerated release of service consumption, consumption is expected to remain moderate and recovery, infrastructure investment will continue to grow rapidly, and the real estate market is expected to gradually bottom out and recover.

The real estate industry

Facing the dynamic changes in the market, the central and local governments have introduced a number of favorable policies to promote the healthy development of the real estate industry. Looking forward to the second half of 2023, it is expected that the steady growth policy will continue to increase, and a new round of monetary easing will begin with interest rate cuts, and financial support will also be increased to create synergy. The real estate policy will maintain a certain degree of strategic determination to prevent "significant ups and downs" in the market.

The construction industry

With the acceleration of China's urbanisation process, new urbanisation construction represented by urban infrastructure construction and urban renewal will be the development focus of the construction industry.

Under the general principle of maintaining steady growth, the Group grasped the opportunities and challenges brought by the national development and economic construction under the "14th Five-Year Plan", responded to the current national industry policies, and operated based on the international capital market. The Group focused on cultivating new growth points and explored other development paths while developing its core business to enhance the Group's economic growth points in a timely manner.

The healthcare project

The 20th National Congress Report of the Communist Party of China pointed out that "implementing the national strategy of proactively addressing population ageing and developing the elderly care undertakings and the elderly care industry". From April 1, 2023, medical treatment is deemed to be filed in the three regions of Beijing-Tianjin-Hebei region, realising reimbursement of medical insurance in different regions. In the future, the key development path of China's elderly care industry is to promote the "combination of medical care and elderly care" of elderly care services, support the reform of community elderly care models, and accelerate the realisation of intelligent and information-based elderly care.

In the first half of 2023, the Group carried out all-round work around the Tianbao Jingbei Health City Project. With the support of governments at all levels in provinces, cities and counties, the Group actively connects with institutions such as operators of the elderly care industry, investors of the elderly care industry and financial investors, and is expected to make substantial progress in project construction.

BUSINESS REVIEW

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

Segments	For the six months ended June 30			
	2023		2022	
	Revenue <i>RMB'000</i> (unaudited)	Percentage of total revenue (%) (unaudited)	Revenue <i>RMB'000</i> (unaudited)	Percentage of total revenue (%) (unaudited)
Property development business	212,044	22.5	364,539	36.7
Construction contracting business	732,219	77.5	629,399	63.3
Total	<u>944,263</u>	<u>100.0</u>	<u>993,938</u>	<u>100.0</u>

(i) Property development business

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

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

Business line	Nature of revenue	For the six months ended June 30			
		2023		2022	
		Revenue <i>RMB'000</i> (unaudited)	Percentage of total revenue (%) (unaudited)	Revenue <i>RMB'000</i> (unaudited)	Percentage of total revenue (%) (unaudited)
Property development and sales	Sales of residential properties	203,824	96.1	359,555	98.6
Commercial property investment and operations	Rental income	8,220	3.9	4,984	1.4
Total		<u>212,044</u>	<u>100.0</u>	<u>364,539</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 gross floor area (“GFA”) of the project is approximately 105,000 sq.m., including high-rise residential buildings, commercial properties and parking lots. As of June 30, 2023, 874 units have been launched, of which 832 units have been sold.

Tianbao Xinyue Bay (天保馨悅灣) (also known as Project Ming Yang Phase I (明陽一期))

The project is located in Beixiguo Village, Matou Town, Zhuozhou, with convenient surrounding transportation facilities. The project can be reached through the Beijing-Hong Kong-Macao Expressway and the Beijing-Shijiazhuang High-speed Railway. The project covers a site area of approximately 17,593.3 sq.m. and has a GFA of approximately 48,000 sq.m., including high-rise residential buildings. There are 480 units in the project. As of June 30, 2023, 436 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 its main parts are under construction stage. As of June 30, 2023, 934 units have been launched and 427 units have been sold for this project.

Baoxin International Building (保鑫國際大廈)

The project is located at No. 33 Guanyun East Road, Zhuozhou Development Zone, Hebei Province. 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” for the construction industry in 2017 and the “Guang Xia Award” for the property development industry in 2019. Baoxin International Building has contributed stable rental income to the Group.

Projects in Zhangjiakou

Tianbao New City (天保新城)

The project is located in the core area of Zhangbei County, at the intersection of Zhongdu Street and Xinghe Road in Zhangbei County. It covers a site area of approximately 230,000 sq.m., with a total GFA of approximately 600,000 sq.m. The project is developed and constructed in three phases, mainly high-rise and middle-high-rise buildings, consisting of 46 residential buildings, community clubs, kindergartens and a large-scale commercial complex Zhongdu Ginza (中都銀座). As of June 30, 2023, 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 which, named Tianbao Plaza (天保廣場), is a 5-storey diversified shopping hotspot with supermarkets, lifestyle stores, restaurants and cinemas. Pre-sale of high-rise apartments began in September 2020, with the portions sold commenced delivery to purchasers in 2021.

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

Fuxinyuan residential community is a project constructed in response to Zhangbei County Government's shanty-town reconstruction project, located on the north side of Zhangbei County Family Planning Bureau and east of Jingdu Street. The construction of the project started in September 2017 with a total of 1,272 units, including 1,252 residential units and 20 commercial units. As of June 30, 2023, 1,191 residential units were sold.

Tianbao Edelweiss City (天保雪絨花都)

The residential and commercial project is located on the north side of Yu County Economic Development Zone, with urban planning roads in the south, Edelweiss Avenue in the north, Industrial Street in the east and urban planning roads in the west. It consists of residential communities and commercial facilities. The project covers an area of approximately 155,000 sq.m., with a total GFA of approximately 430,000 sq.m.. Star-rated hotels, AAAAA-level office buildings and high-end communities will be built to create a multi-functional and high-efficiency urban complex integrating commercial offices, landmark buildings, residence, catering and entertainment. 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 June 30, 2023, a total of 1,182 units have been sold, and were delivered to purchasers since the 4th quarter of 2021.

Tianbao Boyue Bay (天保铂悦湾)

The project is located in the southwest of the urban area of Yu County, with West Outer Ring Road in the east, Qianjin West Road in the west, Heping West Road in the south and Lipuzi Village in the north. The project includes middle-high-rise residential units, high-rise residential units and commercial properties, covering an area of approximately 81,815 sq.m. and a total planned GFA of approximately 193,000 sq.m.. The construction work of the project started in 2019, and the pre-sale began in 2020. Tianbao Boyue Bay has a total of 1,476 residential units available for sale, and as of June 30, 2023, 847 units have been sold, and were delivered to purchasers since the first half of 2022.

Tianbao Jingbei Health City (天保京北健康城)

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

Tianbao Jingxifu (天保京西府)

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

Nasutu Hotel (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 June 30, 2023, the project has obtained all certificates. Conveniently located near Nasutu resort in Zhangjiakou, Hebei Province, Nasutu Hotel occupies a total site area of approximately 52,237.0 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 June 30, 2023:

Region	Completed		Under	Future	Total land	Percentage
	Unsold	Rentable	development	development	reserves	
	saleable	GFA held	Planned	Planned	Total	of total land
	GFA	for property	GFA under	GFA	GFA	reserves by
	<i>(sq.m.)</i>	<i>(sq.m.)</i>	<i>(sq.m.)</i>	<i>(sq.m.)</i>	<i>(sq.m.)</i>	geographical
						location
						<i>(%)</i>
Zhuozhou	24,546	44,336	141,901	175,435	386,218	23.3
Zhangjiakou	184,173	34,364	471,750	577,895	1,268,182	76.7
Total	<u>208,719</u>	<u>78,700</u>	<u>613,651</u>	<u>753,330</u>	<u>1,654,400</u>	<u>100.0</u>

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 generating rental income.

(ii) Construction contracting business

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

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

Region	For the six months ended June 30 2023		2022	
	Revenue <i>RMB'000</i> (unaudited)	Percentage of total revenue (%) (unaudited)	Revenue <i>RMB'000</i> (unaudited)	Percentage of total revenue (%) (unaudited)
Beijing-Tianjin-Hebei	482,226	65.9	356,006	56.6
Other	249,993	34.1	273,393	43.4
Total	<u>732,219</u>	<u>100.0</u>	<u>629,399</u>	<u>100.0</u>

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

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

Project Types

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

Project type	For the six months ended June 30			
	2023		2022	
	Revenue	Percentage of	Revenue	Percentage of
	RMB'000	total revenue	RMB'000	total revenue
	(unaudited)	(%)	(unaudited)	(%)
		(unaudited)		(unaudited)
Building construction	318,836	43.5	179,686	28.5
Industrial, commercial and infrastructure construction	413,383	56.5	449,713	71.5
Total	732,219	100.0	629,399	100.0

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

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

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

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

Yanyu Road Primary School and Kindergarten Project in Xuancheng City (宣城市煙雨路小學及幼稚園工程)

The project is located in Xuancheng City, Anhui Province, with a contract value of RMB185 million. The project covers the construction of Yanyu Road Primary School, including 4-storey primary school campus and 3-storey kindergarten campus, with a total GFA of approximately 41,567 sq.m..

EPC of Rainwater and Sewage Pipeline Network Improvement Project in Ninghai Road Area, Beidaihe District (北戴河區寧海道片區雨污水管網完善工程EPC總承包)

The project is located in Beidaihe District, Qinhuangdao, with a contract value of RMB103 million. The project covers the laying of multiple sewage pipes, the renovation of existing drains and the construction of a new sewage upgrading pumping station.

Public Training Base Construction Project in Jiangjin District, Chongqing (重慶市江津區公共實訓基地建設項目)

The project is located in Jiangjin District, Chongqing, with a contract value of RMB27 million. The project covers construction works, water supply and drainage works, fire engineering works and greening works, with a total GFA of approximately 14,024 sq.m..

Rural Revitalization Cultural Tourism Integration Development Project in Nanmu Township, Xiushan County (秀山縣楠木鄉村振興文旅融合發展項目)

The project is located at Chuanhegai Scenic Area, Yongdong Town, Xiushan County, Chongqing, with a contract value of RMB32 million. The project covers the construction of a visitor center, with a total GFA of approximately 5,868 sq.m..

Backlog and New Contract Value

Backlog value

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

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

Region	As of June 30			
	2023	Percentage of total contract value	2022	Percentage of total contract value
	Contract value	Contract value	Contract value	Contract value
	RMB million	(%)	RMB million	(%)
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Beijing-Tianjin-Hebei	3,223.6	37.7	2,274.9	33.9
Other	5,328.9	62.3	4,443.5	66.1
Total	<u>8,552.5</u>	<u>100.0</u>	<u>6,718.4</u>	<u>100.0</u>

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

Project type	As of June 30			
	2023	Percentage of total contract value	2022	Percentage of total contract value
	Contract value	Contract value	Contract value	Contract value
	RMB million	(%)	RMB million	(%)
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Building construction	2,769.6	32.4	2,116.6	31.5
Industrial, commercial and infrastructure construction	5,782.9	67.6	4,601.8	68.5
Total	<u>8,552.5</u>	<u>100.0</u>	<u>6,718.4</u>	<u>100.0</u>

New Contract Value

New contract value represents the aggregate value of contracts entered into by the Group during the Reporting Period and for the 2022 Corresponding Period. The contract value is the amount that the Group expects to receive under the terms of the contract if the contract is performed by the Group in accordance with its terms.

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

Region	For the six months ended June 30 2023		2022	
	Contract value <i>RMB million</i> (unaudited)	Percentage of total contract value (%) (unaudited)	Contract value <i>RMB million</i> (unaudited)	Percentage of total contract value (%) (unaudited)
	Beijing-Tianjin-Hebei	419.6	44.2	392.3
Other	529.7	55.8	482.3	55.1
Total	<u>949.3</u>	<u>100.0</u>	<u>874.6</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 periods indicated:

Project type	For the six months ended June 30 2023		2022	
	Contract value <i>RMB million</i> (unaudited)	Percentage of total contract value (%) (unaudited)	Contract value <i>RMB million</i> (unaudited)	Percentage of total contract value (%) (unaudited)
	Building construction	110.0	11.6	185.3
Industrial, commercial and infrastructure construction	839.3	88.4	689.3	78.8
Total	<u>949.3</u>	<u>100.0</u>	<u>874.6</u>	<u>100.0</u>

After obtaining the Premium Class Certificate in 2017, the Group has been involved in larger-scale building construction projects with increased complexity and higher returns nationwide. The value of the new contracts entered into by the Group amounted to approximately RMB949.3 million during the Reporting Period. The newly contracted regions expanded from focusing on the Beijing-Tianjin-Hebei region to Inner Mongolia and Anhui Province, etc.

During the Reporting Period, the Group expanded the construction contracting business to regions other than Beijing-Tianjin-Hebei region. The outstanding contract value of projects in the backlog of other regions entered into by the Group amounted to approximately RMB5,328.9 million, accounting for approximately 62.3% of the total amount of the backlog.

FINANCIAL REVIEW

1. Revenue

The revenue of the Group was primarily derived from two business segments: (i) property development business; and (ii) construction contracting business. Total revenue decreased by 5.0% from approximately RMB994 million for the 2022 Corresponding Period to approximately RMB944 million for the Reporting Period, mainly due to the decrease in areas of properties delivered as compared to the 2022 Corresponding Period, resulting in the decrease in the revenue from properties development business during the Reporting Period as compared to the 2022 Corresponding Period.

1.1 Property development business

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

The aggregate GFA delivered decreased from 76,833 sq.m. for the 2022 Corresponding Period to 39,886 sq.m. for the Reporting Period and the recognised revenue decreased from approximately RMB365 million for the 2022 Corresponding Period to approximately RMB212 million for the Reporting Period. During the Reporting Period, no major projects were ready for delivery.

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 at June 30, 2023, the Group held one commercial investment property, Baoxin International Building and Tianbao Plaza, a shopping mall, which had a total rentable GFA of 78,700 sq.m..

1.2 Construction contracting business

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

The overall increase in the revenue from the Group's construction contracting business was primarily attributable to the fact that the revenue was affected by the COVID-19 pandemic in the 2022 Corresponding Period. During the Reporting Period, the construction contracting business gradually returned to normal and the revenue increased.

2. Cost of sales

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

The Group's cost of sales decreased from approximately RMB916 million for the 2022 Corresponding Period to approximately RMB854 million for the Reporting Period, representing a decrease of 6.8%, which was in line with the fluctuations of the property development business and construction contracting business of the Group.

3. Gross profit and gross profit margin

The Group's gross profit increased from approximately RMB78 million for the 2022 Corresponding Period to approximately RMB90 million for the Reporting Period. Gross profit margin increased from 7.8% for the 2022 Corresponding Period to approximately 9.6% for the Reporting Period. Gross profit margin of the property development business increased from 11.0% for the 2022 Corresponding Period to 19.6% for the Reporting Period. Gross profit margin of construction contracting business remained stable, the gross profit margin of the construction contracting business increased from 5.9% for the 2022 Corresponding Period to 6.7% for the Reporting Period.

4. Selling and distribution expenses

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

The Group's selling and distribution expenses decreased from approximately RMB1.3 million for the 2022 Corresponding Period to approximately RMB0.1 million for the Reporting Period. Most of the selling and distribution expenses were capitalised to property development projects during the Reporting Period.

5. Administrative expenses

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

The Group's administrative expenses decreased by 17.2% from approximately RMB33 million for the 2022 Corresponding Period to approximately RMB28 million for the Reporting Period. Staff costs (including Directors' remuneration) amounted to approximately RMB10 million during the Reporting Period (for the 2022 Corresponding Period: approximately RMB12 million).

6. Finance costs

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

The Group's finance costs decreased by 5.9% from RMB31 million for the 2022 Corresponding Period to RMB29 million for the Reporting Period.

7. 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 RMB14 million from approximately RMB23 million for the 2022 Corresponding Period to approximately RMB9 million for the Reporting Period, which was mainly due to the decrease in the Group's provision of taxable profit and LAT derived from the property development business and construction contracting business.

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

Due to the reasons above, the Group's underlying profit for the Reporting Period amounted to approximately RMB26 million, comparing to the underlying loss of approximately RMB13 million for the 2022 Corresponding Period.

LIQUIDITY, FINANCE AND CAPITAL

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

1. Cash position

As at June 30, 2023, the Group's total pledged deposits, cash and cash equivalents amounted to approximately RMB541 million (December 31, 2022: approximately RMB626 million), which are denominated in RMB and Hong Kong dollar respectively, including pledged deposits of approximately RMB326 million as of June 30, 2023 (December 31, 2022: approximately RMB403 million).

2. Future plans for material investments and capital assets

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

3. Significant investments held

As at June 30, 2023, the Group did not hold any significant investments.

4. Debts and pledge of assets

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

	As of June 30, 2023			As of December 31, 2022		
	Effective interest rate (%)	Maturity (unaudited)	RMB'000	Effective interest rate (%)	Maturity (audited)	RMB'000
Current						
Secured other borrowings	12.00	2023	279,156	11.00-12.00	2023	270,464
Unsecured other borrowings	12.00	2023	35,790	11.00-12.00	2023	34,675
Current portion of secured long-term bank borrowings	5.50-8.70	2023	93,500	5.50-8.70	2023	339,099
			408,446			644,238
Non-current						
Secured bank borrowings	5.20-6.65	2024-2026	649,000	5.50-6.65	2024-2025	260,000
			1,057,446			904,238

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

	As of June 30, 2023 RMB'000 (unaudited)	As of December 31, 2022 RMB'000 (audited)
Analysed into:		
Bank and other borrowings repayable:		
Within one year or on demand	408,446	644,238
In the second year	579,000	110,000
In the third to fifth years, both inclusive	70,000	150,000
	<u>1,057,446</u>	<u>904,238</u>

The Group's interest-bearing bank and other borrowings of approximately US\$44,000,000 (equivalent to RMB314,946,000) was due on February 6, 2023, the Group is negotiating with financial institutions for replacement borrowings. The Group's interest-bearing bank and other borrowings are at fixed interest rate and all denominated in RMB and U.S. dollar.

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

	As of June 30, 2023 RMB'000 (unaudited)	As of December 31, 2022 RMB'000 (audited)
Investment properties	236,800	239,800
Properties under development	534,938	283,600
Property, plant and equipment	197,400	199,175
Right-of-use assets	<u>8,006</u>	<u>8,120</u>

5. Key financial ratios

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

	<i>Notes</i>	As of June 30, 2023	As of December 31, 2022
Current ratio (<i>times</i>)	<i>1</i>	1.22	1.11
Gearing ratio (%)	<i>2</i>	105.7	90.4
Net gearing ratio (%)	<i>3</i>	<u>51.6</u>	<u>27.9</u>

Notes:

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

6. Capital commitments

As of June 30, 2023, the Group had capital expenditure commitments (unaudited) contracted but not provided for of approximately RMB201 million (as of December 31, 2022 (audited): approximately RMB242 million).

7. Commitments

Operating Lease Commitments

The Group as a lessor

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

	As of June 30, 2023 RMB'000 (unaudited)	As of December 31, 2022 RMB'000 (audited)
Within one year	7,048	6,971
In the second to fifth years, both inclusive	14,793	10,801
After five years	<u>2,243</u>	<u>2,063</u>
	<u>24,084</u>	<u>19,835</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 RMB1,839.9 million (unaudited) as of June 30, 2023 (as of December 31, 2022 (audited): approximately RMB1,729.9 million). The Group's guarantee period starts from the dates of the grant of relevant mortgage loans and ends upon the issuance of real estate ownership certificates to the purchasers, which will generally be available within one to two years after the purchasers take possession of the relevant properties.

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

8. Material acquisitions and disposals

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

9. Foreign currency risk

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

10. Interest rate risk

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

OTHERS

Employees and remuneration policies

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

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

During the Reporting Period, the Group's total staff costs (excluding the remuneration of the Directors and senior management) amounted to approximately RMB5.9 million (for the 2022 Corresponding Period: approximately RMB7.6 million), including salaries, wages, allowances and benefits.

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

In addition, the Group has adopted the Share Option Scheme for the purpose of providing incentives and rewards to eligible persons who contribute to the success of the Group's continual operation and development.

As at June 30, 2023, the Group had a total of 307 employees (as at June 30, 2022: 376 employees). The Group has established a comprehensive training system for our employees, based on their responsibilities, covering professional knowledge, technical, operational and managerial skills, corporate culture, internal control and other areas. Such programs are designed to foster career development for our employees and thus to invest in the future of the Group's human resources.

EVENTS AFTER THE REPORTING PERIOD

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

INTERIM DIVIDEND

The Board has resolved not to recommend the payment of an interim dividend during the Reporting Period (for the 2022 Corresponding Period: Nil).

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

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

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

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

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

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

AUDIT COMMITTEE

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

The Audit Committee has reviewed the Group’s unaudited interim results for the six months ended June 30, 2023. The Audit Committee confirmed that it has complied with all applicable accounting principles, standards and requirements, and made sufficient disclosures.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the HKEXnews website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.chinatbjt.com. The 2023 interim report of the Company with all the information as required by the Listing Rules will be despatched to the shareholders of the Company (the “**Shareholders**”) and will be published on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

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

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

Hong Kong, August 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. Hou Liang, Mr. Li Qingxu and Mr. Li Xu.