TBGD

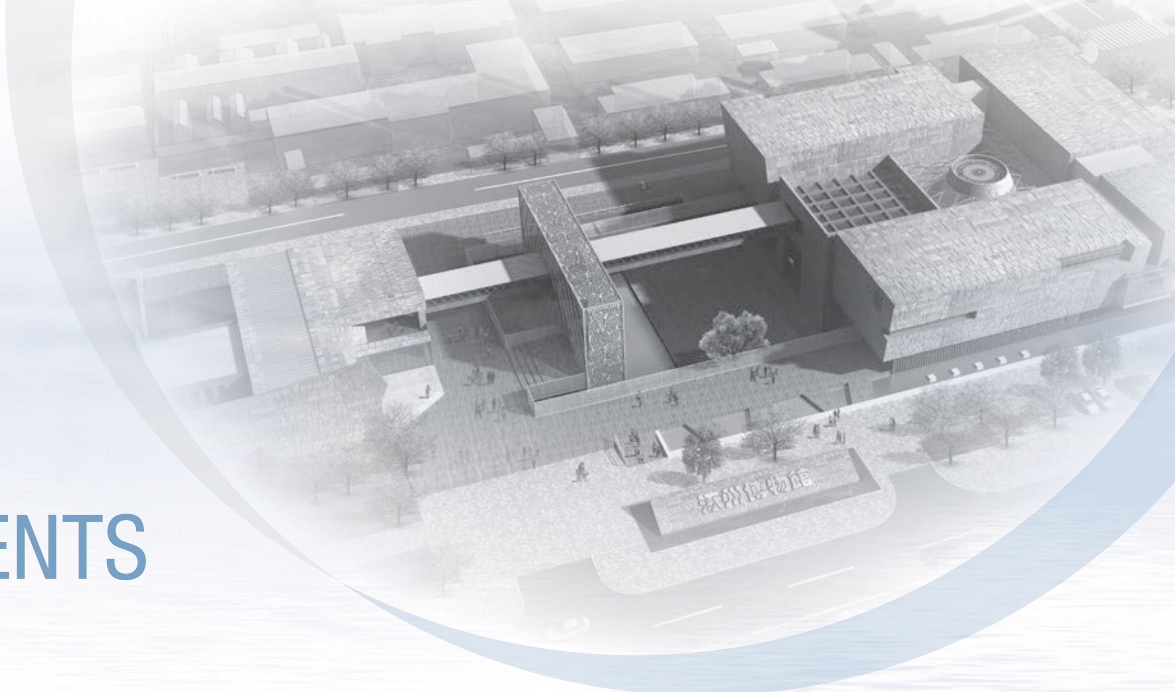
China Tianbao Group Development Company Limited

中國天保集團發展有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 01427

2019 ANNUAL REPORT



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Li Baotian *(Chairman of the Board and Chief Executive Officer)*
Ms. Shen Lifeng
Ms. Wang Xinling
Mr. Li Yaruixin
Ms. Wang Huijie
Mr. Zang Lin

Independent Non-Executive Directors

Mr. Li Xu
Mr. Liu Kaixiang
Mr. Li Qingxu

AUDIT COMMITTEE

Mr. Li Xu *(Chairman)*
Mr. Liu Kaixiang
Mr. Li Qingxu

REMUNERATION COMMITTEE

Mr. Li Qingxu *(Chairman)*
Mr. Li Xu
Mr. Liu Kaixiang
Ms. Wang Xinling
Mr. Li Yaruixin

NOMINATION COMMITTEE

Mr. Li Baotian *(Chairman)*
Mr. Li Xu
Mr. Liu Kaixiang
Ms. Shen Lifeng
Mr. Li Qingxu

COMPLIANCE ADVISER

Guotai Junan Capital Limited

LEGAL ADVISOR

Jia Yuan Law Office

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited
Clifton House
75 Fort Street
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Cayman Islands

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REGISTERED OFFICE

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HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN CHINA

No. 33, Guanyun East Road
Zhuozhou County
Hebei Province
the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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168-200 Connaught Road Central
Sheung Wan
Hong Kong

AUDITOR

Ernst & Young

CORPORATE INFORMATION

JOINT COMPANY SECRETARIES

Mr. Du Hang
Mr. Lei Kin Keong

AUTHORIZED REPRESENTATIVES

Mr. Li Yaruixin
Mr. Lei Kin Keong

PRINCIPAL BANK

China Construction Bank Co., Ltd., Zhangzhou Wutan Branch
Bank of China (Hong Kong) Limited

COMPANY'S WEBSITE

www.chinatbjt.com

STOCK CODE

1427

COMMUNICATION WITH INVESTORS

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MAJOR HONORS AND AWARDS

ENTERPRISE BRAND

Number	Honors and awards	Awarding body
1	2019 Best Small and Medium Market Cap Company (2019年最佳中小市值公司)	Zhitongcaijing (智通財經), RoyalFlush Caijing (同花順財經)
2	2019 Chinese Enterprise Management Award Ceremony, Best Enterprise Brand Award (2019中國企業經營頒獎禮最佳企業品牌獎)	Hong Kong-Mainland International Investment Society (香港國際投資總會), Porda Havas (博達浩華)
		Property Segment
3	Certificate of Member of China Property Association (中國房地產業協會理事單位證書)	China Property Association (中國房地產業協會)
4	Member of Hebei Province Housing and Property Development Industry Association (河北省住宅與房地產業協會理事單位)	Hebei Province Housing and Property Development Industry Association (河北省住宅與房地產業協會)
5	National AAA-level Credit Enterprise Certificate (全國AAA級信用企業證書)	China Property Association (中國房地產業協會)
6	Baoxin International project was awarded the Ninth “Guang Xia Award” (2019-2020) (第九屆(2019-2020年度)「廣廈獎」)	Housing Industrialization Promotion Center of the Ministry of Housing and Urban-Rural Development of China Property Association (中國房地產業協會住房和城鄉建設部 住宅產業化促進中心)
7	Tianbao Edelweiss City (Phase I) – The Ninth “Guang Xia Award” Candidate Project (2019-2020) (天保•雪絨花都(一期) 第九屆(2019-2020年度)「廣廈獎」候選項目)	Housing Industrialization Promotion Center of the Ministry of Housing and Urban-Rural Development of China Property Association (中國房地產業協會住房和城鄉建設部 住宅產業化促進中心)
8	2019 Recommended Brands for Property Development Enterprises (2019河北省房地產開發企業推薦品牌)	Hebei Province Housing and Property Development Industry Association (河北省住宅與房地產業協會)
9	2020 Recommended Brands for Property Development Enterprises (2020河北省房地產開發企業推薦品牌)	Hebei Province Housing and Property Development Industry Association (河北省住宅與房地產業協會)
10	2019 Yan Zhao Guang Xia Cup (Baoxin International, Tianbao Lingyun City, Tianhe Penghua) (2019年度燕趙廣廈杯(保鑫國際、天保凌雲城、田合鵬華))	Hebei Province Housing and Property Development Industry Association (河北省住宅與房地產業協會)

MAJOR HONORS AND AWARDS

Number	Honors and awards	Awarding body
		Construction Segment
11	2018-2019 Lu Ban Award for Construction Engineering in China (National High Quality Project Award) (2018-2019年度中國建設工程魯班獎(國家優質工程獎))	China Construction Industry Association (中國建築業協會)
12	2019 National AAA-level Credit Construction Enterprise (2019年全國建築業AAA信用企業)	China Construction Industry Association (中國建築業協會)
13	70 Years of Excellent Enterprise Culture Construction in New China (新中國70年優秀企業文化建設優秀單位)	China Research Institute of Enterprise Culture (中國企業文化研究會)
14	2018 Hebei Province Structural Quality Project (2018年度河北省結構優質工程)	Hebei Department of Housing and Urban-Rural Development (河北省住房和城鄉建設廳)
15	2019 Hebei Province Customer Satisfaction Project (2019年度河北省用戶滿意工程)	Hebei Association for Quality (河北省質量協會), Hebei Customer Experience Committee (河北省用戶委員會)
16	Quality Technology Award (質量技術獎)	Hebei Quality Technology Award Committee (河北省質量技術獎勵委員會)
17	Civilized Construction Sites in Hebei Province in 2018 (2018年度河北省文明工地)	Hebei Department of Housing and Urban-Rural Development (河北省住房和城鄉建設廳)
18	2019 Advanced Unit for Bidding and Tendering of Construction Projects in Hebei Province (2019年度河北省建設工程招標投標工作先進單位)	Hebei Construction Engineering Bidding Association (河北省建設工程招標投標協會)
19	5A Construction Enterprise of Hebei Province for Tendering and Bidding for Construction Projects in 2018 (2018年度河北省建設工程招標投標誠實守信5A級施工企業)	Hebei Construction Engineering Bidding Association (河北省建設工程招標投標協會)
20	2019 Hebei Province Top 100 Private Enterprises (2019年河北省民營企業100強)	Federation of Industry and Commerce of Hebei Province (河北省工商業聯合會)
21	Baoding City Gu Cheng Cup (保定市古城杯)	Construction Association in Baoding City (保定市建築業協會)

MAJOR HONORS AND AWARDS

CORPORATE SOCIAL RESPONSIBILITIES

Number	Honors and awards	Awarding body
22	2019 Chinese Enterprise Management Award Ceremony, Award of Highest Social Responsibilities (2019中國企業經營頒獎禮最具社會責任獎)	Hong Kong-Mainland International Investment Society (香港國際投資總會), Porda Havas (博達浩華)
23	2018 The “Activity on Poverty Alleviation • You and Me” Theme Activity Caring Enterprise (2018年度「脫貧路上•你我同行」主題活動愛心企業)	Chinese Communist Party Yu County Communist Party Committee, Yu County People’s Government

CHAIRMAN'S STATEMENT

Dear Shareholders:

On behalf of China Tianbao Group Development Company Limited, I hereby present the 2019 annual results and business review for the year ended December 31, 2019 ("Year") and future outlook of the Company and the subsidiaries.

MARKET OVERVIEW

From January to December 2019, the area of commodity property sold in the PRC was 1,715,580,000 sq.m., representing a year-on-year decrease of 0.1%; of which the area sold in December showed a year-on-year decrease of 1.7%. The investment in property development in the PRC during the same period amounted to RMB13,219.4 billion, representing a year-on-year increase of 9.9%. The new commencement area of the properties was 2,271,540,000 sq.m, representing a year-on-year increase of 8.5%. The completion area of the properties was 959,420,000 sq.m., representing a year-on-year increase of 2.6%. Additionally, the area of land acquired by property development enterprises throughout 2019 was 258,220,000 sq.m., representing a year-on-year decrease of 11.4%, the decrease of which is 2.8% lower than that from January to November. The trading price of the land amounted to RMB1,470.9 billion, representing a year-on-year decrease of 8.7%, the decrease of which is 4.3% lower than that from January to November. During the same year, funds available to property development enterprises amounted to RMB17,860.9 billion, representing a year-on-year increase of 7.6%, the increase of which is 0.6% higher than from January to November and 1.2% higher than that during the previous year.

On October 31, 2018, the General Office of the State Council printed and distributed the Guiding Opinions on Maintaining the Efforts to Making Up Short Slabs of Infrastructure (《關於保持基礎設施領域補短板力度的指導意見》), stating that the growth of the investment in infrastructure declined, requiring urgent focus on the key shortcomings in the infrastructure sector, in order to ensure reasonable economic operation, thus the infrastructure segment was greatly supported by the policies. The infrastructure segment continued to develop in a favorable trend in 2019. From January to December 2019, the growth rate of infrastructure investment was 3.3%, representing an increase of 1.5% as compared to last year. In November 2019, the MOF enforced in advance a limit of RMB1 trillion for some newly added special debts in 2020; and lowered the capital ratio of several types of the infrastructure projects, in order to attract the involvement of credit capital and social capital, thus revealing the determination of the government to stimulate the fixed assets investment to drive the economy.

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

During the Year, faced with a diverse market environment and the intensifying competition in the industry, the Group adhered to the expansion strategy of "construction first and property development to follow", meaning to first establish cooperation on construction projects with local government authorities and property developers by leveraging our strong construction capabilities, which in turn facilitates the development of our property development business in that region. Currently, we have achieved synergy between our property development and construction contracting businesses which have enabled us to develop a diverse project portfolio and improve efficiency. In addition to achieving satisfactory operating results, we also received great recognition from industry peers and customers.

In terms of strategic deployment, the Group continues to expand to cities with development potential and acquire high-quality land resources. In 2019, the Group acquired one parcel of new land through public tender to supplement the land resources of the Company. As of December 31, 2019, the Group has reserved GFA of approximately 1,600,000 sq. m.) of high-quality lands, which are strategically distributed in Zhangbei, Huailai, Yuxian in Zhangjiakuo, Zhuozhou in economic circle around the capitals and other cities with advantages in population, regional location and industrial structure. In 2019, we expanded our presence into three construction markets in Anhui Province, Shandong Province and Henan Province.

In terms of operating results, as of December 31, 2019, revenue for the Year amounted to approximately RMB2,660 million, representing a year-on-year increase of 66.07%; profit for the Year amounted to approximately RMB318 million, representing a year-on-year increase of 193.61%; gross profit amounted to approximately RMB682 million, representing a year-on-year increase of 259.31%; gross profit margin was 25.7%, increased by 13.8 percentage points as compared to last year; and net profit attributable to shareholders amounted approximately RMB318 million. The Board did not recommend the payment of a final dividend for the year ended December 31, 2019. The increase in revenue, gross profit and profit for the Year was mainly attributable to property development business and construction contracting business. In particular, the aggregate GFA of delivered residential property in property development business increased from 113,179 sq.m. for the year ended December 31, 2018 to 177,973 sq.m. for the year ended December 31, 2019, and the recognised revenue increased from approximately RMB392 million for the year ended December 31, 2018 to approximately RMB1,285 million for the year ended December 31, 2019. The above increments were primarily attributable to the completion and delivery of Tianbao Lingyun City, Tianbao Green City and Tianbao New City Phase III to purchasers during the Year, of which Tianbao Lingyun City and Tianbao Green City (residential projects with high average selling prices and gross profit margin ranging from 40% to 53%) were sold at higher selling prices. The increase in construction contracting business was primarily attributable to an increased revenue from building construction and industrial, commercial and infrastructure construction projects due to an increase in project volume and scale of such projects.

In terms of management standards, the Group made adjustment to its management structure, continued to implement the management system including three systems and four sets of standards, promoted a performance excellence management model, continuously optimized its internal control and management, improved relevant rules and regulations for risk prevention and control, fully implemented digital operation and continuously enhanced the management efficiency.

In terms of human resources system, the Group continued to uphold the idea of "Mutual growth for talents and the enterprise". For recruitment, the Group mainly considered the overall competence, professional level, management ability and potential development of the candidates. For training, the Group organized diverse trainings, facilitated the establishment of learning team and improved the professional skills of management personnel in all aspects to provide internal motivations for development of the Group.

On November 11, 2019, shares of the Company are listed on the Main Board of the Stock Exchange. The Company successfully entered the international capital market, which facilitated the improvement of governance structure and internal control and management of the Group and effectively enhanced the Group's brand image and influence in the industry. In addition, the proceeds from the IPO strengthened the Group's development capital, improved the capital and debt structure of the Group, and laid a solid foundation for the Group's rapid development at the next stage.

FUTURE OUTLOOK

In 2020, facing with the diverse market environment and challenges, the Group will closely monitor the changes in market environment and continuously facilitate the "collaborative development of two major businesses" of property development and construction contracting.

For property development, through internally driven development and external expansion, we will continue to adhere to the development layout of "headquartering in one area and expanding to various regions". To maintain the healthy and stable development of property business, the Group will make innovation in development model, strengthen product design, and enhance the brand reputation to improve both economic benefits and brand equity.

For construction contracting business, the Group will follow the development trend of China, make plan for the Guangdong-Hong Kong-Macau Greater Bay Area, carry out in-depth development in Beijing-Tianjin-Hebei region in Northern China with focus in mature areas such as Beijing, Zhuozhou, Zhangbei, Huailai and Yuxian, expand to Sichuan, Chongqing and Hunan in Southwestern China and Shaanxi, Gansu and Xinjiang in Northwestern China, and participate in the construction of Xiong'an New Area. The Group will expand its historical building business, strengthen the human resources of design institute, improve the qualifications of infrastructure business, and make nationwide expansion in construction market, thereby enhancing the comprehensive strength of its construction business.

The Group will actively reform and improve its modern corporate governance system, and strengthen the development of talents and echelons, in order to continuously enhance the core competitiveness of the Group for sustainable development. The Group will focus on facilitating the high-quality development of construction industry, strengthen its technology innovation ability, promote the development of leading property development industry, and accelerate the brand establishment and development. In addition, the Group will expand and diversify its financing channels at appropriate time and continuously consolidate the financial strength of the Group, thereby facilitating the Group to achieve collaborative development of two major businesses.

APPRECIATION

In 2020, the Group will continue to uphold the core value of "working for the well-being of employees, facilitating the development of enterprises, making contribution to the society and increasing the return to investors", seize every day and live it to the full, and endeavor to facilitate the sustainable development of the Company.

Finally, on behalf of the Board, I would like to express my sincere gratitude to all Shareholders for their continuing support and all colleagues for their devotion and hard working over the past year.

China Tianbao Group Development Company Limited

Li Baotian
Chairman, Executive Director and Chief Executive Officer
Hong Kong
March 24, 2020

BREAKDOWN OF MAJOR PROPERTIES

BREAKDOWN OF MAJOR PROPERTIES AS OF DECEMBER 31, 2019

		Completed				Under development				Held for future development			
Name and location of project	Site area (sq.m.)	GFA completed (sq.m.)	Saleable/ rentable GFA (sq.m.)	Unsold saleable GFA (sq.m.)	Rentable GFA held for property investment (sq.m.)	GFA under development (sq.m.)	Saleable GFA (sq.m.)	Saleable GFA pre-sold (sq.m.)	Development stage	Planned GFA (sq.m.)	Use	Completion time/ estimated completion time	Equity holders' equity
I. Residential properties													
Zhuozhou													
1. Tianma Jingyuan (天馬景苑) No. 5-1 Huayangzhong Road	45,926.8	200,403.4	195,676.1	2,610.2	–	–	–	–	–	–	Residential	July 2015	100%
2. Tianhe Penghua (田合鵬華) No. 128 Huayang Road	36,950.1	71,863.7	66,861.2	4,000.4	–	–	–	–	–	–	Residential	November 2017	100%
3. Tianbao Green City (天保綠城) The northern side of Guanyun Road and the western side of Xuyi Village	33,764.1	105,173.3	77,251.1	38,570.7	–	–	–	–	–	–	Residential	November 2019	100%
4. Tianbao Lingyun City (天保凌雲城) The northern side of Songgao Road, Songlindian Town	26,666.7	89,120.8	60,902.6	12,883.5	–	–	–	–	–	–	Residential	April 2019	100%
5. Project Ming Yang Phase I (明陽一期) Xiguo Village, Matou Town	17,593.3	–	–	–	–	48,665.5	45,127.2	40,953.7	Main structure completed	–	Residential	May 2020	100%
Zhangjiakou													
6. Tianbao New City Phase I (天保新城一期) The eastern side of Zhongdu Street and the southern side of Xinghe Road, Zhangbei County	66,351.8	132,778.0	121,080.0	8,926.8	–	–	–	–	–	–	Commercial, Residential	December 2014	100%
7. Tianbao New City Phase II (天保新城二期) The eastern side of Zhongdu Street and the southern side of Xinghe Road, Zhangbei County	66,340.0	132,035.7	118,368.2	8,048.7	–	–	–	–	–	–	Commercial, Residential	January 2018	100%
8. Tianbao New City Phase III (天保新城三期) The eastern side of Zhongdu Street and the southern side of Xinghe Road, Zhangbei County	92,189.5	241,355.8	211,032.7	121,571.0	–	–	–	–	–	–	Commercial, Residential	December 2019	100%
9. Zhangbei Zhongdu Ginza (張北中都銀座) The eastern side of Zhongdu Street and the southern side of Xinghe Road, Zhangbei County	8,106.7	–	–	–	–	86,690.5	78,194.1	–	Main structure completed	–	Commercial	April 2021	100%
10. Zhangbei Fuxinyuan Shanty-town Improvement Project (張北縣福馨苑棚戶區改造項目) The eastern side of Jingdu Road, Zhangbei County	71,057.0	–	–	–	–	147,871.2	141,347.4	–	Main structure completed	–	Commercial. Residential	June 2020	100%

BREAKDOWN OF MAJOR PROPERTIES

		Completed				Under development				Held for future development			
Name and location of project	Site area (sq.m.)	GFA completed (sq.m.)	Saleable/ rentable GFA (sq.m.)	Unsold saleable GFA (sq.m.)	Rentable GFA held for property investment (sq.m.)	GFA under development (sq.m.)	Saleable GFA (sq.m.)	Saleable GFA pre-sold (sq.m.)	Development stage	Planned GFA (sq.m.)	Use	Completion time/ estimated completion time	Equity holders' equity
11. Tianbao Edelweiss City (Residential) (天保雪絨花都(住宅)) The eastern side of Qilihe Village, Yu County	100,368.0	–	–	–	–	190,887.2	92,641.5	41,437.6	Main structure under construction	–	Residential	September 2021	100%
12. Tianbao Edelweiss City (Twin Tower) (天保雪絨花都(雙子座)) The eastern side of Qilihe Village, Yu County	54,533.0	–	–	–	–	–	–	–	–	–	Commercial	November 2021	100%
13. Tianbao Boyue Bay (天保鉑悅灣) Lipuzi Village, Yuzhou Town, Yu County	81,815.0	–	–	–	–	–	–	–	–	234,130.0	Residential	May 2022	100%
14. Tianbao Hushan Yard (天保湖山大院) Tumu Village, Tumu Town, Huailai County	145,569.5	–	–	–	–	–	–	–	–	291,139.0	Residential	May 2022	100%
15. Tianbao Jingbei Health City (Commercial Section) (天保京北健康城(商業部分)) Tumu Village, Tumu Town, Huailai County	54,168.9	–	–	–	–	140,863.7	62,179.0	–	Main structure under construction	–	Commercial	July 2021	100%
16. Zhangbei Zhongdu Garden (張北中都莊園) The western side of Zhanghua Highway and the northern side of Zhangshang Highway, Zhangbei County	99,513.0	–	–	–	–	–	–	–	–	119,415.6	Commercial	May 2022	100%
17. Zhangbei Haiziwa Land Lot (張北海子窪地塊) The western side of Haiziwa Scenic Area, Zhangbei County	48,742.0	–	–	–	–	–	–	–	–	48,742.0	Other commercial service	December 2022	100%
II. Investment properties													
Zhuozhou													
18. Baoxin International Building (保鑫國際大廈) (Note 1) No. 33 Guanyun East Road	17,792.4	50,039.7	44,336.1	–	44,336.1	–	–	–	–	–	Commercial	May 2016	100%
III. Other properties													
Zhangjiakou													
19. Project Haiziwa Hotel (海子洼酒店) The southern side of Haiziwa County, Zhangbei County	52,237.0	–	–	–	–	–	–	–	–	57,460.7	Other commercial service	June 2020	100%

Note 1: The land use rights of Baoxin International Building (保 鑫 國 際 大 廈) have been granted for a term expiring on December 2, 2053.

On January 6, 2020, the Group entered into a land use rights grant contract for a land parcel situated north to Yongji East Road and east to Pengcheng Street in the High-Tech Development Zone, Zhuozhou, the PRC with a total site area of 58,610.92 sq.m.. The term of the land use rights is 40 years.

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. The Group provides construction contracting services mainly as a general contractor for building construction projects, infrastructure construction projects, and industrial and commercial construction projects.

(I) REVIEW FOR 2019

Since 2019, “residential properties are for living” has been the main focus of policy-driven regulation in the property market. Local governments set the primary responsibility of their respective cities, and continuously optimise relevant policies based on the actual market condition to facilitate the stable and healthy development of the property market.

Faced with the ever changing market environment and the intensifying competition in the industry, the Group adhered to the expansion strategy of “construction first and property development to follow”, and continuously improved the synergies between property development business and construction contracting business to enable the Group to develop a diverse project portfolio and improve the business structure.

As of December 31, 2019, the Group had a diverse portfolio of 19 property projects consisting of 17 residential properties, one investment property and one hotel, which are all owned and developed by the Group. Among the 19 property projects, 6 projects are located in Zhuozhou and the remaining 13 projects are located in Zhangjiakou. As of December 31, 2019, the Group had land reserves with a total GFA of approximately 1,606,812.8 sq.m., including (i) completed properties with a total unsold saleable GFA of approximately 196,611.3 sq.m. and a rentable GFA held for property investment of approximately 44,336.1 sq.m., accounting for approximately 15.0% of the Group’s total land reserves; (ii) properties under development with a total planned GFA of approximately 614,978.1 sq.m., accounting for approximately 38.3% of the Group’s total land reserves; and (iii) properties held for future development with a total planned GFA of approximately 750,887.3 sq.m., accounting for approximately 46.7% of the Group’s total land reserves. The Group’s acquired land reserves are mainly located in Zhuozhou and Zhangjiakou which have high development potential.

The Group has been engaged in construction contracting business since 1998. As of December 31, 2019, the Group completed 972 construction projects, mostly as a general contractor, for building, infrastructure and industrial and commercial construction projects such as steel structure and preservation of antiquities and historical buildings. As of December 31, 2019, the Group’s aggregate backlog of construction projects was approximately RMB3,656 million.

(II) BUSINESS REVIEW

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

Segment	2019 Revenue RMB'000	2019 Percentage of total revenue (%)	2018 Revenue RMB'000	2018 Percentage of total revenue (%)
Property development business*	**1,294,539**	**48.7**	400,259	25.0
Construction contracting business	**1,365,498**	**51.3**	1,201,480	75.0
Total	**2,660,037**	**100.0**	1,601,739	100.0

Year ended December 31

* This includes rental income of approximately RMB9.9 million and RMB8.6 million for the year ended December 31, 2019 and 2018, respectively.

(i) Property Development Business

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

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

Year ended December 31

Business line	Nature of income	2019 Revenue RMB'000	2019 Percentage of revenue (%)	2018 Revenue RMB'000	2018 Percentage of revenue (%)
Property development sales	Sales of residential properties	**1,284,671**	**99.2**	391,709	97.9
Commercial property investment and operations	Rental income	**9,868**	**0.8**	8,550	2.1
Total		**1,294,539**	**100.0**	400,259	100.0

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

	Year ended December 31					
	2019			2018		
	GFA delivered sq.m.	Total revenue RMB'000	Recognised ASP (RMB/sq.m.)	GFA delivered sq.m.	Total revenue RMB'000	Recognised ASP (RMB/sq.m.)
Zhuozhou						
Tianma Jingyuan (天馬景苑)	**88**	**950**	**10,800**	52	142	2,731
Laojixiao Teachers Apartment (勞技校教師公寓)	**–**	**–**	**–**	3,194	16,467	5,156
Tianhe Penghua (田合鵬華)	**–**	**–**	**–**	91	494	5,429
Tianbao Green City (天保綠城)	**38,680**	**439,112**	**11,352**	–	–	–
Tianbao Lingyun City (天保凌雲城)	**48,019**	**388,489**	**8,090**	–	–	–
Zhangjiakou						
Tianbao New City Phase I (天保新城一期)	**287**	**1,332**	**4,640**	1,136	5,136	4,521
Tianbao New City Phase II (天保新城二期)	**1,444**	**11,336**	**7,850**	108,706	369,470	3,399
Tianbao New City Phase III (天保新城三期)	**89,455**	**443,452**	**4,957**	–	–	–
Total/Overall	**177,973**	**1,284,671**	**7,218**	113,179	391,709	3,461

As of December 31, 2019, the Group had a diverse portfolio of 19 projects consisting of 17 residential properties, one investment property and one hotel. Out of these 19 projects, 8 were completed projects, 5 were projects under development and 6 were projects held for future development.

Land Reserves

The following table sets out the GFA breakdown of the Group's land reserves by geographical location as of December 31, 2019:

Regions	Completed		Under development	Future development	Total land reserves	Percentage of total land reserves by geographical location
	Unsold saleable GFA (sq.m.)	Rentable GFA held for property investment (sq.m.)	Planned GFA under development (sq.m.)	Planned GFA (sq.m.)	Total GFA (sq.m.)	(%)
Zhuozhou	58,064.8	44,336.1	48,665.5	–	151,066.4	9.4
Zhangjiakou	138,546.5	–	566,312.6	750,887.3	1,455,746.4	90.6
Total	196,611.3	44,336.1	614,978.1	750,887.3	1,606,812.8	100.0

Commercial Property Investment and Operations

The Group owns and operates the Baoxin International Building, which the Group developed for long-term investment purposes. The Group holds this property for capital appreciation and rental income. For the year ended December 31, 2019, the Group's rental income from investment property operating leases amounted to approximately RMB9.9 million (2018: approximately RMB8.6 million).

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

A Hotel

Haiziwa Hotel (海子窪酒店) is a project under development. As of December 31, 2019, the Group had not commenced operations at Haiziwa Hotel and was in the process of obtaining necessary permits for the project. Conveniently located near Nasutu (那蘇圖) resort in Zhangjiakou, Hebei Province, Haiziwa Hotel will occupy a total site area of approximately 52,237.0 sq.m. and is expected to have an aggregate GFA of approximately 57,460.7 sq.m. Haiziwa Hotel is wholly owned by the Group and the Group plans to recruit a well-known hotel operator to manage the hotel.

(ii) Construction Contracting Business

The Group generates majority of its revenue from construction contracting business. For the year ended December 31, 2019, the Group generated a majority of its construction contracting revenue from construction projects located in Beijing-Tianjin-Hebei region, mainly in Hebei Province. The Group's construction projects in other geographical locations were mainly located in Beijing, Sichuan, Anhui and Zhejiang Provinces.

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

	Year ended December 31			
	2019		2018	
Regions	Revenue RMB'000	Percentage of revenue (%)	Revenue RMB'000	Percentage of revenue (%)
Beijing-Tianjin-Hebei	**930,044**	**68.1**	1,116,594	92.9
Other	**435,454**	**31.9**	84,886	7.1
	1,365,498	**100.0**	1,201,480	100.0

As of December 31, 2019, the Group completed 972 construction projects. The Group undertook most of such construction projects as a general contractor. As a general contractor, the Group performs all major aspects of the construction project, including building construction, foundation works, curtain wall construction, building decoration and fireproofing projects. The Group is also responsible for engaging subcontractors to provide construction services and the labor force for the construction project, coordinating the work of all parties, providing the major equipment and machinery, procuring raw materials and ensuring that the construction project remains on schedule. The Group believes undertaking construction projects as a general contractor reflects its overall capabilities and is significant to the Group's continued success. Having obtained the Premium Class Certificate in 2017, the Group is, and expect to continue to be able to, undertake larger-scale building construction projects with increased complexity and higher returns nationwide, as well as charge a premium rate for the Group's services.

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

Project Types

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

	Year ended December 31			
	2019		**2018**	
Project type	**Revenue RMB'000**	**Percentage of revenue (%)**	**Revenue RMB'000**	**Percentage of revenue (%)**
Building construction	**866,154**	**63.4**	723,300	60.2
Industrial, commercial and infrastructure construction	**499,344**	**36.6**	478,180	39.8
Total	**1,365,498**	**100.0**	1,201,480	100.0

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

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

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

Backlog and New Contract Value

Backlog value

Backlog refers to an estimate of the contract value of work that remains to be completed as of a certain date. The contract value represents the amount that the Groups 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:

	As of December 31			
	2019		2018	
Regions	**Contract value RMB million**	**Percentage of total contract value (%)**	**Contract value RMB million**	**Percentage of total contract value (%)**
Beijing-Tianjin-Hebei	**2,295.1**	**62.8**	1,673.9	97.8
Other	**1,361.2**	**37.2**	38.2	2.2
	3,656.3	**100.0**	1,712.1	100.0

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

	As of December 31			
	2019		2018	
Project types	**Contract value RMB million**	**Percentage of total contract value (%)**	**Contract value RMB million**	**Percentage of total contract value (%)**
Building construction	**3,102.0**	**84.8**	1,307.6	76.4
Industrial, commercial and infrastructure construction	**554.3**	**15.2**	404.5	23.6
	3,656.3	**100.0**	1,712.1	100.0

New Contract Value

New contract value represents the aggregate value of contracts entered into by the Group during the year 2019. The contract value is the amount that the Group expects to receive under the terms of the contract if the contract is performed by the Group in accordance with its terms.

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

	Year ended December 31			
	2019		2018	
Regions	**Contract value RMB million**	**Percentage of total contract value (%)**	**Contract value RMB million**	**Percentage of total contract value (%)**
Beijing-Tianjin-Hebei	**1,632.5**	**47.6**	1,889.8	95.9
Other	**1,798.6**	**52.4**	80.0	4.1
	3,431.1	**100.0**	1,969.8	100.0

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

	Year ended December 31			
	2019		2018	
Project types	**Contract value RMB million**	**Percentage of total contract value (%)**	**Contract value RMB million**	**Percentage of total contract value (%)**
Building construction	**2,752.2**	**80.2**	1,384.6	70.3
Industrial, commercial and infrastructure construction	**678.9**	**19.8**	585.2	29.7
	3,431.1	**100.0**	1,969.8	100.0

After obtaining the Premium Class Certificate in 2017, the Group has been involving in larger-scale building construction projects with increased complexity and higher returns nationwide, the value of the new contracts entered by the Group amounted to RMB3,431.1 million for the year ended December 31, 2019 compared to RMB1,969.8 million for the year ended December 31, 2018, increased by 74.2% and RMB1,461.3 million. The Group expanded the construction contracting business to regions other than Beijing-Tianjin-Hebei region during the year, the new contract value of other regions (including Sichuan, Anhui and Xinjiang) entered into by the Group amounted to RMB1,798.6 million.

(III) FINANCIAL REVIEW

1. Revenue

The revenue of the Group was primarily derived from two business segments: (i) property development business and (ii) construction contracting business. Total revenue increased from approximately RMB1,602 million for the year ended December 31, 2018 to approximately RMB2,660 million for the year ended December 31, 2019, representing an increase of 66%.

1.1 Property development business

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

The aggregate GFA delivered increased from 113,179 sq.m. for the year ended December 31, 2018 to 177,973 sq.m. for the year ended December 31, 2019 and the recognised revenue increased from approximately RMB392 million for the year ended December 31, 2018 to approximately RMB1,285 million for the year ended December 31, 2019. The above increments were primarily attributable to the completion and delivery of Tianbao Lingyun City, Tianbao Green City and Tianbao New City Phase III to purchasers during the year 2019, of which Tianbao Lingyun City and Tianbao Green City were sold at higher selling prices.

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, 2019, the Group held one commercial investment property, Baoxin International Building, which had a rentable GFA of 44,336.1 sq.m..

1.2 Construction contracting business

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

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

2. Cost of sales

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

The Group's cost of sales increased from approximately RMB1,412 million for the year ended December 31, 2018 to approximately RMB1,978 million for the year ended December 31, 2019, representing an increase of 40.1%, which was in line with the growth of property development business and construction contracting business of the Group.

3. Gross profit and gross profit margin

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

	Year ended December 31					
	2019			2018		
Segment	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	**609,646**	**89.3**	**47.0**	121,202	63.8	30.3
Construction contracting business	**72,774**	**10.7**	**5.3**	68,722	36.2	5.7
Total	**682,420**	**100.0**	**25.7**	189,924	100.0	11.9

The Group's gross profit increased from approximately RMB190 million for the year ended December 31, 2018 to approximately RMB682 million for the year ended December 31, 2019, representing an increase of 259%, which was primarily attributable to the increase in gross profit of the Group's property development business from approximately RMB121 million for the year ended December 31, 2018 to approximately RMB610 million for the year ended December 31, 2019. The Group's gross profit margin increased from 11.9% for the year ended December 31, 2018 to 25.7% for the year ended December 31, 2019, which was mainly due to the increase in gross profit margin of the Group's property development business from 30.3% for the year ended December 31, 2018 to 47.0% for the year ended December 31, 2019, which was mainly attributable to the completion and delivery of Tianbao Lingyun City and Tianbao Green City, the residential projects with high average selling prices and the gross profit margin ranging from 40% to 53%, to purchasers during the year. The gross profit margin of the construction contracting business remained relatively stable at 5.3% for the year ended December 31, 2019 (2018: 5.7%).

4. Other income and gains

The Group's other income and gains decreased by 18.5% from approximately RMB17 million for the year ended December 31, 2018 to approximately RMB14 million for the year ended December 31, 2019, primarily due to the decrease in dividend income received from equity investments designated at fair value through other comprehensive income from approximately RMB13.3 million for the year ended December 31, 2018 to approximately RMB10.8 million for the year ended December 31, 2019.

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 sales person.

The Group's selling and distribution expenses decreased by 42.8% from approximately RMB5.6 million for the year ended December 31, 2018 to approximately RMB3.2 million for the year ended December 31, 2019, which was mainly due to the organisation of certain promotion activities of relevant business by the Group to support its business expansion.

6. Administrative expenses

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

The Group's administrative expenses increased by 83.5% from approximately RMB43 million for the year ended December 31, 2018 to approximately RMB78 million for the year ended December 31, 2019, which was mainly due to the business expansion of the Group, listing expenses incurred and number of staff increased thus a rise of staff costs. Among the administrative expenses of approximately RMB78 million, listing expenses and staff costs (including directors' remuneration) amounted to approximately RMB29.2 million and approximately RMB24.7 million (for the year ended December 31, 2018: approximately RMB3.9 million and approximately RMB20.5 million, respectively), respectively.

7. Impairment losses or reversal of impairment losses on financial assets and contract assets, net

The Group performs an impairment analysis as of December 31, 2019 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, 2019, the Group's net impairment losses on financial assets amounted to approximately RMB24.3 million, primarily due to the amount of financial assets that the Group considered not recoverable based on the ECLs analysis performed. For the year ended December 31, 2018, the Group recorded a net reversal of impairment losses on financial assets and contract assets of RMB10.6 million, primarily because the Group strengthened its effort in recovering trade receivables where invoices had been issued and recovered certain long-aging trade receivables which it provided provision in prior years.

8. Fair value gain on investment properties

Baoxin International Building, the Group's investment property, is located in Zhuozhou, Hebei Province, the PRC, and is held by the Group in long run investment to generate rental income.

For the year ended December 31, 2019, the Group recorded fair value gain on investment properties of approximately RMB4.7 million (for the year ended December 31, 2018: RMB19.4 million), which was mainly due to the increase in fair value of investment properties.

9. Finance costs

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

The Group's finance costs increased by 331% from approximately RMB5 million for the year ended December 31, 2018 to approximately RMB22 million for the year ended December 31, 2019, which was mainly due to a larger portion of interest expenses incurred from the loans raised were not capitalised to the property development projects this year.

10. Income tax expenses

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

The Group's income tax expenses increased by 250% from approximately RMB72 million for the year ended December 31, 2018 to approximately RMB252 million for the year ended December 31, 2019, which was mainly due to the increase in the Group's taxable profit derived from the property development business and construction contracting business and the provision of LAT for the units delivered to purchasers of the property development business.

11. Profit for the year

For the year ended December 31, 2019, the Group's profit amounted to approximately RMB318 million, representing an increase of 194% from RMB108 million for the year ended December 31, 2018.

12. Earnings per share attributable to ordinary equity holders of the parent

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 144,680,000 (2018: Not applicable) in issue during the year.

For the year ended December 31, 2019, the weighted average number of ordinary shares in issue includes the following shares: the allotment of 100 ordinary shares on November 16, 2018; the allotment of 1 ordinary share on January 7, 2019; the allotment of 889 ordinary shares on April 28, 2019; the allotment of 10 ordinary shares on April 29, 2019; the capitalization issue of 599,999,000 ordinary shares on October 21, 2019; the issuance of 200,000,000 ordinary shares through initial public offering (the "IPO") listed on the Stock Exchange on November 11, 2019; and the allotment and issuance of 9,456,000 ordinary shares upon partial exercise of the over-allotment options on December 9, 2019.

The Group had no potentially dilutive ordinary shares in issue during the year ended December 31, 2019.

The calculations of basic and diluted earnings per share are based on:

	2019 RMB'000	2018 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:		
From continuing operations	**317,772**	109,634
From discontinued operations	**(62)**	(1,427)
Profit attributable to ordinary equity holders of the parent	**317,710**	108,207

	Number of shares	
	2019	2018
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**144,680,000**	N/A

(IV) LIQUIDITY, FINANCE AND CAPITAL

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

Cash position

As at December 31, 2019, the Group's total deposits, cash and cash equivalents amounted to approximately RMB452 million (2018: approximately RMB219 million), which are denominated in RMB and Hong Kong dollar, including pledged deposits of approximately RMB130 million as at December 31, 2019 (2018: approximately RMB121 million).

Future plans for material investments and capital assets

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

Significant investments held

For the year ended December 31, 2019, the Group did not hold any significant investments.

Loan and pledge of assets

	As of December 31					
	2019			2018		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank borrowings – secured	**5.66**	**2020**	**250,000**	5.66	2019	350,000
Current portion of long term bank borrowings – secured	**4.75-8.00**	**2020**	**369,000**	4.75	2019	119,000
			619,000			469,000
Non-current						
Bank borrowings – secured	**4.75-9.75**	**2021-2022**	**170,000**	4.75-8.00	2021	445,000
			789,000			914,000

The following table sets forth the maturity profile of the Group's interest-bearing bank borrowings as of the dates indicated:

	As of December 31	
	2019 RMB'000	**2018 RMB'000**
Bank borrowings repayable:		
Within one year or on demand	**619,000**	469,000
In the second year	**100,000**	395,000
In the third to fifth years, both inclusive	**70,000**	50,000
Total	**789,000**	914,000

As at December 31, 2019, the Group's total interest-bearing bank borrowings amounted to approximately RMB789 million (2018: approximately RMB914 million). The Group's interest-bearing bank borrowings are all denominated in RMB.

The Group's interest-bearing bank borrowings are secured by its property, plant and equipment, investment properties and properties under development with aggregate carrying amounts of approximately RMB68 million (2018: RMB66 million), RMB84 million (2018: RMB134 million) and RMB594 million (2018: RMB600 million), respectively.

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 or for the year ended December 31	
	Notes	**2019**	**2018**
Current ratio (times)	1	**1.10**	1.39
Gearing ratio (%)	2	**72.6**	54.4
Net gearing ratio (%)	3	**31.0**	41.4
Return on equity (%)	4	**23.0**	8.2
Return on total assets (%)	5	**5.1**	2.0
Gross profit margin (%)	6	**25.7**	11.9
Net profit margin (%)	7	**12.0**	6.8

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 borrowings 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 borrowings less cash and bank balances and pledged deposits divided by total equity as of the end of the respective periods and multiplied by 100%.

4. Return on equity was calculated based on the profit for the respective periods divided by the 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 net 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 from the continuing operations for the respective periods.

7. Net profit margin was calculated on profit for the year divided by revenue from the continuing operations for the respective periods.

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:

	2019 **RMB'000**	**2018** **RMB'000**
Within one year	**9,011**	7,510
In the second to fifth years, both inclusive	**7,492**	5,303
After five years	**355**	1,370
	16,858	14,183

Capital Commitments

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

	2019 RMB'000	2018 RMB'000
Contracted, but no provision has been made:		
Construction contracting	**229,572**	133,310

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 RMB816.4 million and approximately RMB870.9 million as at December 31, 2019 and December 31, 2018, respectively. The Group's guarantee period starts from the dates of the grant of relevant mortgage loans and ends upon the issuance of real estate ownership certificates to the purchasers, which will generally be available within one to two years after the purchasers take possession of the relevant properties.

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

Legal Contingents

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

(V) OTHERS

1. Use of Proceeds from Initial Public Offering

Trading of Shares in the Company on the Stock Exchange commenced on November 11, 2019, and the Group raised net proceeds of approximately HK$489.18 million (equivalent to approximately RMB437.14 million) (including the net proceeds received upon partial exercise of the over-allotment options as set out in the Prospectus, the "Net Proceeds"), after deducting the underwriting commission and other expenses in connection with the IPO.

As of December 31, 2019, an analysis of the utilisation of proceeds from IPO is as follows:

Proposed use of Net Proceeds as set out in the Prospectus	Approximate percentage of Net Proceeds (%)	Net Proceeds (including net proceeds from the exercise of the over-allotment option) RMB million	Utilised Net Proceeds RMB million	Unutilised Net Proceeds RMB million
To increase land reserves by acquiring land parcels in cities in Beijing-Tianjin-Hebei Region	50	218.57	133.16	85.41
To construct property projects under development	20	87.42	48.08	39.34
Funds for construction projects of backlog	20	87.42	87.42	–
General working capital	10	43.73	19.26	24.47
Total	100	437.14	287.92	149.22

During the year ended December 31, 2019, the Company's unutilised Net Proceeds were approximately RMB149.22 million. The Company intends to apply the unutilised net proceeds from IPO as of December 31, 2019 in the manner and proportion set out in the Prospectus. The unutilised Net Proceeds are expected to be utilised in full by the end of year 2020.

2. Subsequent Events after the Reporting Period

(1) Acquisition of the land use right of a land parcel in the High-Tech Development Zone, Zhuozhou

On January 6, 2020, Tianbao Property Development, an indirect wholly-owned subsidiary of the Company, and Zhuozhou Natural Resources and Planning Bureau entered into a state-owned construction land use right grant contract in relation to the land parcel situated north to Yongji East Road and east to Pengcheng Street in the High-Tech Development Zone, Zhuozhou, the PRC with a total site area of 58,610.92 sq.m. at a total consideration of RMB246,276,000. The land use right is valid for a term of 40 years for purpose of other commercial service. The proposed construction project of the land parcel shall commence before October 1, 2020 and be completed before September 30, 2023. For further details, please refer to the announcement of the Company dated January 6, 2020.

(2) Adoption of Share Award Scheme

On March 4, 2020, the Company adopted a share award scheme (the "Share Award Scheme") to recognise the contributions by certain employee(s) (including without limitation any executive director) of any member of the Group and to provide them with incentives in order to retain them for the continual operation and development of the Group; and to attract suitable personnel for further development of the Group. As of the date of this Annual Report, no awarded shares are granted under the Share Award Scheme. For further details, please refer to the announcement of the Company dated March 4, 2020.

Save as disclosed above, the Group had no material events after the Reporting Period.

3. 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.

4. Interest Rate Risk

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

5. Corporate Governance

The Group is committed to achieving high standards of corporate governance to safeguard the interests of the Shareholders of the Company 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 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 period commencing from the Listing Date and up to the date of this Annual Report, except for the deviation from the Corporate Governance Code provision A.2.1. 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 "Corporate Governance Report".

6. Material Acquisitions and Disposals

During the year ended December 31, 2019, there was no material acquisition and disposal of subsidiaries and assets by the Group.

7. Compliance with the 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. Prior to the Listing Date of the Company, the Model Code did not apply to the Directors.

After making specific enquiries to all Directors, each of the Directors has confirmed that he/she has complied with the Model Code during the period from the Listing Date and up to December 31, 2019.

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 since the Listing Date and up to December 31, 2019.

8. Purchase, Sale or Redemption of the Listed Securities of the Company

During the period from the Listing Date to December 31, 2019, the Company did not purchase, sell or redeem any securities of the Company listed on the Stock Exchange.

(VI) FUTURE PROSPECT

Looking ahead into 2020, China is still in the critical period of industry structural adjustment and maintains a generally stable economic performance while securing progress. For property industry, different policies will be implemented in different cities to form a long-term management and regulation mechanism to stabilise the prices of lands and residential properties and the market expectation.

The Coronavirus disease (COVID-19) outbreak in early 2020 will bring a certain impact on the overall economy. The Group currently has no business in Hubei Province and it is expected that COVID-19 has no significant impact on the business of the Group. As of the date of this report, the epidemic has continued to develop. The Group will keep an eye on the possible impact of the epidemic on the financial position and operating results of the Group, and will make appropriate and feasible measures timely in response to the outbreak.

Faced with new situation and new challenges, the Group will fully utilise the synergies between property development business and construction contracting business to continue develop a diverse project portfolio. For construction contracting business, the Group will follow the development trend of China, expand to the Guangdong-Hong Kong-Macau Greater Bay Area, and put great efforts in construction of the Beijing-Tianjin-Hebei region in Northern China, Sichuan, Chongqing and Hunan Province in Southwestern China, Shaanxi, Gansu and Xinjiang Province in Northwestern China, and Xiong'an New Area. The Group will expand its historical building business, strengthen the human resources of design institutes, enhance the qualifications of infrastructure business, and make nationwide expansion in construction market, thereby enhancing the comprehensive strength of its construction contracting business. Meanwhile, the Group will deeply implement the expansion strategy of "construction first and property development to follow", focus on Zhuozhou and the satellite cities of Beijing, strengthen the cooperation with local government entities and property developers for construction contracting projects, and continuously expand its property development business.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Executive Directors

Mr. Li Baotian (李保田先生), aged 64, is the Chairman of the Board, an executive Director and chief executive officer of the Company. Mr. Li was appointed as a Director on November 16, 2018 and was redesignated as an executive Director on April 17, 2019. Mr. Li has over 34 years of experience in property development and construction contracting industry. Mr. Li is the Controlling Shareholder of the Company as well as the father of Mr. Li Yaruixin (李亞睿鑫先生) and uncle-in-law of Ms. Wang Xinling (王新玲女士).

Mr. Li is a representative of the 15th People's Congress, Baoding City (保定市第十五屆人民代表大會代表), a member of the presidium of the People's Congress, Zhuozhou City (涿州市人大代表主席團成員) and has been a vice president of Federation of Industry and Commerce of Zhuozhou City (涿州市工商業聯合會) since 1998. On June 13, 2019, Mr. Li was appointed as the president of Zhuozhou Entrepreneurs Association. Since September 2019, Mr. Li has served as an expert of construction material procurement of the property industry in Hebei Province for a term of two years.

Mr. Li has received various awards in recognition of his achievements. In November 2009, he was awarded the 4th Outstanding Builder of Socialism with Chinese Characteristics of Hebei Province (第四屆河北省優秀中國特色社會主義事業建設者稱號). In 2010, he was named as the Advanced Worker of the Quality Management of Construction (全國工程建設質量管理先進工作者) by China Construction Industry Association (中國建築業協會). In 2011, he was honored as the Senior Occupational Manager in China's construction industry of 2011 (2011年度中國建築業優秀高級職業經理人). In December 2014, he was conferred as the Outstanding Entrepreneur in Hebei province (河北傑出企業家). In 2016, he was awarded the 2015 Excellent Enterprise Manager in Construction Industry in Hebei province (2015年度河北省建築業優秀企業管理者) and the 2016 Outstanding Entrepreneur in Hebei province (2016年度河北省優秀企業家). In 2018, he was awarded the 2017 National Outstanding Entrepreneur in Construction Industry (2017年度全國優秀施工企業家). In April 2019, he was awarded the 2018 Excellent Enterprise Manager in Construction Industry in Hebei province (2018年度河北省建築業優秀企業管理者). In November 2019, he was named as the Advanced Worker of Enterprise Culture Construction at the 70th Anniversary of the Founding of the PRC (新中國70年企業文化建設先進工作者). In December 2019, he was awarded the Individual Prize of Quality Award of the Zhuozhou Government (涿州市政府質量獎個人獎).

Mr. Li obtained an adult higher education certificate (成人高等教育專業證書) in urban construction issued by Hebei Agricultural University (河北農業大學) in June 2002.

Ms. Shen Lifeng (申麗鳳女士), aged 54, is an executive Director of the Company and vice president of the Group. Ms. Shen was appointed as an executive Director on April 17, 2019. Ms. Shen has more than 33 years of experience in law, investment and financing management and corporate management.

Ms. Shen has been a founding arbitrator of the Arbitration Committee of Langfang City (廊坊市仲裁委員會) since June 2017. She was an executive committee member of the Federation of Industry and Commerce of Hebei Province (河北省工商業聯合會) and a vice president of the General Chamber of Commerce of Hebei Province (河北省總商會) until August 2017. From February 2019 to April 2019, she served as the chief executive officer of Porda Havas International Finance Communications (Group) Holdings Company Limited (博達浩華國際財經傳訊（集團）控股有限公司).

Ms. Shen previous work experience includes serving as a teaching assistant in the department of law of Hebei University (河北大學) from September 1987 to October 1989; the director of the legal department, an assistant to the general manager and a vice general manager of Hebei Textiles Import and Export (Group) Company (河北省紡織品進出口(集團)公司) from October 1989 to May 2006; a standing vice general manager and a member of the discipline-inspection committee of Shenglun International Industrial Group Co., Ltd. (聖侖國際實業集團股份有限公司), responsible for the reorganization and restructuring of the state-owned enterprise from May 2006 to December 2007; an executive director and the general manager of Shaanxi Kunzheng Mining Co., Ltd. (陝西坤正礦業股份有限公司) from September 2008 to August 2014; and the chief director in charge of PRC businesses of Chong & Partners LLP from September 2016 to February 2019. Ms. Shen has been an independent non-executive Director of Hebei Construction Group Corporation Limited (河北建設集團股份有限公司) (stock code: 1727.HK), a company listed on the Main Board of the Stock Exchange, since December 15, 2017.

Ms. Shen obtained a bachelor of law degree from Hebei University in July 1987 and obtained a master degree of economics in world economy from Hebei University in June 1999. She also obtained a Ph.D. Degree in civil and commercial law from Peking University Law School in June 2005 and a master's degree in Buddhist Studies from University of Hong Kong in November 2015. Ms. Shen obtained the qualifications of lawyer from the Lawyer's Qualification Review Committee of the Ministry of Justice (司法部律師資格審查委員會) in June 1998 and senior economist from the Office of the Leading Group for Professional Title Reforms in Hebei Province (河北省職稱改革領導小組辦公室) in November 1998, respectively. Ms. Shen was accredited the 2004 "Top Ten Excellent Youth of Hebei (河北十大傑出青年)" and the first-class merit for individuals (個人一等功) by the China Communist Youth League Committee of Hebei Province (共青團河北省委員會) and Hebei Provincial Department of Human Resources and Social Security (河北省人力資源和社會保障廳) and the "Top Ten Excellent Youth of Enterprises contributed by Hebei SASAC (河北省國資委所出資企業十大傑出青年)" by Hebei SASAC in 2005, respectively. Ms. Shen was also elected and served as the representative of the 6th and 7th sessions of the Party Congress of Hebei Province.

Ms. Wang Xinling (王新玲女士), aged 37, is an executive Director of the Company and vice president of the Group. Ms. Wang was appointed as an executive Director on April 17, 2019. Ms. Wang is the niece-in-law of Mr. Li Baotian. She is the general manager of Tianbao Construction Group and the director and general manager of Yuxian Tianbao Property Development. Ms. Wang joined Tianbao Construction Group as a safety officer of project department in June 2001 and was the manager of safety and environmental protection department from January 2002 to February 2005 and held the positions of vice general manager and the standing vice manager from February 2007 to January 2018. She has over 18 years of experience in construction industry.

Ms. Wang has been the deputy president of Construction Association in Hebei Province (河北省建築業協會) since 2016 and a deputy president of the Construction Association in Baoding City (保定市建築業協會) since December 30, 2016.

In 2011, Ms. Wang was awarded the March 8th Flag Bearer of 2010 (2010年度三八紅旗手) by Women's Federation of Zhuozhou (涿州市婦女聯合會). In 2013, she was honored as the outstanding leader of the quality management group of the national construction of 2013 (2013年度全國工程建設質量管理小組活動卓越領導者) by the Committee on the China Construction Quality Award (國家工程建設質量獎審定委員會). In 2016, 2017 and 2018, she was conferred as the excellent enterprise manager in construction industry in Hebei Province (河北省建築業優秀企業管理者) by the Construction Association in Hebei Province (河北省建築業協會) for three consecutive years. In 2017, she was honored with the Outstanding Contribution Award of National High Quality Project Award of 2016-2017 (2016至2017年度國家優質工程獎突出貢獻者) by the China Construction Enterprise Management Association (中國施工企業管理協會). In 2018, she was awarded as the outstanding leader of the Quality Management Group of Construction (工程建設質量管理小組活動卓越領導者) by the China Construction Enterprise Management Association (中國施工企業管理協會).

Ms. Wang completed the Executive Business Administration Studies Course (高級工商管理課程研修班) organized by the School of Continuing Education, Tsinghua University (清華大學繼續教育學院) in November 2011. She also obtained the graduation certificate in urban economics and management via the Self-taught Higher Education and Examination (高等教育自學考試) from Hebei Agricultural University (河北農業大學) in December 2004. Ms. Wang obtained a Qualification Certificate of Intermediate Professional Technical Position (中級專業技術職務任職資格證書) as an engineer of construction from the Office of the Leading Group for Professional Title Reforms in Hebei Province (河北省職稱改革領導小組辦公室) in December 2016. Ms. Wang has been studying an undergraduate program in civil engineering in Hebei University of Science and Technology Higher Adult Education (河北科技大學成人高等教育) via online learning since March 2017 and graduated in June 2019 and has been studying a master of management programme in Australian National University, which is a part-time programme taught in Tsinghua University, Beijing and the language of instruction in Mandarin since December 2018.

Mr. Li Yaruixin (李亞睿鑫先生), aged 35, is an executive Director of the Company and vice president of the Group. Mr. Li Yaruixin was appointed as an executive Director on April 17, 2019. Mr. Li Yaruixin is the son of Mr. Li Baotian. He is the assistant to the executive director of Tianbao Property Development. Mr. Li Yaruixin joined Tianbao Construction Group as an officer of planning department in June 2007. From July 2009 to June 2010, he served as vice manager of Tianbao Property Development. He has been the director and general manager of Zhangbei Tianbao Hengqi Property since October 2013, the director of Zhuozhou City Mingyang Property since June 2016 and the director and manager of Chengdu Tianbao Property Development since April 2018. Mr. Li Yaruixin has over 12 years of experience in construction industry. He has been a director of Hebei Zhuozhou Agricultural Commercial Bank Co., Ltd (河北涿州農村商業銀行股份有限公司) since June 19, 2017.

Mr. Li Yaruixin also currently serves as a member and standing committee member of the Zhuozhou City 8th Chinese People's Political Consultative Conference (政協涿州市第八屆委員會委員及常委).

In 2005, Mr. Li Yaruixin was awarded as the New Long March Pioneer of Zhuozhou City (涿州市新長征突擊手) by the Zhuozhou Committee of Youth League of China (中國共產主義青年團涿州市委員會). In 2012, he was awarded as the Excellent Committee Member of Zhuozhou City (涿州市優秀青聯委員) by Zhuozhou Youth Federation (涿州市青年聯合會). In 2013, he was conferred as the Outstanding Communist Youth League member of Hebei Province (河北省優秀共青團幹部) by the Hebei Committee of Youth League (中國共產主義青年團河北省委員會). In 2014, he was named as the Model Worker of 2011–2012 (2011至2012年度勞動模範) by the People's Government of Zhuozhou City (涿州市人民政府). In April 2019, he was awarded as the excellent enterprise manager in Construction Industry in Hebei Province of 2018 (2018年度河北省建築業優秀企業管理者) by the Construction Association in Hebei Province (河北省建築業協會). In December 2019, he was awarded as an individual with outstanding contribution to the property industry ini Hebei Province of 2019 (河北省房地產行業突出貢獻個人).

Mr. Li Yaruixin obtained the graduation certificate from Hebei Agricultural University (河北農業大學) majoring in urban planning (城鎮規劃) in June 2007, and he was admitted to the degree of Master of Business Administration by Business School of Netherlands, which is a part-time programme taught in China, in September 2015. Mr. Li Yaruixin was qualified as a structural engineer (結構工程師) in December 2014 and as a municipal engineer (市政工程師) in December 2016 by the Office of the Leading Group for Professional Title Reforms in Hebei Province (河北省職稱改革領導小組辦公室).

DIRECTORS AND SENIOR MANAGEMENT

Ms. Wang Huijie (王慧杰女士), aged 51, is an executive Director of the Company and vice president of the Group. Ms. Wang was appointed as an executive Director on April 17, 2019. She is the secretary of the party committee and union president of Tianbao Construction Group. Ms. Wang joined Tianbao Construction Group as the union president and deputy secretary of the Party Committee in January 2001. She was a deputy secretary of the Party Committee of Tianbao Construction Group from January 2001 to October 2006, a deputy secretary of general party committee of Tianbao Construction Group from October 2006 to April 2009, and a deputy secretary of the party committee of Tianbao Construction Group from April 2009 to January 2018.

Ms. Wang is a member of Zhuozhou City 8th Chinese People Political Consultative Conference (涿州市政協第八屆委員).

In 2006, Ms. Wang was accredited as a Construction and Installation Flag Bearer of 2004–2005 (2004至2005年度生產建設紅旗手) by the Baoding City General Workers' Union (保定市總工會). From 2006 to 2016, she was awarded as the Excellent Worker of Workers' Union (優秀工會工作者) by the Zhuozhou City General Workers' Union (涿州市總工會) for 11 consecutive years. In 2007, she was awarded as the Advanced Female Worker in Hebei Province (河北省先進女職工工作者) by the General Workers' Union in Hebei Province (河北省總工會). In 2011, she was awarded as the Model Worker of Baoding (保定市勞動模範) by the People's Government of Baoding (保定市人民政府). In 2013, she was awarded as the National Outstanding Worker of the Labor Union (全國優秀工會工作者) by the All – China Federation of Trade Unions (中華全國總工會). In 2014, she was awarded as the Model Worker of Hebei Province (河北省勞動模範) by the People's Government of Hebei Province (河北省人民政府). In 2016, she was awarded as the National May-One Labor Medal (全國五一勞動獎章) by All-China Federation of Trade Unions (中華全國總工會). In December 2018, she was awarded as the Excellent Worker of Workers' Union (優秀工會工作者) by the General Workers' Union of Hebei Province (河北省總工會). In March 2019, she was awarded as the March 8 Flag Bearer of Baoding City (保定市三八紅旗手) by the Women's Federation of Baoding City (保定市婦聯). In June 2019, she was awarded as one of the "Top 1000 Secretaries of Party Branch" of Hebei Province (河北省"千名好支書") by the Organization Department of the Hebei Provincial Party Committee of the Communist Party of China (中共河北省委組織部).

Ms. Wang graduated from Huabei Petroleum College of Finance and Economics (華北石油財經學校) with a diploma majoring in marketing through distance learning in July 1998 and she was qualified as an Intermediate Policy Analyst (中級政工師) in April 2016.

Mr. Zang Lin (臧凜先生), aged 40, is an executive Director of the Company and vice president of the Group. Mr. Zang was appointed as an executive Director on April 17, 2019. Mr. Zang joined Tianbao Construction Group in October 1999 and served various positions in Tianbao Construction Group, including manager of technical and quality department from October 1999 to June 2005 and standing vice manager from June 2005 to March 2010. He has been the vice general manager of Tianbao Construction Group since March 2010 and executive director and manager of Huailai Tianbao Property Development since August 2016. He has over 20 years of experience in construction industry.

Mr. Zang is a member of the Zhangbei County 16th Chinese People's Political Consultative Conference (中國人民政治協商會議張北縣第十六屆委員會).

In 2008, Mr. Zang was awarded as the Constructor of Chinese Characteristic Socialism (中國特色社會主義事業建設者) by the United Front Work Department of Zhuozhou City of China (中國涿州市委統戰部) and the Federation of Industry and Commerce of Zhuozhou City (涿州市工商業聯合會). In 2009, he was awarded as the Excellent Worker for Management of Construction Engineering, Economy and Technology in Baoding City (保定市優秀建設工程經濟技術管理工作者) by Construction Association in Baoding City (保定市建築業協會). In 2015, he was the project manager of Zhuozhou 107 National Road and Connection Line Transformation Project (涿州市107國道至連接線改造項目) and such project was awarded the outstanding construction of Hebei Province with Anji Cup for Construction Engineering of Hebei Province in 2015 (2015年度河北省建設工程安濟杯獎) by the Construction Association in Hebei Province (河北省建築業協會). In 2017, he was awarded as the Outstanding Project Manager of the Construction Enterprises of China (全國建築業企業優秀項目經理) by China Construction Industry Association (中國建築業協會). In 2018, he was awarded as the oustanding project manager in construction industry in Hebei Province of 2017 (2017年度河北省建築業優秀項目經理) by Construction Association in Hebei Province (河北省建築業協會).

Mr. Zang passed the Self-taught Higher Education and Examination (高等教育自學考試) of Engineering of Industrial and Civil Buildings (工業與民用建築工程) and was approved for graduation by Hebei Agricultural University (河北農業大學) in June 1999. He obtained the graduation certificate on Adult Higher Education program (成人高等教育) majoring in Civil Engineering (土木工程) from Hebei University (河北大學) via distance learning in January 2017. He was qualified as an engineer in architectural engineering (建築工程工程師) in November 2013 by The Office of the Leading Group for Professional Title Reforms in Hebei Province (河北省職稱改革領導小組辦公室).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Xu (李煦先生), aged 45, an independent non-executive Director of the Company. He was appointed as our independent non-executive Director on June 25, 2019. Mr. Li Xu is primarily responsible for providing independent advice on the operations and management of the Group.

Mr. Li Xu was a financial analyst of Lucent Technologies Inc., a company which was formerly listed on the New York Stock Exchange, in 1999. Prior to joining the University of Hong Kong, he served as an assistant professor of Lehigh University in the U.S. from August 2010 to August 2012 and was the assistant professor of the University of Texas at Dallas in the U.S. from August 2004 to August 2010. He has been the associate professor of the Faculty of Business and Economics at the University of Hong Kong since July 2012, where he was mainly involved in imparting practical knowledge in the commercial world during the teaching of accounting and financial management courses. He is currently the program director of executive master of business administration jointly offered by the University of Hong Kong and the Peking University (北京大學), where he is responsible for project management and promoting accounting, business and finance education towards the development of the business and finance profession and human capital.

Mr. Li Xu has become a member of the American Accounting Association since September 2002. Mr. Li Xu has obtained the Certified Financial Analyst (CFA) qualification from the Association for Investment Management and Research, now known as CFA Institute, since October 2003.

Mr. Li Xu received a bachelor's degree in Economics (International Business Management profession) from the University of International Business and Economics in Beijing (北京對外經濟貿易大學) in July 1997, a master degree in Finance from the Boston College in December 1998 and a degree of doctor of philosophy in accounting from Massachusetts Institute of Technology's Sloan School of Management in June 2004.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Liu Kaixiang (劉凱湘先生), aged 55, an independent non-executive Director of the Company. Mr. Liu was appointed as our independent non-executive Director on June 25, 2019. He is primarily responsible for providing independent advice on the operations and management of the Group.

He is also a professor and doctoral supervisor of Peking University Law School (北京大學法學院), vice president of China Commercial Law Research Society (中國商法學研究會) and an arbitrator of China International Economic and Trade Arbitration Commission (中國國際經濟貿易仲裁委員會) and Singapore International Arbitration Centre (新加坡國際仲裁中心). Mr. Liu has been the independent non-executive director of BAIC Motor Corporation Limited (北京汽車股份有限公司) (stock code: 1958.HK), a company listed on the Main Board of the Stock Exchange, since December 2014. He has also been the independent director of each of Beijing Hanjian Heshan Pipe Co., Ltd. (北京韓建河山管業股份有限公司) (stock code: 603616.SH) since June 2014, People.cn Co., Ltd. (人民網股份有限公司) (stock code: 603000.SH) since December 2016 and Chongqing Sokon Industry Group Stock Co.,Ltd. (重慶小康工業集團股份有限公司) (stock code: 601127.SH) since April 2017, all of which are listed on the Shanghai Stock Exchange. Mr. Liu served as an independent director of each of GuangZhou Seagull Kitchen And Bath Products Co.,Ltd. (廣州海鷗住宅工業股份有限公司) (stock code: 002084.SZ) from July 2006 to August 2009, Taiji Computer Corporation Ltd. (太極計算機股份有限公司) (stock code: 002368.SZ) from September 2008 to June 2017, Beijing Ultrapower Software Co., Ltd. (北京神州泰岳軟件股份有限公司) (stock code: 300002.SZ) from June 2010 to May 2016 and Beijing Orient Landscape Co., Ltd. (北京東方園林股份有限公司) (stock code: 002310.SZ) from December 2011 to December 2017, all of which are listed on the Shenzhen Stock Exchange.

Mr. Liu served in the faculty of law of Beijing Technology and Business University (北京工商大學) from July 1987 to May 1999 and has been a professor and doctoral supervisor of Peking University Law School since June 1999.

Mr. Liu obtained a bachelor's degree in law from Southwest University of Political Science & Law (西南政法大學) in July 1984, and a master's degree and doctoral degree in law from Peking University (北京大學) in July 1987 and June 2001, respectively. Mr. Liu has received various awards, including the "National Outstanding Teachers Award" (全國優秀教師) and "Contemporary Chinese Law Expert" (當代中國法學名家).

Mr. Li Qingxu (李清旭先生), aged 64, an independent non-executive Director of the Company. Mr. Li Qingxu was appointed as our independent non-executive Director on June 25, 2019. He is primarily responsible for providing independent advice on the operations and management of the Group.

Mr. Li Qingxu served in the People's Liberation Army from December 1973 to March 1997. He worked as the director of the general office (辦公室主任) of China Construction Enterprise Management Association (中國施工企業管理協會) from August 1997 to April 2009. He worked as the deputy secretary of China Construction Enterprise Management Association (中國施工企業管理協會) from April 2009 to April 2015. He has been the vice president, the head of commission of science and technology and the head of informatization committee of China Construction Enterprise Management Association (中國施工企業管理協會) since April 2015.

Mr. Li Qingxu graduated from the People's Liberation Army Armored Force Engineering Institute (中華人民共和國解放軍裝甲兵技術學院) with a bachelor's degree in engineering in May 1982.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management and operation of our business.

Our executive Directors, namely Mr. Li Baotian, Ms. Shen Lifeng, Ms. Wang Xinling, Mr. Li Yaruixin, Ms. Wang Huijie and Mr. Zang Lin, concurrently hold senior management positions in the Group. For each of their biographies, please refer to the section above.

Mr. Li Guodong (李國棟先生), aged 35, is the vice president of the Group and deputy general manager of Tianbao Construction Group. Mr. Li Guodong joined Tianbao Construction Group in February 2004 and served various positions in Tianbao Construction Group, including as safety and environmental protection officer from February 2004 to February 2005 and as the manager of safety and environmental protection department from February 2005 to February 2011. He has been the deputy general manager of Tianbao Construction Group since February 2011. Mr. Li Guodong has over 15 years of experience in safety and environmental protection field.

In 2011, Mr. Li Guodong was awarded as the excellent worker for management of construction engineering projects of Baoding City (保定市優秀建設工程項目管理工作者) by Construction Association in Baoding City (保定市建築業協會). In 2011, he was awarded as the excellent manager (promoter) of group activity for engineering construction quality management in Hebei Province of 2010 (2010年度河北省工程建設質量管理小組活動優秀管理者(推進者)) by the Construction Association in Hebei Province (河北省建築業協會), In 2013, he was awarded as the advanced worker for engineering construction quality management in Hebei Province of 2012 (2012年度河北省工程建設質量管理先進工作者) by Construction Association in Hebei Province (河北省建築業協會). In 2014, he was awarded as the Excellent Enterprise Manager in Construction Industry in Hebei Province of 2013 (2013年度河北省建築業優秀企業管理者) by Construction Association in Hebei Province (河北省建築業協會). In 2015 and 2016, he was awarded as the outstanding project manager in construction industry in Hebei Province of 2014 and 2015 (2014年度及2015年度河北省建築業優秀項目經理) by Construction Association in Hebei Province (河北省建築業協會). In 2017, he was awarded as the outstanding project manager of the construction enterprises of China (全國建築業企業優秀項目經理) by China Construction Industry Association (中國建築業協會). In 2019, he was awarded as the outstanding project manager in construction industry in Hebei Province of 2018 (2018年度河北省建築業優秀項目經理) by Construction Association in Hebei Province (河北省建築業協會).

Mr. Li Guodong has completed the Executive Business Administration Studies Course (高級工商管理課程研修班) by the School of Continuing Education, Tsinghua University (清華大學繼續教育學院) in November 2011 and completed the Adult Higher Education program (成人高等教育) majoring in engineering management by Hebei Construction Engineering College (河北建築工程學院) via distance learning in January 2013.

Mr. Li Guodong obtained the registration Certificate of Second Grade Constructor (二級建造師註冊證書) issued by the Department of Development of Hebei Province (河北省建設廳) in March 2008. He was qualified as a senior engineer of architectural engineering from The Office of the Leading Group for Professional Title Reforms in Hebei Province (河北省職稱改革領導小組辦公室) in December 2016.

Mr. Yang Yanqing (楊艷青先生), aged 38, is the vice president of the Group and deputy general manager of Tianbao Construction Group. He joined Tianbao Construction Group in June 2006 and served various positions in Tianbao Construction Group, including as assistant to chairman from September 2006 to June 2014 and the project manager from June 2014 to February 2017. He has been a deputy general manager of Tianbao Construction Group since February 2017. Mr. Yang has over 13 years of experience in construction industry.

In 2017 and 2018, Mr. Yang was awarded as the outstanding project manager in construction industry in Hebei Province of years 2016 and 2017 (2016年度及2017年度河北省建築業優秀項目經理) by Construction Association in Hebei Province (河北省建築業協會). In 2017, he was awarded as the outstanding leader of the quality management group of construction of 2017 (2017年度工程建設質量管理小組活動卓越領導者) by China Construction Enterprise Management Association (中國施工企業管理協會). In April 2019, he was awarded as the outstanding leader of the quality management group of construction in Hebei Province of 2018 (2018年度河北省工程建設質量管理小組活動卓越領導者) by the Building and Construction Professional Committee under the Quality Association of Hebei Province (河北省質量協會建築與施工專業委員會), and as the outstanding project manager in construction industry in Hebei Province of year 2018 (2018年度河北省建築業優秀項目經理) by Construction Association in Hebei Province (河北省建築業協會). In June 2019, he was awarded as the outstanding leader of the quality management group in Hebei Province of 2019 (2019年河北省質量管理小組活動卓越領導者) by Hebei Administration for Market Regulation (河北省市場監督管理局) and other entities.

Mr. Yang graduated from Hebei University (河北大學) with a bachelor degree in engineering mechanics in June 2006. He obtained the Certificate of Registration of Constructor issued by the Ministry of Housing and Urban-Rural Construction of China (中國住房和城鄉建設部) in September 2013. He was qualified as an engineer of architectural engineering from The Office of the Leading Group for Professional Title Reforms in Hebei Province (河北省職稱改革領導小組辦公室) in December 2014. He has been a part-time postgraduate of the business administration profession in China University of Geosciences (中國地質大學) from September 2019 and expects to graduate in June 2022.

Ms. Liu Dandan (劉丹丹女士), aged 31, was appointed as the chief financial officer on April 17, 2019. Ms. Liu is primarily responsible for overall financial and fund management of the Group.

Ms. Liu joined the Group in November 2012 and served various positions, including as officer of finance department of Zhangbei branch of Tianbao Construction Group from November 2012 to June 2013, as finance manager of Zhangbei branch of Tianbao Construction Group from June 2013 to November 2014 and as finance manager of Zhangbei branch of Tianbao Property Development from December 2014 to October 2018. She has been the manager of finance and monitoring department of Tianbao Construction Group since November 2018.

Ms. Liu obtained a junior college graduation certificate in accountancy from Hebei Finance University (河北金融學院) in June 2011. She studied an undergraduate program in construction management in Hebei University of Architecture (河北建築工程學院) through distance learning since March 2017 and graduated in June 2019, and an undergraduate program in financial management in Hebei University of Science and Technology (河北科技大學) through distance learning since March 2018.

Ms. Liu has passed all subjects under the futures qualification examination of the China Futures Association (中國期貨業協會) and securities qualification examination of the Securities Association of China (中國證券業協會) in May 2011 and March 2014, respectively. Ms. Liu was accredited as a certified public accountant by The Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in April 2016. She obtained her intermediate accountant qualification from the Ministry of Human Resources and Social Security of the PRC (中國人力資源和社會保障部) in September 2016 and tax advisor qualification issued by The China Certified Tax Agents Association (中國註冊稅務師協會) in November 2017.

JOINT COMPANY SECRETARIES

Mr. Du Hang (杜航先生), aged 27, was appointed as one of the joint company secretaries of the Company on April 10, 2019.

Mr. Du Hang joined Tianbao Construction Group as an officer of the department of corporate planning in July 2015. He served various positions in Tianbao Construction Group, including the assistant to the general manager of Tianbao Construction Group and deputy manager of the department of corporate planning of Tianbao Construction Group from September 2016 to June 2018. He has been a deputy manager of the department of development and planning of Tianbao Construction Group since June 2018. Mr. Du has over four years of experience in management and finance.

Mr. Du obtained the graduation certificate from Langfang Normal University (廊坊師範學院) majoring in international economics and trade in June 2015, and has been studying the Adult Higher Education Program (成人高等教育) majoring in civil engineering in Hebei GEO University (河北地質大學) via correspondence course since March 2017, and was graduated in June 2019. Mr. Du was qualified as an assistant engineer in architectural engineering in December 2016 by The Office of the Leading Group for Professional Title Reforms in Hebei Province (河北省職稱改革領導小組辦公室).

Mr. Du is a member of scientific technology and talent skills sector of 13th China Communist Youth League Baoding Committee (保定市青年聯合會).

Mr. Lei Kin Keong (李健強先生), aged 43, was appointed as one of the joint company secretaries of the Company on April 10, 2019.

Mr. Lei currently serves as an assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited. He is currently a non-practising member of The Hong Kong Institute of Certified Public Accountants and an associate member of The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute in the United Kingdom (formerly known as The Institute of Chartered Secretaries and Administrators in the United Kingdom). He holds a Bachelor of Art (Honours) in Accountancy from The Hong Kong Polytechnic University and a Postgraduate Diploma in Corporate Compliance from the University of Hong Kong (School of Professional and Continuing Education). He currently serves as the named joint company secretary of various companies listed on the Stock Exchange.

DIRECTORS' REPORT

The Board hereby presents the Shareholders with the Group's annual report and audited consolidated financial statements for the year ended December 31, 2019.

The Company is an exempted company incorporated under the laws of the Cayman Islands with limited liability on November 16, 2018. The Company's Shares were listed on the Main Board of the Stock Exchange on November 11, 2019.

PRINCIPAL BUSINESS

The Group is a property developer and construction company in Zhuozhou, a city in Hebei Province, China. The Group operates through property development and construction contracting businesses. For property development business, we engage in development and sales of residential properties, and leasing and operation of an investment property. For construction contracting business, we provide construction contracting services mainly as a general contractor for building construction projects, infrastructure construction projects, and industrial and commercial construction projects.

RESULTS

The Group's results for the year ended December 31, 2019 and financial position as at December 31, 2019 are set out on pages 100 to 103 in the consolidated financial statements.

DIVIDEND PAYMENT

The Board does not recommend the payment of a final dividend for the year ended December 31, 2019.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The Company proposes to hold the Annual General Meeting at 9:00 a.m. on May 27, 2020.

To ascertain the identity of the Shareholders who are entitled to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Friday, May 22, 2020 to Wednesday, May 27, 2020, both days inclusive, during which period no transfer of shares will be registered. In order to qualify to attend and vote at the Annual General Meeting, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, May 21, 2020 for registration.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended December 31, 2019 are set out in note 31 to the consolidated financial statements.

For the year ended December 31, 2019 and up to the date of this Annual Report, movements in the share capital of the Company are as follows:

(i) Increase of Authorised Share Capital

As mentioned in the Prospectus, on October 21, 2019, the Company increased its authorised share capital to HK$20,000,000 by the creation of an addition of 2,000,000,000 shares of par value of HK$0.01 each. As of the date of this Annual Report, the authorised share capital of the Company was HK$20,000,000 divided into 2,000,000,000 shares of par value of HK$0.01 each.

(ii) Capitalisation Issue

Conditional upon the crediting of the Company's share premium account as a result of the issue of the Offer Shares (as defined in the Prospectus) pursuant to the Global Offering (as defined in the Prospectus), the Directors were authorised to allot and issue a total of 599,999,000 Shares credited as fully paid at par value to the holders of Shares whose names appear on the register of members of the Company at the close of business on October 21, 2019 (or as they may direct) in proportion to their respective shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share).

(iii) Global Offering

The Shares were listed on the Main Board of the Stock Exchange on the Listing Date. Pursuant to the Global Offering (as defined in the Prospectus), the Company issued 200,000,000 new Shares at the price of HK$2.50 per Share.

(iv) Over-allotment

On December 9, 2019, the Company further issued 9,456,000 Shares at HK$2.5 per Share upon partial exercise of over-allotment options.

On December 31, 2019, the Company has 809,456,000 issued Shares.

DIRECTORS' REPORT

RESERVES

Details of movements in the reserves of the Group during the year ended December 31, 2019 are set out in the consolidated statement of changes in equity on page 105 in this Annual Report. As at December 31, 2019, the distributable reserves of the Company available for distribution amounted to approximately RMB632,262,000.

DONATION

During the year ended December 31, 2019, the Group made charitable and other donations of approximately RMB1,080,000.

FINANCIAL SUMMARY

The Group's financial summary for the last four financial years is set out on pages 191 to 192 of this Annual Report.

TAX RELIEF

The Directors are not aware that the Shareholders of the Company are entitled to any tax relief by holding the Company's securities.

MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in the section headed "Management Discussion and Analysis – Material Acquisitions and Disposals" in this Annual Report, during the year ended December 31, 2019 and up to the date of this Annual Report, the Group did not have any material acquisition and disposal of subsidiaries and associated companies.

BANK BORROWINGS

Details of the Group's bank borrowings are set out in note 30 to the consolidated financial statements.

CAPITALISED INTEREST

Details of the Group's capitalised interest and other borrowing cost during the year are set out in note 7 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of the movements in property, plant and equipment and investment properties of the Group during the year ended December 31, 2019 are set out in note 14 and 15 to the consolidated financial statements, respectively.

SUBSIDIARIES

Details of the Company's subsidiaries as of December 31, 2019 are set out in note 1 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and to the knowledge of the Directors of the Company, the Company's Shares in public hands are no less than 25% of the entire share capital in issue from the Listing Date and up to the date of this Annual Report.

BUSINESS REVIEW

(a) Business Review for the Year

A review of the business of the Group during the year and a discussion on the Group's future business development are set out in the section headed "Management Discussion and Analysis". An analysis of the Group's performance during the year using financial key performance indicators is set out in the section headed "Management Discussion and Analysis". Save as disclosed in the section headed "Directors' Report – Subsequent Events" in this Annual Report, the Group has no significant events after the end of the financial year ended December 31, 2019 and up to the date of this Annual Report.

(b) Environmental Policy and Performance

The laws and regulations governing the environmental requirements for the construction industry property development in China include the Environmental Protection Law of the PRC (中華人民共和國環境保護法), the Prevention and Control of Atmospheric Pollution Law of the PRC (中華人民共和國大氣污染防治法), the Prevention and Control of Water Pollution Law of the PRC (中華人民共和國水污染防治法), the Prevention and Control of Environmental Pollution by Solid Waste Law of the PRC (中華人民共和國固體廢物污染環境防治法), the Construction Law of the PRC (中華人民共和國建築法), the Prevention and Control of Noise Pollution Law of the PRC (中華人民共和國環境噪聲污染防治法), the Environmental Impact Assessment Law of the PRC (中華人民共和國環境影響評價法), the Administrative Regulations on Environmental Protection for Development Projects (建設項目環境保護管理條例) and the Administrative Regulations on Environmental Protection for Acceptance Examination Upon Completion of Buildings (建設項目竣工環境保護驗收管理辦法). Pursuant to these laws and regulations, depending on the impact of the project on the environment, an environmental impact study report, an environmental impact analysis table or an environmental impact registration form shall be submitted by a developer before the relevant authorities will grant approval for the commencement of construction of the property development. In addition, upon completion of the property development, the relevant environmental authorities will also inspect the property to ensure compliance with the applicable environmental standards and regulations before the property can be delivered to the purchasers.

The Group has established and implemented an environmental compliance system to specify various environmental protection procedures and measures and ensure the Group's compliance with international standards and the relevant PRC laws and regulations. The Group has adopted corresponding environmental protection measures to ensure compliance with relevant laws and regulations, including noise control and air pollution control, as well as solid waste and waste water treatment.

The Group maintains ISO14001:2015 (environmental management standards published by the International Organization for Standardization) certifications for the construction contracting business to ensure that the Group adopts appropriate environmental management measures.

During the year ended December 31, 2019, the Group did not violate any national or local environmental laws and regulations that would materially and adversely affect the Group's business operations. The Group was not subject to any material environmental claims, lawsuits, penalties or disciplinary actions during the same period.

(c) **Social Responsibility**

The Group has entered into employment contracts with its employees and maintains social insurance for them in accordance with the applicable PRC laws and regulations. The Group maintains insurance (including group personal accident insurance and personal injury insurance) for the on-site staff of its construction projects in accordance with the relevant PRC laws and regulations.

All employees of the Group are entitled to benefits of the Group including paid leaves, marriage leaves and maternity leaves.

(d) **Occupational Health and Safety**

The Group has in place stringent internal safety policies to ensure our safe operations and ensure our compliance with relevant PRC laws and regulations. The Group's production safety department is responsible for overseeing the Company's compliance with relevant PRC laws and regulations, conducting regular reviews and inspections of our safety performance, reviewing the circumstances of any material accidents, and ensuring that the Group maintains the necessary licenses, approvals and permits to operate. The Group maintains GB/T28001-2011 Occupational Health and Safety Management System certificates (a recommended standard in China for an occupational health and safety management system) for our construction contracting business, and conducts regular assessment and safety inspection to continuously improve the working environment and safeguard the health of employees.

The Group first obtained the certificate for our construction contracting business on December 15, 2011 and renewed such certificate on December 14, 2018. The Group also organizes accident prevention and management training sessions for employees on a regular basis and for new employees on an as needed basis. The Group implements an occupational health and safety management system. The Group's production safety department is responsible for formulating health and safety standards. The Group's project management teams ensure that our subcontracted workers are adequately trained and have received the requisite licenses and certificates to perform special operations. The Group's project management teams also address safety issues before commencing each work day, and conduct weekly safety inspections of the Group's operations and those of the Group's subcontractors.

The Group's occupational health and safety management system includes a reporting and record system for unsafe conditions at our construction sites. All accidents occurred within the Group must be immediately reported to the responsible project management team, who reports the accident to our branch office and production safety department. Personnel from the responsible project management team are required to arrive on site immediately to oversee the handling of the accident. Any accident that resulted in any fatalities or major injuries will be promptly reported to the production safety department. The Group will report the accident to the relevant government authority as required by PRC laws and regulations and cooperate with local government authorities to investigate such accident.

Our Directors confirm that, during the year ended December 31, 2019, neither did the Group nor its sub-contractors have any material workplace accidents and fatalities with respect to our construction contracting projects and property development projects, and the Group had not been subject to any fines, public criticism or warnings in relation to any incidents relating the safety of workers.

(e) Compliance with Laws and Regulations

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations which have a significant impact to the Group. As at the date of this annual report, except as disclosed in the annual report, the Group complied with, in all material respects, all the relevant and applicable PRC laws and regulations governing the business of property development and management and the Group has obtained all licenses, permits and certificates for the purpose of operating its business.

(f) Relationship with Stakeholders

(1) Relationship with employees

The Group believes that its long-term growth depends on the expertise and experience of its employees. The Group mainly recruits through the labor market, recruitment fairs and on-campus recruitment. The Group have 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 employees and thus to invest in the future of the Group's human resources.

The Group offers its employees salaries and make contributions to social insurance fund, including pension, medical, unemployment, maternity and occupational injury insurance, and housing provident fund for employees.

The Group contracts with labor unions that protect employees' rights, help fulfill economic objectives of the Group, encourage employee participation in management decisions and assist the Group in mediating disputes with union members. The labor unions have established branches at the Group's operating units. The Group did not experience any material labor dispute as of December 31, 2019.

(2) Relationship with Sub-contractors or Suppliers

The Group also strives to develop strategic business relationship and long-term business partnership with its sub-contractors or suppliers to ensure resource quality and stable development of the Group's business. The Group reinforces business partnerships with its sub-contractors through active communication such as regular meetings with its suppliers.

(3) Relationship with Customers

The Group recognizes the importance of maintaining good relationship with its customers and provides products to meet the needs and requirements of the customers. The Group communicates with its customers to understand the changes of product preference in the market, which enables the Group to actively meet the market demand, thereby improving the relationship with its customers. The Group strives to enhance customer satisfaction with our property development projects through fine construction workmanship and strict quality control measures.

(g) Principal Risks and Uncertainties

The Group's business is subject to extensive governmental regulation and, in particular, the Group is sensitive to policy changes related to the PRC property development industry and construction industry, including those that affect the supply of land for property development, project financing and taxation, as well as local government budgets and the policies regarding regulation and control of the property market.

Principal risks and uncertainties faced by the Group include but are not limited to:

(i) The Group's business operation is subject to PRC laws and regulations and, in particular, the Group is sensitive to policy changes related to the PRC property development industry and construction industry, including those that affect the supply of land for property development, project financing and taxation, as well as local government budgets and the policies regarding regulation and control of the property market. The Group cannot guarantee that the PRC government will relax existing restrictive measures, impose and enhance restrictive measures, or impose other restrictive policies, regulations or measures in the future. The existing and other future restrictive measures may limit our access to capital, reduce market demand for the Group's products and increase the Group's finance costs, and any easing measures introduced may also not be sufficient. If the Group fails to adapt its operations to new policies, regulations and measures that may come into effect from time to time, or such policy changes negatively impact the Group's business, the Group's financial condition, results of operations and prospects may be materially and adversely affected.

The Group cannot guarantee that its internal control measures will always be sufficient and effective. Certain legal uncertainties in, and inconsistent interpretations and enforcement of, current PRC laws and regulations expose the Group to the risk of non-compliance. If deemed non-compliant, the Group could be subject to administrative or regulatory fines and penalties, including the suspension or revocation of the Group's licenses, and the Group's operations may be hindered or halted, which could have a material and adverse effect on the Group's business and results of operations. As the PRC legal system and the property development and construction industries continue to evolve, changes in the relevant laws and regulations or in their interpretation or enforcement may also make it difficult for the Group to comply with the laws and regulations.

The Group will closely monitor relevant regulations issued by the PRC government, and will try its best to response by adopting appropriate strategies.

(ii) The Group's business and prospects depend on economic conditions and performance of property market in the PRC. In particular, the Group has many property development projects at various stages of development in Zhuozhou and Zhangjiakou, and the Company plans to expand to cities in Beijing-Tianjin-Hebei Region and Sichuan Province. As such, the Group's business continues to be heavily dependent on the property markets in such areas. Such property markets may be affected by local, regional, national and global factors, including economic and financial development, speculative activities in local markets, demand for and supply of properties, availability of alternative investment choices for property buyers, inflation, government policies, interest rates and availability of capital. Any adverse development in the overall property market of the PRC or in the property markets of the cities in which the Group has or expects to have business operations may adversely affect the Group's business, financial condition, results of operations and prospects. The Group will closely monitor the sales position at all times and adopt strategies with flexibilities to cope with the risks.

(iii) The growth and success of the Group's business depend on its ability to continue acquiring land reserves located in desirable locations at commercially reasonable prices. The Group's ability to acquire land depends on a variety of factors that the Group cannot control, such as general economic conditions, the Group's effectiveness in identifying and acquiring land parcels suitable for development and the competition for such land parcels. Rapid property development in Zhuozhou and Zhangjiakou and other parts of Hebei Province in recent years has resulted in a shortage in the supply of undeveloped land in desirable locations and increased land acquisition costs, which is one of the largest components of the Group's cost of sales. Any increase in the Group's land costs resulting from shortages of supply or our inability to procure land could have a material and adverse effect on the Group's business, financial condition, results of operations and prospects. The Group will acquire sufficient land reserves through various methods, including merger and acquisition, public tender, auction or listing-for-sale process, to control the availability of land acquisition.

Fluctuations in the Group's operating results may be caused by other factors, including fluctuations in expenses, such as land grant premium, development costs, administrative expenses, and selling and marketing expenses, and changes in market demand for our properties. In addition, the cyclical PRC property market affects the optimal timing for the acquisition of land, the planning of development and the sales of properties. This cyclicality, combined with the lead time required for the completion of projects and the sales of properties, means that the Group's results of operations relating to property development activities may be susceptible to significant fluctuations from period to period. Furthermore, the Group's property development projects may be delayed or adversely affected by a combination of factors beyond its control, which may in turn adversely affect revenue recognition and consequently the cash flow and results of operations, particularly for the property development business.

(iv) PRC law allows property developers to pre-sell properties prior to their completion upon satisfaction of certain requirements. The Group depends on cash flows from the pre-sale of properties as an important source of funding for its property projects. Under current PRC laws and regulations, property developers must fulfill certain conditions before they can commence pre-sale of properties and the use of pre-sale proceeds may be subject to certain limitations. The pre-sale proceeds of properties may only be used to fund the property development costs of the relevant projects. There is no guarantee that the PRC government will not adopt any restrictions to or will not abolish current pre-sale practices. The future implementation of any restrictions on the Group's ability to pre-sell its properties, including any requirements to increase the amount of up-front expenditures the Group must incur prior to obtaining a pre-sale permit, would extend the time required for recovery of the Group's capital outlay and would force the Group to seek alternative means to finance the various stages of the Group's property developments, including increasing borrowings, which would in turn increase the Group's interest payments. This could have a material adverse effect on the Group's business, cash flow, financial condition and results of operations.

In addition, the Group may experience delays in the completion of pre-sold property developments, in which case the Group may be liable to purchasers for their losses. Furthermore, pursuant to the pre-sale agreements the Group enters into with our customers, if a pre-sold property development is not delivered on time, the purchaser may be entitled to damages. If the delay extends beyond the contractually specified period, the purchaser may terminate the pre-sale agreement, reclaim the payment and claim damages in accordance with the contract.

(v) Most purchasers of the Group's properties apply for bank borrowings and mortgages to fund their purchases. In accordance with industry practice, banks require the Group to guarantee mortgage loans taken out by purchasers of the properties that the Group develops. Typically, the Group guarantees the full value of mortgage loans taken out by purchasers, as well as accrued interest and penalties for defaults in mortgage payments, up until the issuance of the relevant property ownership certificates and the registration of the mortgage in favor of the mortgagee bank. These are contingent liabilities not reflected on the Group's balance sheets. If a purchaser defaults on a mortgage loan, the Group may be required to repurchase the underlying property by paying off the mortgage. If the Group fails to do so, the mortgagee bank may auction the underlying property and recover any additional amount outstanding from the Group as the guarantor of the mortgage loans. In line with industry practice, the Group does not conduct any independent credit checks on its customers and rely on the credit evaluations conducted by the mortgage banks for such customers.

(vi) The Group normally receives progress payments from its customers based on the site works done, or milestone payments from its customers based upon our achievement of key milestones of the project as stipulated in the project contract. Furthermore, the Group's customers generally retain up to 5% of the total contract sum as retention fees. The retention fees are generally returned to the Group in full upon expiry of the defects liability period if there are no material quality issues with the Group's works during such period. In most of the Group's construction contracts, the defects liability period ranges from six months to two years following the completion of the construction contracting project, depending on the type of construction work the Group undertakes. As such, if the Group fails to achieve any key milestone as stipulated in the project contract on time, the Group will not receive any milestone payments until it achieves such milestone, which may materially and adversely affect the Group's cash flows and financial position. Should the customers fail to or delay in making progress payments or milestone payments, or in releasing retention fees, the Group may need to recognize such default payment as bad debts and the Group's cash flow position and working capital may be materially and adversely affected.

(vii) The Group subcontracts certain of its construction services from time to time. The Group conducts regular quality inspections of its subcontractors' work; however, the Group cannot guarantee the performance and work quality of its construction subcontractors as the Group may not be able to monitor the operations of its subcontractors as directly and efficiently as the Group does its own operations. If a construction subcontractor fails to meet the Group's quality standards or breaches our subcontracting agreement, and if the Group is unable to hire alternative construction subcontractors in a timely manner or on favorable terms, or at all, the Group's operations may be delayed, which could harm its reputation and adversely affect the Group's business, financial condition and results of operations. Moreover, the Group may be subject to additional costs if it is required to hire alternative construction subcontractors, which would lower the efficiency and profitability of the Group's operations.

In addition, the Group may be required to bear the liability arising from any defects in its construction subcontractors' work and thus may be subject to claims arising from any such defective work. The Group may attempt to seek indemnity from the relevant construction subcontractors in the event a liability claim is brought against the Group with respect to their performance, but the Group may be required to compensate its customers before it are able to recover such amounts. If the Group is unable to seek indemnity from its construction subcontractors or the Group remains uncompensated for a protracted period of time, the Group may be required to bear significant financial burdens, in which case the Group's business, financial condition and results of operations could be materially and adversely affected.

(viii) The Group operates heavily regulated businesses that require the Group to obtain, maintain and renew a number of licenses, qualifications, approvals and permits including, but not limited to, qualification certificates for property development enterprise and construction contracting enterprise, land use rights certificates, construction work planning permits, construction works commencement permits, pre-sale permits and completion certificates. The Group must meet specific conditions in order for the government authorities to issue or renew any certificate, license or permit. Further, the Group is subject to regular inspections, examinations, inquiries and audits, as well as periodic and spot inspections by the relevant governmental authorities, to maintain or renew such licenses, qualifications and permits. The Group cannot guarantee that it will be able to obtain, maintain or renew the requisite licenses, qualifications and permits, or comply with any new licensing requirements, if new laws or regulations are promulgated or existing laws or regulations are amended, which may subject the Group to resulting penalties, limitations or costs and, in turn, may have a material and adverse effect on the Group's business, financial condition and results of operations. Further, extensive government regulation and related delays in seeking the requisite licenses, qualifications and permits can significantly delay the introduction of additional services or products, which could materially and adversely affect the Group's competitiveness. Even if the Group does obtain the requisite licenses, qualifications and permits from the relevant authorities, they may be granted on a limited basis or be subject to modification of the Group's services or products, which could increase the Group's operational costs.

DIRECTORS' REPORT

OUTLOOK

Details of the future development of the Company's business are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" in this annual report.

BOARD COMPOSITION

During the Reporting Period and up to the date of this annual report, the Board consists of nine Directors with details as follows:

Executive Directors

Mr. Li Baotian *(Chairman of the Board and Chief Executive Officer)*
Ms. Shen Lifeng (appointed on April 17, 2019)
Ms. Wang Xinling (appointed on April 17, 2019)
Mr. Li Yaruixin (appointed on April 17, 2019)
Ms. Wang Huijie (appointed on April 17, 2019)
Mr. Zang Lin (appointed on April 17, 2019)

Independent Non-executive Directors

Mr. Li Xu (appointed on June 25, 2019)
Mr. Liu Kaixiang (appointed on June 25, 2019)
Mr. Li Qingxu (appointed on June 25, 2019)

According to Article 108(a) of the Articles of Association of the Company, at each annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office.

According to Article 112 of the Articles of Association, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the Shareholders in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting.

Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Any Director appointed under this Article shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

According to Article 108(a) and Article 112 of the Articles of Association, Mr. Li Baotian, Ms. Shen Lifeng, Ms. Wang Xinling, Mr. Li Yaruixin, Ms. Wang Huijie, Mr. Zang Lin, Mr. Li Xu, Mr. Liu Kaixiang and Mr. Li Qingxu will retire from the directorships at the Annual General Meeting, and are eligible and will offer themselves for re-election.

No Director proposed for re-election at the Annual General Meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out in the section headed "Directors and Senior Management" of this Annual Report.

CHANGES IN DIRECTORS' INFORMATION

From the Company's Listing Date and up to December 31, 2019, there were no changes in the Directors' information which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Li Baotian, Ms. Shen Lifeng, Ms. Wang Xinling, Mr. Li Yaruixin, Ms. Wang Huijie and Mr. Zang Lin, being our executive Directors, has entered into a service contract with the Company on October 21, 2019. Each service contract is for an initial term of three years commencing from the date of signing contract. The service contracts may be renewed in accordance with the Articles of Association of the Company and the applicable laws, rules and regulations.

Each of Mr. Li Xu, Mr. Liu Kaixiang and Mr. Li Qingxu, being our independent non-executive Directors, has entered into a letter of appointment with the Company on October 21, 2019. Each letter of appointment is for a term of three years commencing from the Listing Date. The letters of appointment may be renewed in accordance with the Articles of Association of the Company and the applicable laws, rules and regulations.

None of the Directors has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at December 31, 2019, the interests and short positions of the Directors or the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be entered in the register required to be kept by the Company pursuant to section 352 of the SFO, or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code under the Listing Rules, are set out below:

Name of Director	Name of Member/ Associated Corporation of the Group	Capacity/Nature of Interest	Number of Shares[1]	Approximate Percentage of Shareholding in the Company
Mr. Li Baotian [2]	the Company	Interest in controlled corporation	594,000,000	73.38%

Notes:

(1) All interests stated are long position.

(2) Mr. Li Baotian holds the entire interests in Jixiang International Industrial Company Limited. Under the SFO, Mr. Li Baotian is deemed to be interested in the Shares held by Jixiang International Industrial Company Limited.

Save as disclosed above, as at December 31, 2019, none of the Directors or the chief executives of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be entered in the register required to be kept by the Company pursuant to section 352 of the SFO, or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

So far as is known to the Company, as at December 31, 2019, as recorded in the register required to be kept by the Company under section 336 of the SFO, the following persons, other than a Director or chief executive of the Company, had an interest of 5% or more in the Shares or underlying Shares:

Name of Shareholder	Capacity	Number of Ordinary Shares or Securities of the Company Held (in shares) (1)	Approximate Percentage of Shareholding in the Company
Jixiang International Industrial Company Limited (2)	Beneficial owner	594,000,000	73.38%
Ms. Zhou Chunlan (3)	Interest of spouse	594,000,000	73.38%

Notes:

(1) All interests stated are long positions.

(2) Jixiang International Industrial Company Limited is wholly owned by Mr. Li Baotian.

(3) Ms. Zhou Chunlan is the spouse of Mr. Li Baotian. Therefore, under the SFO, Ms. Zhou Chunlan is deemed to be interested in all the Shares in which Mr. Li Baotian is interested.

ACQUISITION OF SHARES OR DEBENTURES BY DIRECTORS

During the year ended December 31, 2019, there were no any rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, nor were there any such rights exercised by them. Also, there was no arrangement to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries is a party that would enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at December 31, 2019, none of the Controlling Shareholders of the Group or the Directors was engaged or had interest in any business, apart from the business of the Group, which competes or is likely to compete, directly or indirectly, with the Group's business, which would require disclosure under Rule 8.10 of the Listing Rules.

Compliance with Non-Competition Undertakings

Deed of Non-Competition

To ensure that competition does not develop between the Company and other business activities and/or interests of the Controlling Shareholders (being Mr. Li Baotian and Jixiang International Industrial Company Limited wholly owned by Mr. Li Baotian), each of our Controlling Shareholders (collectively, the "Covenantors" and each, a "Covenantor") has entered into a Deed of Non-competition in favor of the Group on October 21, 2019, pursuant to which each of the Covenantors has, among other things, irrevocably and unconditionally undertaken, jointly and severally, with the Company that at any time during the Relevant Period (as defined below), the Covenantor shall not, and shall procure that its/his/her close associates (other than members of the Group) shall not, directly or indirectly, carry on, engage in, invest in, participate in, attempt to participate in, render any services to, provide any financial support to or otherwise be involved in or interested in, whether alone or jointly with another person and whether directly or indirectly or on behalf of or to assist or act in concert with any other person, any business or investment activities, whether in or outside the PRC, which are the same as, similar to or in competition or likely to be in competition with the business carried on or contemplated to be carried on by any member of the Group from time to time (the "Restricted Business").

The relevant Covenantor shall be entitled to but shall not be obliged to carry on, engage, invest, participate or be interested (economically or otherwise) in the New Business Opportunity (whether individually or jointly with another person and whether directly or indirectly or on behalf of or to assist any other person) on the same, or less favorable, terms and conditions in all material respects as set out in the Offer Notice if:

(i) it/he/she has received a written notice from us declining the New Business Opportunity; or

(ii) it/he/she has not received any written notice from the Company of its decision to pursue or decline the New Business Opportunity within 30 business days from the Company's receipt of the Offer Notice, or if it/he/she has extended the Offer Notice Period, within such other period as agreed by it, in which case the Company shall be deemed to have declined the New Business Opportunity.

If there is a change in the nature or proposal of the New Business Opportunity pursued by the relevant Covenantor, it/he/she shall refer the New Business Opportunity as revised and shall provide to the Company details of all available information for the Company to consider whether to pursue the New Business Opportunity as revised.

When considering whether or not to pursue any New Business Opportunities, the independent non-executive Directors of the Company will form their views based on a range of factors, including but not limited to, the estimated profitability, investment value and permits and approval requirements. The Covenantors, for themselves and on behalf of their respective close associates (except any members of the Group), have also acknowledged that the Company may be required by the relevant laws, regulations and rules and regulatory bodies to disclose, from time to time, information on the New Business Opportunities, including but not limited to disclosure in public announcements or annual reports of the Company its decisions to pursue or decline the New Business Opportunities, and have agreed to disclose to the extent necessary to comply with any such requirements.

For the purposes of the above, the "Relevant Period" means the period commencing from the Listing Date of the Company and shall expire on the earlier of (i) the date when the Covenantors and any of their respective close associates, cease to hold, or otherwise be interested in, beneficially in aggregate whether directly or indirectly, 30% or more (or such other percentage of shareholding as stipulated in the Listing Rules to constitute a Controlling Shareholder) of the issued share capital of the Company or (ii) the date on which our Shares cease to be listed on the Stock Exchange (except for temporary suspension of trading of our Shares).

Annual Review

The Covenantors have confirmed that they did not refer, or to procure the referral of, any investment or commercial opportunities relating to the Restricted Business to the Group during the year ended December 31, 2019.

The Company has received a written confirmation from each of the Covenantors in respect of the compliance by them and their close associates with the terms of the Deed of Non-Competition. Upon receipt of confirmation letters from the Controlling Shareholders, the independent non-executive Directors have conducted review as part of the annual review procedures. The independent non-executive Directors have assessed whether the Covenantors and their close associates have complied with the terms of the Deed of Non-Competition, and were satisfied that each of the Covenantors has complied with its/his undertakings under the Deed of Non-Competition during the year ended December 31, 2019.

CONTINUING CONNECTED TRANSACTIONS

Pursuant to Chapter 14A of the Listing Rules, details of the Company's continuing connected transactions are as follows:

Construction Materials Framework Purchase Agreement

Zhuozhou Tianbao Construction is a company established in China with limited liability and principally engaged in provision of construction materials. During the year ended December 31, 2019, Zhuozhou Tianbao Construction was owned as to 70% by Mr. Li Baotian and 30% by Baoxin Industrial Co., Ltd. Baoxin Industrial Co., Ltd. was owned as to 80% by Ms. Zhou Chunlan, the spouse of Mr. Li Baotian and 20% by Mr. Li Yaruixin, the son of Mr. Li Baotian. Therefore, Zhuozhou Tianbao Construction is an associate of Mr. Li Baotian (being a Controlling Shareholder, Chairman of the Board, an executive Director and Chief Executive Officer) and thus is a connected person of the Company by virtue of Rule 14A.07(4) of the Listing Rules.

On April 22, 2019, the Company entered into a framework purchase agreement (the "Construction Materials Framework Purchase Agreement") with Zhuozhou Tianbao Construction, pursuant to which Zhuozhou Tianbao Construction agreed to provide construction materials, such as grid plates and steel welding plates, to the Group according to the separate agreements in respect of the transactions to be entered into between the relevant member of the Group and Zhuozhou Tianbao Construction from time to time.

Annual Cap

The maximum annual amount payable by the Group to Zhuozhou Tianbao Construction for the year ended December 31, 2019 in relation to the purchase of construction materials shall not exceed RMB5,750,000 (equivalent to approximately HK$6,379,050). The proposed annual cap for the year ended December 31, 2019 is determined with reference to (i) the estimated consideration of RMB5,000,000 payable by Tianbao Construction Group for the construction materials under an existing CL grid plates purchase agreement entered into between Tianbao Construction Group and Zhuozhou Tianbao Construction on September 1, 2018, pursuant to which Tianbao Construction Group agreed to purchase CL grid plates and steel welding plates from Zhuozhou Tianbao Construction at a total consideration calculated based on the fixed unit price of each type of grid plates and steel welding plates being multiplied by the total number of grid plates and steel welding plates to be purchased by Tianbao Construction Group; and (ii) an additional amount of RMB750,000, representing 15% increase in the annual cap for the year ending December 31, 2019 to cope with an unexpected increase in demand for construction materials.

The actual incurred amount in relation to the purchase of construction materials by the Group from Zhuozhou Tianbao Construction for the year ended December 31, 2019 was approximately RMB2,813,000.

Since the highest applicable percentage ratio under the Listing Rules in respect of the annual cap is more than 0.1% but less than 5%, the transactions under the Construction Materials Framework Purchase Agreement shall be subject to the reporting, annual review and announcement requirements but exempt from circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

According to the IFRSs, the transactions under the Construction Materials Framework Purchase Agreement constitute connected transactions of the Company, and the details of which are set out in note 38 to the consolidated financial statements.

Confirmation from the Auditor

According to the requirements of Rule 14A.56 of the Listing Rules, the Company has engaged Ernst & Young ("EY") as its auditor to report on the continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Based on the works performed, EY has issued the letter to the Board confirming that, in respect of the continuing connected transaction disclosed above:

(a) nothing has come to their attention that causes them to believe that the continuing connected transactions have not been approved by the Company's board of directors;

(b) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

(c) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(d) with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to their attention that causes them to believe that the continuing connected transactions have exceeded the relevant annual cap.

Save as disclosed above, the Company and its connected parties did not enter into any other non-exempt connected transactions during the reporting period.

Confirmation from Independent Non-executive Directors

The independent non-executive Directors have reviewed the continuing connected transactions mentioned above and confirmed that the transactions have been entered into in the ordinary and usual course of the business of the Group, on normal commercial terms or better, and in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders as a whole.

RELATED PARTY TRANSACTIONS

The Group entered into certain transactions with "related parties" as defined under the applicable accounting standards, which includes transactions that constitute continuing connected transactions for which the requirements under the Listing Rules have been complied with.

A summary of the related party transactions entered into by the Group during the year ended December 31, 2019 are disclosed in note 38 to the consolidated financial statements of this Annual Report.

CONTRACT OF SIGNIFICANCE

Save as disclosed in the section headed "Continuing Connected Transactions" above, no contract of significance was entered into between the Company, or one of its subsidiary companies, and any of its Controlling Shareholders or their respective subsidiaries during the year ended December 31, 2019.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACTS

Other than those transactions disclosed in note 38 to the consolidated financial statements of the Group in this Annual Report and in the paragraphs headed "Directors' Interests in Competing Business" and "Continuing Connected Transactions" in this section, no Director or Controlling Shareholder of the Company has any material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the Group's business to which the Company, any of its subsidiaries, fellow subsidiaries or its parent companies were a party subsisted at the end of the year or at any time during the year ended December 31, 2019.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year ended December 31, 2019.

DIRECTORS' PERMITTED INDEMNITY PROVISION

According to Article 191 of the Articles of Association and subject to Cayman Islands Company Law, the Directors are entitled to be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty as a Director, except such (if any) as they shall incur or sustain through their own dishonesty, wilful default or fraud. The Company has arranged appropriate directors' liability insurance coverage for the Directors of the Group.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The Directors and senior management members receive compensation from the Company in the form of salaries, bonuses and other benefits in kind such as contributions to pension plans.

The Directors' remuneration for the year ended December 31, 2019 as well as information on the highest paid individuals, please refer to notes 8 and 9 to the consolidated financial statements.

None of our Directors had waived or agreed to waive any remuneration during the year ended December 31, 2019.

Our Board will review and determine the remuneration and compensation packages of the Directors and senior management and will receive recommendation from our remuneration committee (the "Remuneration Committee") which will take into account salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of the Company.

EMPLOYMENT AND REMUNERATION POLICIES

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

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

For the year ended December 31, 2019, the Group's total staff costs (excluding Directors' remuneration) amounted to RMB17,483,000, 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 through on-campus recruitment, experienced hire and online recruitment.

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

As of December 31, 2019, the Group had a total of 379 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.

PENSION AND EMPLOYEE BENEFIT SCHEMES

The Group offers our employees salaries and make contributions to social insurance fund, including pension, medical, unemployment, maternity and occupational injury insurance, and housing provident fund for the Group's employees.

Social pension plans

The Group has the social pension plans for its employees arranged by local government labour and security authorities. The Group makes contributions on a monthly basis to the social pension plans. The contributions are charged to profit or loss as they become payable in accordance with the rules of the social pension plans. Under the plans, the Group has no further obligation beyond the contributions made.

Housing provident fund and other social insurances

The Group has participated in defined social security contribution schemes for its employees pursuant to the relevant laws and regulations of the PRC. These include housing provident fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes monthly contributions to the housing provident fund and other social insurances. The contributions are charged to profit or loss on an accrual basis. The Group has no further obligations beyond the contributions made.

SHARE OPTION SCHEME

The following is a summary of the principal terms of the share option scheme conditionally adopted by the Company through written resolutions on October 21, 2019 (the "Share Option Scheme"). The Share Option Scheme is subject to the provisions of Chapter 17 of the Listing Rules.

(a) Purpose

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. Our Directors believe the Share Option Scheme will enable the Group to reward our employees, our Directors and other selected participants for their contributions to the Group. Given that our Directors are entitled to determine the performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by our Directors, it is expected that grantees of an option will make an effort to contribute to the development of the Group so as to bring about an increased market price of the Shares in order to capitalize on the benefits of the options granted.

(b) Who may join

Our Directors may, at their absolute discretion, invite any person belonging to any of the following classes of participants, who our Board considers, in its sole discretion, have contributed or will contribute to the Group, to take up options to subscribe for Shares (collectively the "Eligible Participants"):

(i) any directors (including executive Directors, non-executive Directors and independent non-executive Directors) and employees of any member of the Group; and

(ii) any advisors, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture business partners, service providers of any member of the Group.

For the purposes of the Share Option Scheme, the options may be granted to any company wholly-owned by one or more persons belonging to any of the above classes of participants. For the avoidance of doubt, the grant of any options by the Company for the subscription of Shares or other securities of the Group to any person who falls within any of the above classes of participants shall not, by itself, unless our Directors otherwise so determine, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the above class of participants to the grant of any option shall be determined by our Directors from time to time on the basis of our Directors' opinion as to the participant's contribution to the development and growth of the Group.

(c) Maximum number of Shares

(i) The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group shall not in aggregate exceed 30% of the issued share capital of the Company from time to time.

(ii) The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Group shall not in aggregate exceed 10% of the aggregate of the Shares in issue as at the date of approval of the Share Option Scheme, and such 10% limit represents 60,000,000 Shares (the "General Scheme Limit").

(iii) Subject to paragraph (i) above and without prejudice to paragraph (iv) below, the Company may issue a circular to its Shareholders and seek approval of its Shareholders in a general meeting to extend the General Scheme Limit provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share options scheme of the Group shall not exceed 10% of the Shares in issue as of the date of approval of the limit and, for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of the Group) previously granted under the Share Option Scheme and any other share option scheme of the Group will not be counted. The circular sent by the Company to its Shareholders shall contain, among other information, the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(d) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of the options granted and to be granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being (the "Individual Limit"). Any further grant of options to a participant in aggregate in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to our Shareholders and our Shareholders' approval in general meeting of the Company with such participant and his close associates abstaining from voting. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before Shareholders' approval and the date of board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 17.03(9) of the Listing Rules.

(e) Time of acceptance and exercise of option

An option may be accepted by a participant to whom the offer is made within 5 business days from the date on which the letter containing the offer is delivered to that participant. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination under the Share Option Scheme. Unless otherwise determined by our Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

An offer shall be deemed to have been accepted and the option to which the offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the offer letter comprising acceptance of the offer duly signed by the grantee with the number of Shares in respect of which the offer is accepted clearly stated therein, together with a remittance in favor of the Company of HK$1.00 by way of consideration for the grant thereof, which must be received by the Company within 5 business days from the date on which the offer letter is delivered to the grantee.

(f) Subscription price for Shares and consideration for the option

The subscription price per Share under the Share Option Scheme will be a price determined by our Directors, but shall not be less than the highest of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day;

(ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the offer of grant (provided that in the event that any option is proposed to be granted within a period of less than five business days after the trading of the Shares first commences on the Stock Exchange, the new issue price of the Shares for the Global Offering shall be used as the closing price for any business day falling within the period before listing of the Shares on the Stock Exchange); and

(iii) the nominal value of a Share on the date of grant.

(g) **Period of the Share Option Scheme**

The Share Option Scheme shall be effective for a period of ten years commencing on the date of adoption.

As of December 31, 2019, no option had been granted under the Share Option Scheme.

SHARE AWARD SCHEME

The Company has adopted the Share Award Scheme on March 4, 2020 to recognise the contributions by certain employees and to provide them with incentives in order to retain them for the continual operation and development of the Group. With the Share Award Scheme, the Company also hopes to attract suitable personnel for further development of the Group. For details, please refer to the Company's announcement dated March 4, 2020.

EQUITY-LINKED AGREEMENTS

Save for the Share Option Scheme and Share Award Scheme as set out in this Annual Report, no equity-linked agreements were entered into by the Group, or subsisted during the year ended December 31, 2019.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended December 31, 2019, the Group's revenue from its five largest customers accounted for less than 30% of the Group's total revenue for the year. For the year ended December 31, 2019, the Group's purchase amount from its five largest suppliers accounted for less than 30% of the Group's total purchase amount for the year. The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total	
	Sales	**Suppliers (primarily raw material providers and labor force companies)**
The largest customer	14.4%	N/A
Five largest customers in aggregate	25.2%	N/A
The largest supplier	N/A	7.3%
Five largest suppliers in aggregate	N/A	23.6%

Save as disclosed in the section headed "Continuing Connected Transactions" on pages 54 to 56 of this Annual Report, at no time during the year have the Directors, their close associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of issued share capital of the Company) had any interest in the Group's five largest customers and suppliers.

DIRECTORS' REPORT

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended December 31, 2019.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association, or the law of Cayman Islands being the jurisdiction in which the Company was incorporated under which would oblige the Company to offer new Shares on a pro-rata basis to existing shareholders.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code for dealing in securities in the Company by the Directors. The Directors have confirmed compliance with the required standard set out in the Model Code since the Listing Date of the Company and up to the date of this annual report.

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 since the Listing Date and up to the date of this annual report.

COMPLIANCE WITH CORPORATE GOVERNANCE PRACTICES

The Company had applied the principles and code provisions as set out in the Corporate Governance Code and has complied with the code provisions in the Corporate Governance Code from the Listing Date and up to December 31, 2019, except for the deviation from the Corporate Governance Code provision A.2.1. Corporate governance practices adopted by the Company are set out in the section headed "Corporate Governance Report" in this annual report.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has reviewed the accounting principles and policies adopted by the Group and discussed the Group's risk management, internal controls and financial reporting matters with the management. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended December 31, 2019.

AUDITOR

The Group's consolidated financial statements for the year ended December 31, 2019 have been audited by EY. EY will retire and, being eligible, offer themselves for re-appointment at the forthcoming Annual General Meeting. A resolution for the re-appointment of EY as the Company's auditor is to be proposed at the Annual General Meeting.

SUBSEQUENT EVENTS

Purchase of Land Use Right of A Land Parcel Located in Zhuozhou High-Tech Development Zone

On January 6, 2020, Tianbao Property Development, an indirect wholly-owned subsidiary of the Company, entered into a contract for grant of state-owned construction land use right with Zhuozhou Natural Resources and Planning Bureau in respect of a land parcel situated north to Yongji East Road and east to Pengcheng Street in the High-Tech Development Zone, Zhuozhou, the PRC with a total area of 58,610.92 sq.m. The total consideration was RMB246,276,000, and the term of the land use right is 40 years and will be used for other commercial service purpose. The proposed construction project of the land parcel shall commence before October 1, 2020 and be completed before September 30, 2023. For further details, please refer to the announcement of the Company dated January 6, 2020.

Adoption of Share Award Scheme

The Company has adopted the Share Award Scheme on March 4, 2020 to recognise the contributions by certain employees of any members of the Group (including but not limited to any executive Directors) and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group. As at the date of this annual report, no awarded shares were granted under the Share Award Scheme. For further details, please refer to the announcement of the Company dated March 4, 2020.

By order of the Board
China Tianbao Group Development Company Limited

Li Baotian
Chairman of the Board and Executive Director

March 24, 2020

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE CODE

The Company is committed to achieving high standards of corporate governance to safeguard the interests of Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "Corporate Governance Code") contained in Appendix 14 to the Listing Rules as its own code of corporate governance.

The Company has been listed on the Main Board of the Stock Exchange since November 11, 2019. To the best knowledge of the Directors, the Company has complied with all the applicable code provisions as set out in the Corporate Governance Code during the period from the Listing Date to the date of this annual report, except for the deviation from the Corporate Governance Code provision A.2.1. The Directors will do their best to procure the Company to comply with the Corporate Governance Code on a continuous basis.

Pursuant to code provision A.2.1 of the Corporate Governance Code, the roles 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 and the chief executive officer of the Company since the Listing Date and up to the date of this report. However, the Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within our Group and enables more efficient overall strategic planning for our Group.

Our Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our 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.

BOARD OF DIRECTORS

The functions and duties of our Board include determining business and investment plans, formulating our annual budget and final accounts, and formulating our proposals for profit distributions and for the increase or reduction of registered capital. In addition, our Board is responsible for exercising other powers, functions and duties in accordance with the Articles of Association and all applicable laws and regulations, including the Listing Rules.

The Board has established Board committees and has delegated to these Board committees' various responsibilities as set out in their respective terms of reference which are published on the websites of the Stock Exchange and the Company.

The Board's main corporate governance duties include:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

(e) to review the Company's compliance with the Corporate Governance Code and disclosure in the corporate governance report.

The operation and management of Group's property development and construction contracting businesses, the market development, the daily administration of the Group and the financial and fund management of the Group are delegated to the senior management of the Group. The delegated functions and work tasks are periodically reviewed.

During the period from the Listing Date to December 31, 2019, the Board held one Board meeting to (i) review and monitor the training and continuous development of Directors and senior management; (ii) review the corporate governance policies and practices of the Company; (iii) review and monitor the Company's policies and practices in relation to compliance with laws and regulatory requirements; and (iv) consider the engagement of different professional parties and the work arrangement after Listing. As at the date of this annual report, the Board members had reviewed the Company's compliance with the Corporate Governance Code and made disclosure in the Corporate Governance Report.

BOARD COMPOSITION

Executive Directors

Mr. Li Baotian *(the Chairman of the Board and Chief Executive Officer)*
Ms. Shen Lifeng
Ms. Wang Xinling
Mr. Li Yaruixin
Ms. Wang Huijie
Mr. Zang Lin

Independent Non-executive Directors

Mr. Li Xu
Mr. Liu Kaixiang
Mr. Li Qingxu

For the period from the Listing Date up to and including December 31, 2019, the Company has appointed at least three independent non-executive Directors (representing at least one-third of the Board) including at least one of the independent non-executive Directors having appropriate professional qualifications or accounting or related financial management expertise, in accordance with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules.

Mr. Li Baotian (Chairman of the Board, executive Director and Chief Executive Officer) is the father of Mr. Li Yaruixin (executive Director) and uncle-in-law of Ms. Wang Xinling (executive Director). Other than this, these is no financial, business, family or other material relationship among members of the Board.

BOARD DIVERSITY POLICY

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board members level as an essential factor in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, the Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The nomination committee of the Company (the "Nomination Committee") will select its members among the Board in accordance with the Company's nomination policy and with reference to the Board diversity policy. The Nomination Committee will report annually, in the Corporate Governance Report, on the Board's composition under diversified perspectives, and monitor the implementation of the policy.

The analysis on diverse composition of the Group's Directors as at December 31, 2019 is as follows:

<table>
<tr><th>Number of Directors</th><th>Position</th><th>Gender</th><th>Age range</th><th>Years of service</th><th>Principal roles and responsibilities</th><th>Skills and knowledge</th></tr>
<tr><td>1</td><td rowspan="6">Executive Director</td><td rowspan="3">Male</td><td>60-65</td><td>≥21</td><td>Overall strategy, business development and management</td><td rowspan="4">Property development and construction contracting</td></tr>
<tr><td>2</td><td rowspan="3">35-40</td><td>10-15</td><td rowspan="3">Operation and business management</td></tr>
<tr><td>3</td><td>≥21</td></tr>
<tr><td>4</td><td rowspan="3">Female</td><td>15-20</td></tr>
<tr><td>5</td><td rowspan="2">50-55</td><td>0-5</td><td>Management of securities market, investment and financing</td><td>Law, investment and financial management and corporate management</td></tr>
<tr><td>6</td><td>15-20</td><td>Administrative management</td><td>Corporate management</td></tr>
<tr><td>7</td><td rowspan="3">Independent non-executive Directors</td><td rowspan="3">Male</td><td rowspan="2">45-55</td><td rowspan="3">0-5</td><td rowspan="3">Providing independent advice on operations and management</td><td>Accounting, commercial and financial education, human capital</td></tr>
<tr><td>8</td><td>Law</td></tr>
<tr><td>9</td><td>60-65</td><td>Property, construction, corporate management</td></tr>
</table>

The Nomination Committee has reviewed the requirement on structure, composition and diversity of the Board. The Nomination Committee confirmed that the Company has met the requirement on balance and sufficiency of the Board.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors actively participate in Board meetings to bring independent judgement and make independent recommendations on the operation and management of the Group. They will make decisions aiming to protect all the Shareholders' interests where potential conflicts of interests of other Directors arise. They serve as members of various Board committees and will scrutinise the performance of the Group in achieving agreed corporate goals and objectives and monitor performance reporting.

The Company has received confirmations from each of independent non-executive Directors made in respect of their independence in accordance with Rule 3.13 of the Listing Rules. The Board has assessed the independence of all the independent non-executive Directors based on the Listing Rules and considered that all the independent non-executive Directors are independent.

Each of Mr. Li Xu, Mr. Liu Kaixiang and Mr. Li Qingxu, being our independent non-executive Directors, has entered into a letter of appointment with the Company on October 21, 2019. Each letter of appointment is for a term of three years commencing from the Listing Date. The letters of appointment may be renewed in accordance with the Articles of Association of the Company and the applicable laws, rules and regulations.

BOARD COMMITTEES

The Board has established three Board committees with defined scope of duties in written form. These Board committees are the audit committee, the remuneration committee, and the nomination committee.

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to obtain independent professional advice in appropriate circumstances at the expense of the Company if they consider necessary.

(1) Audit Committee

The Company has established an Audit Committee with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are to review and supervise our financial reporting process and internal control system of our Group, oversee the audit process, provide advice and comments to our Board and perform other duties and responsibilities as may be assigned by our Board.

The Audit Committee consists of three members, namely Mr. Li Xu, Mr. Liu Kaixiang and Mr. Li Qingxu and all of them are independent non-executive Directors. The chairman of the Audit Committee is Mr. Li Xu, who is the independent non-executive Director with the appropriate accounting and related financial management expertise.

As at the date of this Annual Report, the members of the Audit Committee had conducted annual review on the Group's risk management and internal control system and monitoring and auditing procedures. The Audit Committee had advised the Board on the risk management and internal control system and monitoring and auditing procedures.

For the period from the Listing Date up to December 31, 2019, the Audit Committee held two meetings with the Company's external auditor to review the auditing plan, accounting standards and policies adopted in the financial results and report. The attendance record of individual Directors at the audit committee meetings is set out in the section headed "Directors' Attendance Record at Meetings" below.

(2) Remuneration Committee

The Company has established a Remuneration Committee with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Remuneration Committee are to establish, review and make recommendations to our Directors on our policy and structure concerning remuneration of our Directors and senior management and on the establishment of a formal and transparent procedure for developing policies concerning such remuneration, determine the terms of the specific remuneration package of each executive Director and senior management and review and approve performance-based remuneration by reference to corporate goals and objectives.

The Remuneration Committee consists of five members, namely Mr. Li Qingxu (an independent non-executive Director), Mr. Li Xu (an independent non-executive Director), Mr. Liu Kaixiang (an independent non-executive Director), Ms. Wang Xinling (an executive Director) and Mr. Li Yaruixin (an executive Director). The chairman of the Remuneration Committee is Mr. Li Qingxu.

During the period from the Listing Date to December 31, 2019, the Remuneration Committee had assessed the performance of executive Directors, reviewed and discussed on the remuneration package of executive Directors, remuneration of non-executive Directors and the arrangement of the existing share option scheme. It also reviewed the remuneration policy and its implementation. The Remuneration Committee had reported to the Board on the works and performance of Directors and senior management, and made recommendation to the Board on the adjustment to salary of Directors and senior management.

As at the date of this Annual Report, the members of Remuneration Committee had conducted annual review on the remuneration of Directors and senior management with reference to the remuneration policy of Directors and senior management of the Group. The Remuneration Committee had made recommendation to the Board in respect of the results of the annual review.

For the period from the Listing Date up to December 31, 2019, the Remuneration Committee held one meeting to discuss the performance of all Directors and senior management and consider the adjustment to remuneration of executive Directors and independent non-executive Directors.

The attendance record of individual Directors at the Remuneration Committee meetings is set out in the section headed "Directors' Attendance Record at Meetings" below.

(3) Nomination Committee

The Company has established a Nomination Committee with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Nomination Committee are to review the structure, size and composition of our Board on a regular basis and make recommendations to the Board regarding any proposed changes to the composition of our Board, identify, select or make recommendations to our Board on the selection of individuals nominated for directorship, and ensure the diversity of our Board members, assess the independence of our independent non-executive Directors and make recommendations to our Board on relevant matters relating to the appointment, re-appointment and removal of our Directors and succession planning for our Directors.

The Nomination Committee consists of five members, namely Mr. Li Baotian (an executive Director), Mr. Li Xu (an independent non-executive Director), Mr. Liu Kaixiang (an independent non-executive Director), Ms. Shen Lifeng (an executive Director) and Mr. Li Qingxu (an independent non-executive Director). The chairman of the Nomination Committee is Mr. Li Baotian.

As at the date of this Annual Report, the Nomination Committee had conducted regular review on the structure, size and composition of the Board, and made recommendation to the Board on re-election of Board members with reference to the Board diversity policy and nomination policy of Directors of the Company. It also assessed the independence of the Company's independent non-executive Directors.

For the period from the Listing Date up to December 31, 2019, the Nomination Committee held one meeting to carry out discussion on improvement of professional knowledge and skills of Directors and assess the independence of independent non-executive Directors.

The attendance record of individual Directors at the Nomination Committee meetings is set out in the section headed "Directors' Attendance Record at Meetings" below.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and members of our senior management receive compensation from our Company in the form of salaries, bonuses and other benefits in kind such as contributions to pension plans.

For the year ended December 31, 2019, the expenses incurred by the Company in relation to remuneration (including fees, salaries, allowances, benefits in kind, pension schemes contributions and social welfare) for our Directors are detailed in the Note 8 to the consolidated financial statements.

The Company incurred expenses in relation to remuneration (including fees, salaries, allowances, benefits in kind, pension schemes contributions and social welfare) for five highest paid individuals (including our Directors) for the year ended December 31, 2019 of approximately RMB6,751,000.

Pursuant to provision B.1.5 of the Corporate Governance Code, the remuneration of the members of the senior management (other than Directors) by band for the year ended December 31, 2019 is as follows:

Remuneration band	**Number of individuals**
Nil to HK$1,000,000	3

DIRECTORS' ATTENDANCE RECORD AT MEETINGS

The number of Board meeting, audit committee meetings, remuneration committee meeting and nomination committee meeting of the Company held for the period from the Listing Date up to and including December 31, 2019 and the attendance record of each individual Director are set out in the following table:

Directors	**Board Meeting**(Note)	**Audit Committee Meetings**	**Remuneration Committee Meeting**	**Nomination Committee Meeting**
Number of Meeting(s) held	1	2	1	1
Executive Directors				
Mr. Li Baotian	1/1	N/A	N/A	1/1
Ms. Shen Lifeng	1/1	N/A	N/A	1/1
Ms. Wang Xinling	1/1	N/A	1/1	N/A
Mr. Li Yaruixin	1/1	N/A	1/1	N/A
Ms. Wang Huijie	1/1	N/A	N/A	N/A
Mr. Zang Lin	1/1	N/A	N/A	N/A
Independent Non-executive Directors				
Mr. Li Xu	1/1	2/2	1/1	1/1
Mr. Liu Kaixiang	1/1	2/2	1/1	1/1
Mr. Li Qingxu	1/1	2/2	1/1	1/1

For the period from the Listing Date up to and including December 31, 2019, the chairman of the Board held one meeting with the independent non-executive Directors without the executive Directors present.

For the period from the Listing Date and up to the date of this Annual Report, the Company did not hold any general meeting.

Note:

Pursuant to Corporate Governance Code provision A.1.1, the Board meetings should be held at least four times a year at approximately quarterly intervals with a majority of Director present. For the period from the Listing Date to December 31, 2019, the Company held one Board meeting.

NOMINATION POLICY

(i) Objectives

The Nomination Committee assists the Board in making recommendations to the Board on the appointment of Directors and succession planning for Directors. This nomination policy provides the key selection criteria and principles of the Nomination Committee in making any such recommendations.

(ii) Selection Criteria

The Nomination Committee shall consider the following factors which are not exhaustive in assessing the suitability of the proposed candidate and make recommendations regarding the appointment of Directors or re-appointment of any existing Board member(s):

(a) Integrity;

(b) Accomplishment, experience and reputation in the related businesses and other relevant industry;

(c) Commitment in respect of sufficient time, interests held and attention to the businesses of the Company;

(d) Board diversity in all aspects, including but not limited to gender, age, cultural/educational and professional background, skills, knowledge and experience;

(e) Ability to assist and support the management and make a significant contribution to the success of the Company;

(f) Compliance with the criteria of independence, in case for the appointment of an independent non-executive Director, as prescribed under Rule 3.13 of the Listing Rules; and

(g) Any other relevant factors as may be determined by the Nomination Committee or the Board from time to time.

The appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board shall be made in accordance with the Articles of Association and other applicable rules and regulations.

(iii) Nomination Procedures

(a) The secretary of the Company shall convene a meeting, and invite nominations of candidates from Board members (if any), for consideration by the Nomination Committee. The Nomination Committee may also nominate candidates for its consideration;

(b) For the appointment of any proposed candidate to the Board, the Nomination Committee shall undertake adequate due diligence in respect of such individual and make recommendations for the Board's consideration and approval;

(c) For the re-appointment of any existing member(s) of the Board, the Nomination Committee shall make recommendations to the Board for its consideration and recommendation, for the proposed candidates to stand for re-election at a general meeting; and

(d) The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at a general meeting.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

To ensure that every newly appointed Director has a proper understanding of the operations and business of the Group and that he/she is appropriately aware of the operations and business of the Company and his/her responsibilities under relevant laws, regulations, rules and requirements, every newly appointed Director will receive the necessary induction and information. During the period from the Listing Date to December 31, 2019, the Directors were provided with monthly updates on the performance and status of the Company, so that the Board as a whole and each Director can perform their duties.

Pursuant to code provision A.6.5 set out in the Corporate Governance Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. The issuer should be responsible for arranging and funding suitable training, placing an appropriate emphasis on the roles, functions and duties of a listed company director. The Company encourages the Directors to participate in continuous professional development. The training record of each Director during the period from the Listing Date to December 31, 2019 is as follows:

	Attend Directors' training	Confirm reading of Directors' duties and responsibilities	Training on Directors' skills to deal with media
Executive Directors			
Mr. Li Baotian *(the Chairman of the Board and Chief Executive Officer)*	Yes	Yes	Yes
Ms. Shen Lifeng	Yes	Yes	Yes
Ms. Wang Xinling	Yes	Yes	Yes
Mr. Li Yaruixin	Yes	Yes	Yes
Ms. Wang Huijie	Yes	Yes	Yes
Mr. Zang Lin	Yes	Yes	Yes
Independent non-executive Directors			
Mr. Li Xu	Yes	Yes	–
Mr. Liu Kaixiang	Yes	Yes	–
Mr. Li Qingxu	Yes	Yes	–

During the period from the Listing Date to December 31, 2019, the Directors' trainings of the Company were conducted by Jia Yuan Law Office, SWCS Corporate Services Group (Hong Kong) Limited, Guotai Junan Capital Limited, Porda Havas International Finance Communications (Group) Holdings Company Limited, Computershare Hong Kong Investor Services Limited and Horizon Taxation Consulting Co.,Ltd.. The Directors' trainings cover the following matters: (i) fiduciary duties of Directors; (ii) the disclosure obligation of inside information; (iii) the main continuous disclosure obligations and corporate governance requirements under the Listing Rules; (iv) Directors' securities transactions; (v) disclosure of interests; (vi) market misconducts; (vii) corporate acquisitions and share repurchases; (viii) trainings on the management's skills on speeches and media; and (ix) specific topics in taxation trainings.

During the period from the Listing Date to December 31, 2019, each of the Directors has confirmed that they have read the directors' duties and responsibilities information, including the online training seminars for directors provided by the Stock Exchange.

According to the code provision A.6.5 contained in the Corporate Governance Code, all Directors are required to provide the Company with a record of their trainings to ensure that their contribution to the Board remains informed and relevant.

AUDITOR AND AUDITOR'S REMUNERATION

The fees paid/payable to the Company's external auditor for audit services and non-audit services are set out below:

	Year ended December 31, 2019 RMB'000
Audit services	1,600
Non-audit services	–
Total	1,600

PRIMARY CONTACT PERSON AND PROFESSIONAL TRAINING OF JOINT COMPANY SECRETARIES

Directors have access to the services of our company secretary to ensure that the Board procedures are followed. During the period from the Listing Date to December 31, 2019, Mr. Du Hang was one of the joint company secretaries of the Company. The Company has also appointed Mr. Lei Kin Keong, (an assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited) who possesses the qualification of company secretary as required under the Rule 3.28 of the Listing Rules, as another joint company secretary to assist Mr. Du Hang in performing his role as the company secretary of the Company. Mr. Lei Kin Keong's primary contact person at the Company is Mr. Du Hang.

In order to comply with the requirements of Rule 3.29 of the Listing Rules, during the year ended December 31, 2019, Mr. Du Hang and Mr. Lei Kin Keong have conducted relevant professional training for not less than 15 hours.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as a code for Directors to deal in securities of the Company. Prior to the Listing Date, the Model Code did not apply to Directors. After making specific enquiries to all Directors, the Directors have confirmed that the Company has complied with the standards required by the Model Code from the Listing Date to the date of this Annual Report.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors confirm their responsibility for preparing the Company's financial statements for the year ended December 31, 2019. The Board is responsible for disclosing financial information in the Group's annual reports and interim reports in accordance with the Listing Rules, Companies Law and other regulatory requirements, and making a balanced, clear, accessible and well-founded review on the Company's performance. The Company's senior management has provided such explanations and information to the Board when necessary, so that the Board can make an informed assessment of the Company's financial and business conditions in order to submit such information to the Board for approval.

RESPONSIBILITY OF DIRECTORS AND AUDITOR FOR CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility to prepare the accounts, that is, to prepare the Company's consolidated financial statements on a going concern basis in accordance with IFRSs and the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) so as to truly and fairly reflect the Group's performance, financial and business conditions and prospects.

The statements of the Directors and the Company's auditors regarding their reporting responsibilities to the Group's consolidated financial statements are set out in the independent auditor's report on pages 93 to 99 of this Annual Report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for continuously monitoring the effective risk management and internal control systems of the Group to safeguard the assets of the Group and the overall interests of Shareholders. The risk management and internal control system of the Group are designed to manage rather than eliminate risks of failure to achieve business objectives, and can only provide reasonable, but not absolute assurance against material misstatement or loss. The Group will review annually and ensure that the Group's risk management and internal control systems are continuously effective and adequate. The Company has an internal audit function in place, which can effectively analyze and independently assess the adequacy of the Group's risk management and internal control systems, and report its findings to the Board on an annual basis.

The Group's risk management and internal control systems include relevant organizational framework policies, risk management policies and risk control procedures. These systems are designed to manage the risks faced by the Group, which are mainly the Group's operational risks, legal risks and liquidity risks. Relevant risk management and internal control systems include:

(i) Our Board is responsible for and has general powers over the management and conduct of the business of our Group. Any significant operational decisions involving material risks, such as decisions to expand into new geographic regions or to incur significant corporate finance transactions, are reviewed, analyzed and approved at the Board level to ensure a thorough examination of the associated risks at our highest corporate governance body.

(ii) Our legal and audit department is responsible for proposing risk management strategies, formulating policies on risk management, coordinating and preparing risk management assessments and reports, guiding all departments on relevant tasks and conducting all training sessions in risk management. It is also in charge of designing a comprehensive risk evaluation system and supervising the implementation of risk management measures.

(iii) Each of our Group's functional departments is in charge of the daily business operations and risk monitoring, and is responsible for the supervision of respective fields of operations. Each department is also responsible for formulating its own risk management strategies and rectifying any deviations in the implementation of such strategies.

(iv) The Group has established and implemented enhanced internal control policies relating to its project management, sub-contracting, invoicing, payment, and authorization controls.

(v) Internal control policies and procedures have been revised to implement internal control measures such that the construction planning department of the Group will be responsible for applying construction work planning permit and construction work commencement permit, and will, together with the cost control department and construction management department, prepare and submit the plan for use of funds to senior management for approval. Weekly meetings will be held by the project management department to prepare and submit the project progress report to the construction management department and senior management.

(vi) The Group's internal policies and procedures have been revised at regular intervals so that it is stated clearly that pre-sales can only be carried out with the pre-sales permits, and the engineering planning department will be responsible for applying for pre-sales permits and will regularly report to the Company's senior management of the progress.

(vii) The Group has adopted internal policies and procedures for various aspects of operations. The Group provides training to our employees in order to enhance their knowledge of our corporate culture, with a view to better managing the Group's operational and market risks.

(viii) To safeguard the interests of our Company and the Shareholders as a whole, the Company has put in place internal approval and monitoring procedures relating to our continuing connected transactions, which include the following:

a. the Group will offer the same pricing terms to all material suppliers, service providers or tenants and no preferential terms shall be provided to the material suppliers, service providers or tenants who are the Group's connected persons;

b. the Group has formulated and implemented the internal guidelines according to the Listing Rules, which provide approval procedures for connected transactions, including mechanism to avoid conflict of interest; and

c. Our independent non-executive Directors conduct an annual review of our continuing connected transactions and provide annual confirmations in accordance with the Listing Rules that the terms of the relevant agreements are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of our Group, the relevant agreements are in the interests of our Company and the Shareholders as a whole.

During the year ended December 31, 2019, the Board has reviewed the effectiveness of the Group's internal risk management and monitoring systems to ensure that the management maintains and operates a sound system in accordance with agreed procedures and standards. The Board has conducted review which covers all major controls, including financial monitoring, operational monitoring, compliance monitoring and risk management functions. The Board has confirmed that the Company's resources in terms of accounting and financial reporting functions and internal auditors, qualifications and experience of employees and training courses received by employees and related budgets are sufficient. This review was made after discussions with the Company's management and its internal auditors, and the assessment was performed by the audit committee. The Board confirms that the internal risk management and monitoring systems of the Company is fully effective.

INTERNAL AUDIT

The Company has established an internal audit function. The main responsibility of the internal audit function is to assist the Board and the Company's senior management in the protection of the Company's property, reputation and sustainable development. The internal audit function provides independent and objective verification of the effectiveness of the design and operation of the Company's risk management, monitoring and governance process framework as formulated and stated by the Company's management. The Company's internal audit function is independent of the Company's risk management and internal control systems.

The results of the internal audit work and the assessment results of the Group's overall risk management and monitoring framework are reported to the audit committee where appropriate.

Before formally confirming the rectification of the problems found in the audit, the internal audit function is also responsible for reviewing the rectification plan proposed by the management of the Company regarding the problems found in the audit, and verifying the adequacy and effectiveness of the mitigation measures. During the year ended December 31, 2019, the audit committee has reviewed the responsibilities of the risk management and internal control systems and the effectiveness of the internal audit function of the Group.

INSIDE INFORMATION DISCLOSURE

With regard to the processing and procedures of release of inside information and internal controls, the Company has complied with the responsibilities under Part XIVA of SFO and the Listing Rules. The Group has adopted a continuous disclosure compliance policy, which sets out guidelines and procedures for the Directors and management personnel of the Group to ensure that the inside information of the Group is disclosed in a fair and timely manner. The Company has implemented measures to keep the inside information confidential. Once the inside information is leaked, the company will disclose it to the public immediately or apply for a trading halt or suspension of trading in its securities. The Group holds regular trainings for Directors and management personnel to assist them in understanding and complying with relevant policies.

DIVIDEND POLICY

The Company has adopted a dividend policy. Accordingly, when considering the payment of dividends, it is necessary to obtain a balance between sufficient reserves for the future development of the Group and returns to the Shareholders of the Company.

In considering the declaration and payment of dividends, the Board will also take into account (among others):

a. the actual and expected financial performances of the Group;

b. the Group's expected working capital requirements, capital expenditure requirements and future expansion plans;

c. the liquidity position of the Group;

d. the financial position of the Group;

e. the overall economic situation, the business cycle of the Group's business, and external factors that may affect the future business and financial performance and condition of the Group;

f. Shareholders' interest;

g. any dividend restrictions; and

h. other factors the Board deems relevant.

The Board will continue to review this policy and reserves the right to update, revise, modify and/or cancel this policy at any time in its sole and absolute discretion.

SHAREHOLDERS' RIGHTS

To safeguard the Shareholders' interests and rights, separate resolutions are proposed at general meetings on each substantial issue, including the re-election of individual Directors. Meanwhile, the procedures for the Shareholders to (i) convene an extraordinary general meeting; (ii) put forward proposals at general meetings; and (iii) direct their enquiries to the Board are available.

In accordance with Article 72 of the Articles of Association, resolutions put to vote at any general meetings will be taken by poll save that the chairman of the meeting may allow a resolution to be voted on by a show of hands pursuant to the Listing Rules.

In addition, the poll results will be posted on the websites of the Company and the Stock Exchange after the relevant general meeting.

Procedures for Shareholders to convene an extraordinary general meeting

The Company is incorporated in the Cayman Islands. The Board may, whenever it thinks fit, convene an extraordinary general meeting. Pursuant to the Articles of Association, extraordinary general meetings shall also be convened by one or more members of the Company holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting Forward Proposals at General Meetings

There is no single provision in the Articles of Association or the Cayman Islands Companies Law for the Shareholders to put forward proposals at general meetings. The Shareholders who wish to propose a resolution may request the Company to convene a general meeting in accordance with the procedures for Shareholders to convene an extraordinary general meeting.

Putting Forward Enquiries to the Board by Shareholders

Enquiries about the Company may be put to the Board by contacting the Company or directly by raising the questions at an annual general meeting or extraordinary general meeting. The contact details of the Company are set out in the Company's website (www.chinatbjt.com). Shareholders can also direct their enquiries about their shareholdings to the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, whose address is Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

Rights on Appointment, Election and Removal of Directors

In accordance with Article 111 of the Articles of Association, the Company may from time to time in a general meeting by ordinary resolution elect any person to be a director of the Company either to fill a casual vacancy or as an additional to the existing Directors.

The Shareholders may by ordinary resolution remove any Director before the expiration of his/her term of office in accordance with Article 114 of the Articles of Association.

To safeguard the Shareholders' interests and rights, the Company shall propose separate resolutions at general meetings on each substantial issue, including the re-election of individual Directors.

Pursuant to Article 113 of the Articles of Association, if a shareholder of the Company wishes to propose a person, other than a retiring Director, or a person recommended by the Board for election, as a Director at the general meeting, such shareholder, who must be entitled to attend and vote at such general meeting, should lodge a notice in writing of his/her intention to propose such person for election together with the notice signed by the proposed person of his/her willingness to be elected, at the Company's place of business in Hong Kong at Unit 3326, 33/F, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road, Central, Hong Kong. The nominating shareholder should also provide to the Company biographical details of the person he or she proposes to be elected as a director required under Rule 13.51(2) of the Listing Rules. The notices should be given within the period commencing on the day after the despatch of the notice of the general meeting appointed for such election of directors and ending no later than 7 days prior to the date of such general meeting and such period shall be at least 7 days. The procedures for Shareholder to propose a person for election as director is available on the Company's website (www.chinatbjt.com).

Upon receipt of the above notices after the despatch of the notice of the general meeting, the Company shall publish an announcement or issue a supplementary circular disclosing the particulars of the proposed director pursuant to Rule 13.51(2) of the Listing Rules prior to the general meeting in accordance with Rule 13.70 of the Listing Rules.

AMENDMENT TO THE ARTICLES OF ASSOCIATION

During the period from the Listing Date to the date of this annual report, there has not been any change in the Articles of Association. The Articles of Association are available on the website of the Company (www.chinatbjt.com) and that of the Stock Exchange.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

This Environmental, Social and Governance ("ESG") Report ("ESG Report") of the Group is prepared in accordance with the ESG Reporting Guide outlined in Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("HKEx ESG Reporting Guide") and has complied with "comply or explain" provision in the Listing Rules.

REPORTING BOUNDARIES

The scope of this ESG Report summarises the environmental and social performance regarding corporate social responsibility of the Group's material business operations.

Reporting period: January 1, 2019 to December 31, 2019, the financial period of our Annual Report 2019.

Business scope: (i) Property development and (ii) property construction.

Geographical scope: The People's Republic of China ("the PRC").

CONTACT

Should you have any enquiries or feedback on this ESG Report, please do not hesitate to contact us via the following methods:

Address:	Room 3326, 33/F, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong
Telephone:	(852) 2792 1388
Fax:	(852) 2792 1488
Email:	tianbaojixiang@126.com

OBTAINING METHODS

This report is available in Traditional Chinese and English. The electronic version of this report can be downloaded from the website of the Stock Exchange and the Group's official website www.chinatbjt.com. If there is any inconsistency or discrepancy between the Chinese and English versions, the Chinese version shall prevail.

OVERVIEW

Core Values/Management Principles

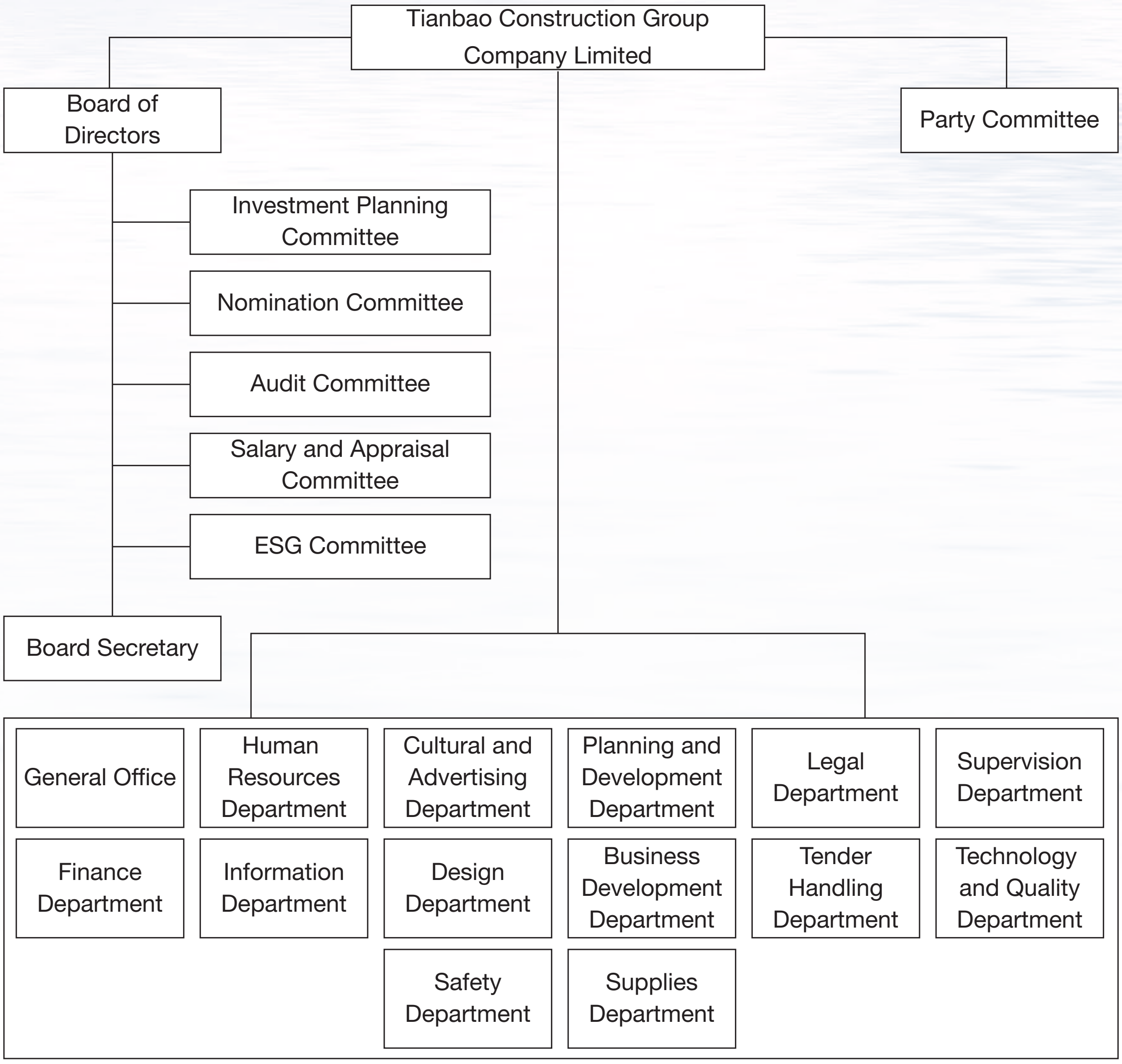
The Group, as a leading property developer and construction company located in Zhuozhou, always takes ESG issues as one of their key priorities during the business decision-making process and tries the best effort possible to strike a balance between economic development, the environment and the society.

Organizational Structure

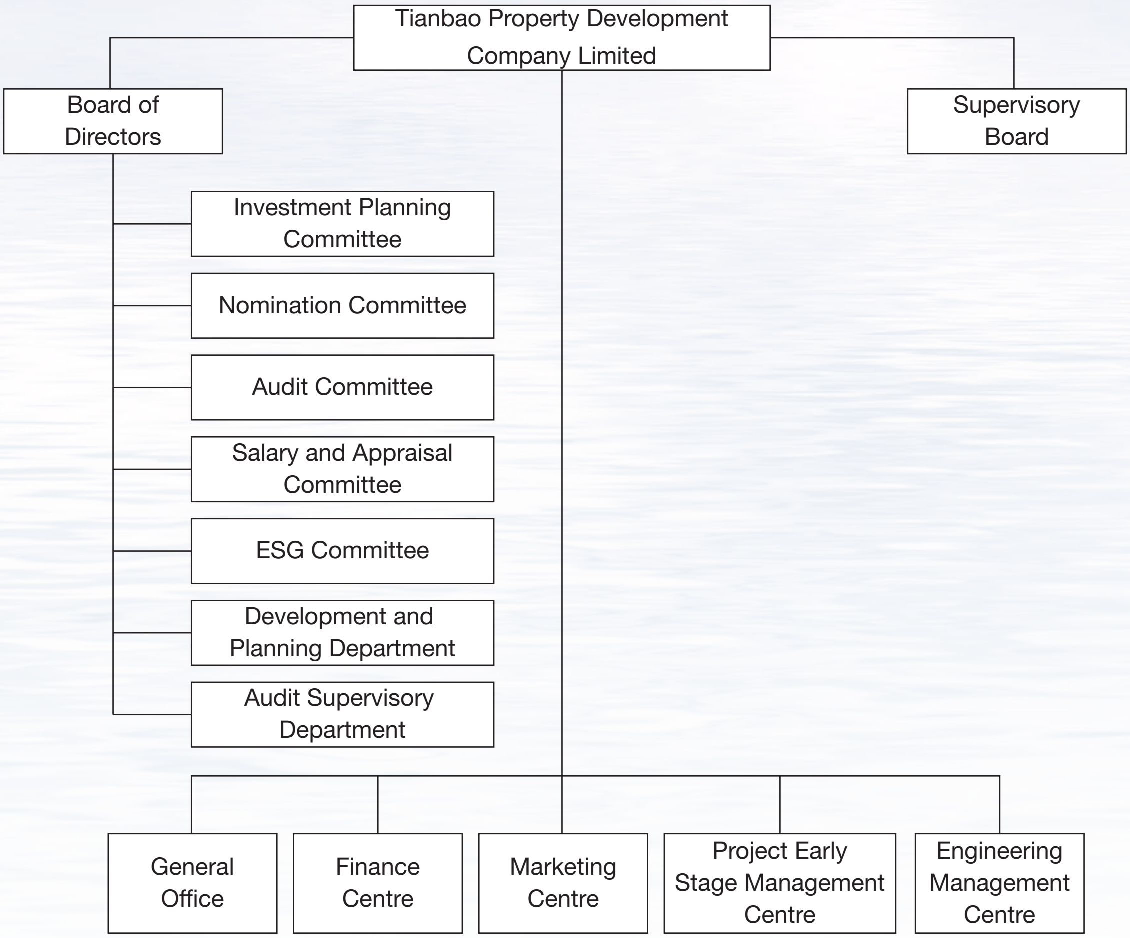
The Group has a clear organizational structure and hierarchy to carry out various business operations and development. An ESG committee is also established to address specific environmental and social issues of the Group and regular reviews will also be conducted in order to consistently improve the overall ESG performances.

The following charts demonstrate the organizational structure of Tianbao Construction Group Company Limited and Tianbao Property Development Company Limited.

Organizational Chart of Tianbao Construction Group Company Limited



Organizational Chart of Tianbao Property Development Company Limited



ENVIRONMENTAL PERFORMANCE

The Group faces numerous environmental issues during its daily operation of property development and construction contracting business. In order to achieve the goal of sustainable development and comply with all relevant law and regulations, the Group has dedicated to minimizing the impact of its operating activities on the environment.

For the construction contracting business, we have set up an environmental management system in accordance with ISO14001:2015. The system has been regularly reviewed and updated annually to ensure proper environmental management measures have been carried out.

According to all national and local laws, regulations and other relevant industry standards, the Group has allocated specific staff to monitor the compliance of all operating business in accordance to all national and local laws, regulations and other related industrial standards, such as the *Environmental Protection Law of the PRC*, the *Law on the Prevention and Control of Atmospheric Pollution*, the *Law on the Prevention and Control of Water Pollution*, the *Law on the Prevention and Control of Solid Waste Pollution*, the *Environmental Impact Assessment Law of the PRC*, and the *Administrative Regulations on Environmental Protection for Development Projects* and the *Administrative Regulations on Environmental Protection for Acceptance Examination Upon Completion of Buildings*. During the reporting period, the Group has complied with all national and local laws.

Emissions

In order to specifically control the emissions from our business operations, as well as comply with the related laws and regulations, the Group has issued "Environmental Control Procedures" and "Dust Pollution Mitigation Procedures" to reduce the emissions from our construction sites.

Gas Emission

The major business for the Group is property construction and property development. For construction activities, various gaseous pollutants are emitted within the construction sites, particularly dust which would adversely impact workers' health. In addition, greenhouse gases are also emitted by our transportation vehicles.

To minimise the potential health risks posing to the on-site workers, the Group has introduced several measures to reduce the emission of dust and greenhouse gas. Designated personnel in each construction site are held responsible for the management and monitor dust control procedures, such as regular water spraying on dusty materials, covering dusty material during transportation and etc.

On the other hand, vehicular emission is another major source of gas emission of the Group. In order to effectively control the emission from the use of vehicles, the Group has issued the "Vehicles Standard Operating Procedures" to regulate the use of vehicles during works, such as encouraging carpooling from coworkers, conducting regular vehicle inspection to ensure the exhaust is in compliance with the national standards.

Major Gas Emission Indicators

Direct Emissions	Unit	Emission in 2019
Carbon Dioxide (CO_2)	Tonnes	625.2
Methane (CH_4)	Tonnes	0.04
Nitrous Oxide (N_2O)	Tonnes	0.13
Nitrogen Oxides (NO_x)	Tonnes	376.4
Sulphur Oxides (SO_x)	Tonnes	1.8
Particulate Matter (PM)	Tonnes	24.4

Total Greenhouse Gas (GHG) Emissions	Unit	Emission in 2019
Direct emission from combustion	t-CO_2 eq.	344.6
Direct emission from vehicles	t-CO_2 eq.	321.7
Indirect emission from electricity consumption	t-CO_2 eq.	969.2

Other Indirect Emissions	Unit	Emission in 2019
Emissions from processing scrap paper	Tonnes	3.1
Emissions from flights	Tonnes	2.4

Emission Intensity (per employee)	Unit	Emission in 2019
Direct emissions from combustion	t-CO_2 eq.	1.0
Direct emission from vehicles	t-CO_2 eq.	0.9
Indirect emission from electricity consumption	t-CO_2 eq.	2.7
Emissions from processing scrap paper	Tonnes	0.01
Emissions from flights	Tonnes	0.01

Waste Management

The Group has set up a well-established waste management system to handle hazardous and non-hazardous waste generated from our operating activities. The Group ensures the disposal of waste has strictly complied with *Law of the PRC on Prevention and Control of Environmental Pollution by Solid Waste, Regulations on the Administration of Hazardous Waste Transfers*, National Hazardous Waste List, Green Construction Guidelines and other related laws and regulations.

The Group has also established "Green Construction Procedures" and "Environmental Assessment, Rewards and Penalties" to guide and regulate employees and sub-contractors on how to process hazardous and non-hazardous solid waste properly. As the Group serves as the main contractor in construction sites, the Group did not directly produce any hazardous waste within the construction sites and the Group is responsible for monitoring the compliance of the subcontractors. Moreover, we encourage reasonable use of construction materials, such as using gravels and earthwork for road pavement, to further reduce the amount of waste.

For non-hazardous waste, general waste is securely stored in the refuse area and transported to the landfill area by qualified waste collectors. The Group has paid its best effort to prevent any contamination of the underground water.

Major Waste Generation Indicators

Waste Types	Unit	Consumption in 2019
Non-Hazardous Waste	Tonnes	133,065.5

Waste Intensity (per employee)	Unit	Consumption in 2019
Non-Hazardous Waste	Tonnes	372.7

Water Discharge

Water has not been extensively used during the construction activities and therefore there is a small amount of wastewater discharged by the Group. Nevertheless, we have introduced measures to reduce our water consumption during operation. The Group has strictly complied with *Water Pollution Control Law of the PRC*, Urban Sewage Treatment Plant Pollutant Discharge Standards and other related laws and regulations.

The Group has strictly regulated the handling of water discharge during operations. All sewage is connected to the government sewage pipeline and transferred to the local sewage treatment plant. The Group has monitored the sewage system daily to prevent any potential leakage.

Use of Resource

The Group always takes active action for resource efficiency to achieve the objectives of green construction projects.

In order to achieve resource efficiency, the Group has adopted the following measures:

- Conduct training workshops with workers and staff on saving water, electricity during daily operation;
- Conduct regular checks and maintenance on all drainage system to ensure no leakage issues;
- Record the usage of water and electricity monthly to ensure no irregularities.

Being the first reporting year of the Group's ESG report, results of the aforementioned measures have not been recorded and the Group plans to provide the achieved results in the following reporting period. Besides, since the Group only consumes water from the supplies from municipal pipelines, no abnormalities in sourcing water were observed. Furthermore, as the major businesses of the Group are property development and construction contracting, no significant amount of packaging materials will be consumed under the Group's daily operations and hence, the Group did not record any packaging materials during the reporting period.

Major indicators for resource consumption

Resource Consumption	Unit	Consumption in 2019
Electricity	Kilowatt Per Hour	3,941.8
Gasoline	Litre	116,110.1
Diesel	Litre	2,628.0
Water	Tonnes	15,108.2

Resource Consumption Intensity (per employee)	Unit	Consumption in 2019
Electricity	Kilowatt Per Hour	11.0
Gasoline	Litre	325.2
Diesel	Litre	7.34
Water	Tonnes	42.3

The Environment and Natural Resources

The Group takes all related environmental risks into account during the planning and design stage of the construction projects. Moreover, the Group has planted trees and landscaping in the surrounding area after the completion of projects in order to improve the overall environment of the area. In 2019, the Group has planted 3,279 trees with height over 5m, which would help remove more than approximately 7 tonnes of carbon dioxide in the atmosphere annually.

SOCIAL PERFORMANCE

Employment

The Group strictly complies with the *Labour Law of the PRC*, the *Labour Contract Law of the PRC*, the *Employment Promotion Law of the PRC*, the *Labour Dispute Mediation and Arbitration Law of the PRC*, the *Regulation on the Annual Leave of Employees* and other relevant national labour laws and regulations. In order to attract talented professionals and enhance overall competitiveness, the Human Resources Department of the Group has formulated several internal measures, including Measures on Salary Management, Measures on the Management of Recruitment and Interviews, Internal Employee Promotion Mechanism, Measures of Employee Attendance, and Measures on the Management of Employee Turnover. No non-compliance issues related to employment laws and regulations were observed during the reporting period.

As stipulated in the Group's human resources policies, every employee is treated on an open, fair and sound manner. The Group will constantly review and update relevant human resources policies to strengthen employees' morale and allocate suitable job positions according to their abilities. The Group also clearly outlines an objective basis for the hiring process in order to recruit talented professionals. During the recruitment process, the Group upholds the principles of "open recruitment", "equal competition", "not overstaffing" and "allocate the right position to the right person" in order to complement with the Group's strategic business development needs. Through organising recruitment talks in campuses and labour market, posting usual job advertisements online and internal referrals, the Group will arrange several rounds of interviews with candidates. The qualifications and requirements of the job positions will be clearly stated during interviews and job ads in order to enable the interview panel to comprehensively assess the background and ability of candidates. The Group also adheres to its internal measures to prevent employment discrimination on the grounds of nationality, age, ethnicity, religion, gender, marital status, pregnancy, sexual orientation, or political stance and all applicants are qualified for application and selection.

The Group has also established a holistic performance appraisal and promotion mechanism in order to ensure equal opportunities for promotion and fair competition to promote career advancement among employees. Specifically, the Group has outlined vertical and horizontal development for employees along their career path. Based on the performance appraisals for the evaluation of employees' capability, outstanding employees with suitable personality and contribution to the Group are able to receive a fair promotion as recognition and all employees will receive improvement recommendations according to their performance. Subject to approval from corresponding manager and Human Resources Department, the Group also encourages employees to apply for promotion across different departments according to their working ability.

The Group has also developed a comprehensive job grading system to offer a competitive remuneration package to every level of employees and evaluate their respective pay structure and salary benchmarking in line with the market trends. All employees are entitled to the Group's benefits, including paid leaves, marriage leaves and maternity leaves. Employees are encouraged to seek consultations from their managers and communicate with the management in order to maintain an open and credible relationship between employees and the management.

Health and Safety

The Group endeavours to comply with all the laws and regulations relevant to workplace health and safety, in particular the *Labour Law of the PRC*, the *Fire Prevention Law of the PRC*, the *Prevention and Control of Occupational Diseases of the PRC*, as well as to implement the management system of occupational health and safety.

The Group has outlined its internal measures regarding the management system of environment, health and safety ("EHS") policies in the workplace, which highlights the importance of environmental policies, instructions of safety tools, procedures to ensure a safe workplace and identification of hazardous products. Regular reviews on potential occupational hazards will be conducted and assessed in order to maintain a healthy and safe working condition for our employees. The implementation of EHS policies has enabled the Group to prevent food poisoning, prevent occupational health hazards and eliminate the spread of infectious diseases and endemic diseases. The Group is pleased to receive the certification of occupational health and safety management system in conformity with GB/T28001-2011 and will regularly evaluate and conduct safety inspections to constantly improve the workplace environment and ensure the wellbeing of employees. During the reporting period, the Group was not aware of any non-compliance issues with regard to the provision of a safe working environment by the Group.

Development and Training

In the view to standardize and promote a sustainable and systematic training of the Group, as well as to create a healthy workplace and enhance the quality of employees, the Group has formulated the training management system to improve overall performance, accelerate business development and realize the Group's business goals.

Generally, different trainings will be provided to new employees, professional and technical personnel, specific job role personnel and key position personnel and the trainings can be classified as internal and external sessions. Internal trainings mainly include the introduction of company systems, basic technical issues, compliance of relevant laws and regulations, engineering technology management and corporate culture. The Group's Human Resources Department and the corresponding department will provide pre-job trainings on the organizational structure and skills to new employees. Every department will also provide specific job skill training for different job roles. Transfer trainings will also be organised by the transfer department when employees have switched their job role among departments. In terms of external trainings, the Group will arrange training sessions according to the development needs of different departments. Examples of external trainings include qualification trainings that are required by the state and local governments in order to obtain respective recognitions, adaptive trainings as required by various industries and technical business trainings organised by other relevant departments.

In 2019, the Group has organised 17 training sessions to its employees, including 3 sessions of safety trainings and emergency rescue trainings, 4 sessions of technical and quality trainings, 4 sessions of financial trainings such as interpretation of tax policy organised by tax department personnel, as well as 3 sessions of human resources trainings, including new employee trainings and the training on development of responsible engineer. All the trainings organised in 2019 have achieved the Group's expected results.

Labour Standards

The Group strictly abides by the requirements of the Labour Law of the PRC, as well as the *Labour Contract Law of the PRC*, *Provisions on Prohibition of Child Labour of the PRC* and *Law of the PRC on the Protection of Minors* and restricts the recruitment of child labour and forced labour. During the employment process, the Group's Human Resources Department will conduct identity check with all candidates' valid identification documents to ensure all applicants are employable and prohibit the employment of child labour. Upon the issuance of employment letter to selected candidates, the Group's Human Resources Department will verify and register the identities, including job position, pay structure, date of employment and other personal information. Any personnel who are found to be engaging child labour or forced labour will be reported to the management and the Group possesses the rights to terminate the employment with immediate effect if the applicants are found to provide false information. No non-compliance issues with relevant laws and regulations relating to child and forced labour were discovered by the Group during the reporting period.

Supply Chain Management

The Group has established a strategic business partnership with its suppliers to ensure the quality of resources and improve the management efficiency of tendering projects. The "Supply Chain Management System" was built in order to manage the quality of tendering process in site surveying, design, feasibility study, construction, supervision, materials, equipment, engineering consultation and other services along the project development process. Furthermore, according to the "Supply Chain Management System", the Group suppliers are graded into five different levels, ranging from failure (D-grade) to strategic partnership level (S-grade) and can be broadly classified into five aspects: research and development category, engineering category, purchasing category, consulting management category and others. Suppliers will be assessed and graded based on its quality of works, business scale and engagement period with the Group. The Group will evaluate the performance of each supplier after completion of each contract agreement by its review panel, which consists of the cost control department, tendering and purchasing department, as well as the project management department.

The Group also requires subcontractors to establish and improve their management rules and regulations related to safety and civilized construction, environmental protection measures at construction sites, such as adopting effective measures to prevent noise and air pollution, as well as properly handle the garbage disposal. The Group also conducts regular qualification review in the selection process of suppliers and provides pre-job trainings for subcontractors to understand the importance of construction, operation precautions, safety and environmental protection procedures. Through strengthening the Group's supply chain management system, the operation of supply chain can be optimised and smooth implementation of projects can be carried out. With the regular meetings with its suppliers, the Group can maintain a positive interaction and ensure the Group can respond to any non-compliance issues of suppliers and subcontractors.

Product Responsibility

The Group attaches great attention to customers' personal information and has related management systems into the "Customer Information Management System", which has applied several restrictions in every sales and development projects in sales planning department. For example, the sales team is required to enter customer information into the Group's internal developer system (Mingyuanyun) when receiving customers' information and it is strictly prohibited to leak any customer information to other parties. The Group has also established a commissioner at the sales planning department to ensure customer information are securely stored and all irrelevant materials will not be stored in the Group's system and destroyed accordingly. On the other hand, the customer service management personnel of the sales planning department will also be responsible for the daily management and maintenance of customer hotline and effectively improve the overall service efficiency and service quality of the Group.

In addition, the Group owns different types of intellectual properties, including patents and construction engineering methods. The Group complies with the *Patent Law of the PRC* and the *Implementation Rules of the Patent Law of the PRC* to formulate its own corporate patent management measures. Through its own management measures, the Group is able to encourage employees to actively invent and create new products and promote technological innovation among the enterprise. During the reporting period, Tianbao Construction Group Company Limited has successfully registered 13 new patents. Besides, the Group has also formulated its enterprise construction methods in accordance with the provisions highlighted in the Management Methods for the Construction of Construction Engineering Methods. Construction units can select their preferred construction technology and carry out respective technical research activities and apply in engineering practices. Once the construction technology is refined by the Group's technical staff and evaluated by provincial construction departments, such construction engineering method will become valid. In 2019, the Group has applied for 5 construction engineering methods.

In terms of trademarks and registered domain, the Group has formulated respective corporate trademark management measures in accordance with the *Trademark Law of the PRC* to regulate the use and protection of trademark property rights. The Group has also supervised and managed the domain registration services agencies to ensure stable operation according to the Administrative Measures for Internet Domains and manage information security throughout the system network.

In terms of advertising, the Group duly manages the brand and marketing strategies in order to comply with the related national law and regulations, such as the *Advertising Law of the PRC*. The Group has set up a comprehensive system to monitor the content of all advertising materials which aligns with the Group's operating principles. All content is being reviewed by internal management personnel prior to publishing to the media.

The Group also emphasises the quality assurance process and strictly implements the compulsory national standards, technical standards and other relevant quality requirements. Moreover, the Group has followed and constantly reviews the ISO9001 Quality Management System to develop a scientific and credible quality inspection management system. The Group insists on continuous improvement process control and implements strict quality inspection at each stage and has maintained a satisfactory result during the reporting period.

Anti-Corruption

The Group upholds the highest level of ethical standard and advocates integrity and honesty as the core values and strictly complies with the *Anti-corruption and Bribery Law of the PRC*. The Group has formulated the Anti-corruption and Anti-bribery Management System, the Anti-fraud and Anti-money Laundering Internal Control System to prevent corruption, does not tolerate any non-compliance issues with relevant laws and regulations that may significantly impact the Group relating to bribery, extortion, fraud and money laundering.

The Group has established its audit and supervisory department to prevent commercial bribery and exercise disciplinary inspection of the Group's economic activities, including raw material procurement, facilities engineering, business sales, quality supervision. All personnel are required to abide by the agreement on integrity and self-regulation as stipulated in the employment contract. The Group will monitor the internal control measures and stipulate all the responsibilities and authorities of internal institutions and personnel in order to track all the rectification process of the Group's internal control measures.

During the reporting period, no cases of corruption, extortion, bribery, fraud and money laundering were observed by the Group.

Community Involvement

Over the year, the Group has participated in several charitable events and has encouraged the employees to volunteer at different social events to express their support in the community. In May 2019, all employees have participated in the 70th Children's Day and raised more than 900 books, including teaching materials, science books, historical stories, comics, magazines and etc. All materials were donated to local education authorities. In June 2019, the Group's public welfare committee visited Luzhou Special Education Centre and provided children with their daily necessities and learning supplies. The Group's volunteers have also participated in the cleaning activities to create a better environment in the community. In September 2019, Tianbao Property Development Company Limited has also responded to the call of the Standing Committee of the National People's Congress to alleviate poverty and the Group has proactively renovated houses and improved the living conditions of local residents. The Group has also constructed the cultural square to celebrate the 70th anniversary of the founding of the PRC. In October 2019, Tianbao Construction Group Company Limited donated RMB100,000 for road construction of Dingjiazhuang Village located at Dongchengfang Town, Zhuozhou. In November 2019, the Group has also assisted children with leukemia by donating money and materials.

The Group believes by maintaining an active involvement and commitment to the society will benefit to the whole society and the Group and the Group will continue to contribute back to the society.

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Employment and Labour Practices			
Aspect B1: Employment			
General Disclosure	B1	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	84-85
Aspect B2: Health and Safety			
General Disclosure	B2	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	85
Key Performance Indicators	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	85
Aspect B3: Development and Training			
General Disclosure	B3	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	86

ESG Reporting Guidelines Aspects		Description	Pages/ Remarks
Aspect B4: Labour Standards			
General Disclosure	B4	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	86
Key Performance Indicators	B4.1	Description of measures to review employment practices to avoid child and forced labour.	86
	B4.2	Description of steps taken to eliminate such practices when discovered.	86
Operating Practices			
Aspect B5: Supply Chain Management			
General Disclosure	B5	Policies on managing environmental and social risks of the supply chain.	86-87
Aspect B6: Product Responsibility			
General Disclosure	B6	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.	87-88
Key Performance Indicators	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	87-88

ESG Reporting Guidelines Aspects		Description	Pages/ Remarks
Aspect B7: Anti-corruption			
General Disclosure	B7	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	88
Key Performance Indicators	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	88
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	88
Aspect B8: Community Investment			
General Disclosure	B8	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	88
Key Performance Indicators	B8.1	Focus areas of contribution.	88
	B8.2	Resources contributed (e.g. money or time) to the focus area.	88

Independent Auditor's Report

To the shareholders of China Tianbao Group Development Company Limited
(Incorporated in the Cayman Islands with limited liability)

EY 安永

OPINION

We have audited the consolidated financial statements of China Tianbao Group Development Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 100 to 190, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 2019, 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 Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition from construction contracting	
51% of the Group's revenue was derived from construction contracting for the year ended 31 December 2019. The progress was measured by applying an input method based on the costs incurred up to the year end as a percentage of total estimated costs for each contract. The application of the input method involves the use of significant judgements and estimates, including the scope of deliveries and services required, total contract costs, and remaining costs to completion. The revenue, cost and gross profit realised on such contracts can vary from the Group's original estimates because of any future changes in conditions such as scope changes made to the original contracts, claims, disputes and liquidation damages. The accounting policies and related disclosures for the revenue recognition from construction contracting are included in notes 2.4, 3, 4 and 5 to the consolidated financial statements.	We performed the following procedures in relation to revenue recognition from construction contracting: 1) We evaluated and tested the controls over the accounting process of contract costs, contract revenues and the calculation of the percentage of completion; 2) On a sample basis, we reviewed the detail terms, including the contract sum, the settlement terms and other key contract terms of significant construction contracts; 3) We inspected the contract costs incurred by checking against supporting documents such as delivery and acceptance notes, purchasing invoices and other computation forms like labor cost settlement documents and machinery expense settlement documents and so on; and we evaluated management's judgements and estimates in the determination of estimated total contract costs by discussing the progress of the construction contracts with those in charge of the projects and to compare actual contract costs incurred with budgeted contract cost; and we reviewed the gross profit of each project with revenue recognised for the year ended 31 December 2019 to identify whether there is any negative gross profit item; 4) We re-calculated the revenue recognised on a sample basis and performed analytical review procedures according to different construction types of service; and 5) We reviewed the disclosures of revenue recognition from construction contracting.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Revenue recognition from property development</td></tr>
<tr><td>49% of the Group's revenue was derived from property development for the year ended 31 December 2019. We identified the recognition of revenue for property development as a key audit matter because of its significance to the Group in size for the year ended 31 December 2019.

Revenue from property development is recognised when all of the following criteria have been met:

(1) the property has been filed for completion;

(2) payment from the buyer has been received in full; and

(3) the buyer obtained the control of the completed property, as stipulated in the sale and purchase agreement.

The accounting policies and related disclosures for the revenue recognition from property development are included in notes 2.4, 3, 4 and 5 to the consolidated financial statements.</td><td>We performed the following procedures in relation to revenue recognition from property development:

1) We evaluated and tested the controls over the accounting process of the revenue from property development;

2) We inspected the terms of the standard sale and purchase agreements to assess the Group's revenue recognition policies for sales of property development projects, with reference to the requirements of the prevailing accounting standards;

3) We inspected on a sample basis the sales of property development revenue recognised during the year ended 31 December 2019, and sale and purchase agreements and documents which evidenced that the properties were physically possessed or the legal titles of the properties were transferred to the buyers and to assess whether the related revenue had been recognised in the appropriate financial period; and

4) We reviewed the disclosures of revenue recognition from property development.</td></tr>
</table>

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses ("ECLs") of trade receivables, deposits and other receivables and contract assets	
As at 31 December 2019, trade receivables, deposits and other receivables and contract assets amounting to RMB1,850,486,000 were material to the Group's consolidated financial statements. Management uses the simplified approach to calculate ECLs for trade receivables and contract assets and the general approach to calculate ECLs for deposits and other receivables. Management's assessment of the ECLs involves significant judgements and estimates and is based on historical observed default rates, ageing of balances, existence of disputes and forward-looking information. At the year end, the historical observed default rates are updated and changes in the forward-looking estimates are analysed by management. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. Management also assesses whether the credit risk on the deposits and other receivables has increased significantly under the general approach. The accounting policies and related disclosures for the trade receivables and contract assets are included in notes 2.4, 20 and 24 to the consolidated financial statements. The accounting policies and related disclosures for deposits and other receivables and are included in notes 2.4, 25 and 41 to the the consolidated financial statements.	We performed the following procedures in relation to the provision assessment for trade receivables, deposits and other receivables and contract assets: 1) We evaluated and tested the controls over the accounting process of provision for ECLs of trade receivables, deposits and other receivables and contract assets; 2) We evaluated the provision for trade receivables, deposits and other receivables and contract assets by selecting samples to check the debtors' latest correspondence and historical payment records; 3) We tested the accuracy of ageing of balances of trade receivables, deposits and other receivables and contract assets by tracing details of selected samples to supporting documents, such as invoices and contracts with debtors; 4) We inspected bank slips for the payments of the selected trade receivables, deposits and other receivables received subsequent to the reporting period; 5) We evaluated the Group's determination of significant increase in credit risk for the selected, deposits and other receivables by checking the available external data and the information related to the overdue balance; 6) We inspected the calculation of the ECLs by checking the loss rate against the observed historical loss records and reviewing the adjustment for forward-looking information; and 7) We reviewed the disclosures of provision for ECLs of trade receivables, deposits and other receivables and contract assets.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Siu Fung Terence Ho.

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

24 March 2020

Consolidated Statement of Profit or Loss

Year ended 31 December 2019

	NOTES	2019 RMB'000	2018 RMB'000
CONTINUING OPERATIONS			
REVENUE	5	**2,660,037**	1,601,739
Cost of sales		**(1,977,617)**	(1,411,815)
GROSS PROFIT		**682,420**	189,924
Other income and gains	5	**13,786**	16,920
Selling and distribution expenses		**(3,220)**	(5,629)
Administrative expenses		**(78,038)**	(42,522)
Impairment losses/(reversal of impairment losses) on financial and contract assets, net		**(24,274)**	10,625
Fair value gains on investment properties	15	**4,700**	19,400
Fair value loss at financial assets through profit or loss	26	**(910)**	–
Other expenses		**(2,673)**	(1,998)
Finance costs	7	**(21,788)**	(5,050)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	6	**570,003**	181,670
Income tax expense	10	**(252,231)**	(72,036)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**317,772**	109,634
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	11	**(62)**	(1,427)
PROFIT FOR THE YEAR		**317,710**	108,207
Attributable to:			
Owners of the parent		**317,710**	108,207
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic and diluted			
– For profit for the year		**RMB2.2**	N/A
– For profit from continuing operations		**RMB2.2**	N/A

Consolidated Statement of Comprehensive Income

Year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
PROFIT FOR THE YEAR	**317,710**	108,207
OTHER COMPREHENSIVE INCOME		
Exchange differences:		
Exchange differences on translation of foreign operations	**1,085**	–
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**7,000**	2,564
Income tax effect	**(1,750)**	(641)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**5,250**	1,923
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**324,045**	110,130
Attributable to:		
Owners of the parent	**324,045**	110,130

Consolidated Statement of Financial Position

31 December 2019

	NOTES	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**218,978**	164,314
Investment properties	15	**141,100**	136,400
Prepaid land lease payments	16(a)	**–**	33,597
Right-of-use assets	16(b)	**12,662**	–
Other intangible assets		**1,788**	814
Equity investments designated at fair value through other comprehensive income	17	**143,000**	136,391
Financial assets at fair value through profit or loss	26	**184,655**	–
Deferred tax assets	22	**69,136**	15,601
TOTAL NON-CURRENT ASSETS		**771,319**	487,117
CURRENT ASSETS			
Inventories	18	**16**	719
Trade receivables	24	**408,999**	321,440
Contract assets	20	**1,221,868**	785,045
Properties under development	21	**2,437,886**	2,594,931
Completed properties held for sale	23	**340,122**	54,120
Prepayments, other receivables and other assets	25	**475,000**	1,805,275
Tax recoverable		**15,074**	82,841
Pledged deposits	27	**130,417**	120,598
Cash and cash equivalents	27	**321,909**	98,833
		5,351,291	5,863,802
Assets of a disposal group classified as held for sale	11	**–**	7,944
TOTAL CURRENT ASSETS		**5,351,291**	5,871,746

Consolidated Statement of Financial Position

31 December 2019

	NOTES	2019 RMB'000	2018 RMB'000
CURRENT LIABILITIES			
Trade payables	28	**1,701,274**	1,098,162
Other payables and accruals	29	**2,194,094**	2,512,649
Interest-bearing bank borrowings	30	**619,000**	469,000
Lease liabilities	16(c)	**1,004**	–
Tax payable		**349,489**	128,170
		4,864,861	4,207,981
Liabilities directly associated with the assets classified as held for sale	11	**–**	6,303
TOTAL CURRENT LIABILITIES		**4,864,861**	4,214,284
NET CURRENT ASSETS		**486,430**	1,657,462
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,257,749**	2,144,579
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	30	**170,000**	445,000
Lease liabilities	16(c)	**963**	–
Deferred tax liabilities	22	**–**	20,658
TOTAL NON-CURRENT LIABILITIES		**170,963**	465,658
NET ASSETS		**1,086,786**	1,678,921
EQUITY			
Equity attributable to owners of the parent			
Share capital	31	**7,281**	–
Reserves	32	**1,079,505**	1,678,921
		1,086,786	1,678,921
TOTAL EQUITY		**1,086,786**	1,678,921

Li Yaruixin
Director

Wang Xinling
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2019

	Attributable to owners of the parent									
	Share capital RMB'000 note 31	Capital reserve RMB'000 note 32(a)	Merger reserve RMB'000 note 32(b)	Special reserve RMB'000 note 32(c)	Statutory surplus reserve RMB'000 note 32(d)	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000 note 32(e)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 31 December 2017	–	2,701	755,000	–	29,495	–	176,850	964,046	262	964,308
Effect of adoption of IFRS 9	–	–	–	–	–	4,745	–	4,745	–	4,745
At 1 January 2018 (restated)	–	2,701	755,000	–	29,495	4,745	176,850	968,791	262	969,053
Profit for the year	–	–	–	–	–	–	108,207	108,207	–	108,207
Other comprehensive income for the year:										
Change in fair value of equity investments designated at fair value through other comprehensive income, net of tax	–	–	–	–	–	1,923	–	1,923	–	1,923
Total comprehensive income for the year	–	–	–	–	–	1,923	108,207	110,130	–	110,130
Capital contribution by shareholders	–	–	600,000	–	–	–	–	600,000	–	600,000
Disposal of subsidiaries	–	–	–	–	–	–	–	–	(262)	(262)
Appropriations to statutory surplus reserve	–	–	–	–	14,148	–	(14,148)	–	–	–
Transfer to special reserve	–	–	–	21,639	–	–	(21,639)	–	–	–
Utilisation of special reserve	–	–	–	(21,639)	–	–	21,639	–	–	–
As at 31 December 2018	–	2,701*	1,355,000*	–*	43,643*	6,668*	270,909*	1,678,921	–	1,678,921

Consolidated Statement of Changes in Equity

Year ended 31 December 2019

	Attributable to owners of the parent										
	Share capital RMB'000 note 31	Capital reserve RMB'000 note 32(a)	Merger reserve RMB'000 note 32(b)	Special reserve RMB'000 note 32(c)	Statutory surplus reserve RMB'000 note 32(d)	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000 note 32(e)	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2019	-	2,701	1,355,000	-	43,643	6,668	-	270,909	1,678,921	-	1,678,921
Profit for the year	-	-	-	-	-	-	-	317,710	317,710	-	317,710
Other comprehensive income for the year:											
Change in fair value of equity investments designated at fair value through other comprehensive income, net of tax	-	-	-	-	-	5,250	-	-	5,250	-	5,250
Exchange differences on translation of foreign operations	-	-	-	-	-	-	1,085	-	1,085	-	1,085
Total comprehensive income for the year	-	-	-	-	-	5,250	1,085	317,710	324,045	-	324,045
Disposal of an equity investments at fair value through other comprehensive income, net of tax	-	-	-	-	-	457	-	-	457	-	457
Issue of shares	7,281	429,855	-	-	-	-	-	-	437,136	-	437,136
Share issue expenses	-	(10,908)	-	-	-	-	-	-	(10,908)	-	(10,908)
Deemed distribution upon the reorganisation	-	12,135	(1,355,000)	-	-	-	-	-	(1,342,865)	-	(1,342,865)
Transfer to special reserve	-	-	-	25,270	-	-	-	(25,270)	-	-	-
Utilisation of special reserve	-	-	-	(25,270)	-	-	-	25,270	-	-	-
As at 31 December 2019	7,281	433,783*	-*	-*	43,643*	12,375*	1,085*	588,619*	1,086,786	-	1,086,786

* These reserve accounts comprise the consolidated reserves of RMB1,079,505,000 (2018: RMB1,678,921,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2019

	NOTES	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:			
From continuing operations		**570,003**	181,670
From discontinued operations	11	**(62)**	(1,322)
Adjustments for:			
Finance costs	7	**21,788**	5,050
Interest income	5	**(992)**	(2,798)
Dividend income from equity investments designated at fair value through other comprehensive income	5	**(10,845)**	(13,270)
Gain on disposal of subsidiaries	36	**(1,534)**	(490)
Depreciation	14	**5,037**	5,213
Changes in fair value of investment properties	6	**(4,700)**	(19,400)
Depreciation of right-of-use assets	6	**578**	1,263
Amortisation of other intangible assets	6	**147**	26
Impairment losses/(reversal of impairment losses) of trade receivables	6	**13,604**	(10,648)
Impairment losses of contract assets	6	**11,835**	647
Reversal of impairment losses of prepayments, other receivables and other assets		**(1,172)**	(639)
(Gain)/loss on disposal of items of property, plant and equipment	6	**(8)**	430
		603,679	145,732
Decrease in inventories		**703**	295
Increase in trade receivables		**(99,779)**	(76,657)
(Increase)/decrease in contract assets		**(448,518)**	128,205
Decrease/(increase) in properties under development		**157,045**	(1,179,332)
(Increase)/decrease in completed properties held for sale		**(286,002)**	239,111
Increase in prepayments, other receivables and other assets		**(151,579)**	(75,339)
(Increase)/decrease in pledged deposits		**(9,819)**	13,263
Increase/(decrease) in trade payables		**600,723**	(250,849)
(Decrease)/increase in other payables and accruals		**(207,569)**	432,381
Cash generated from/(used in) operations		**158,884**	(623,190)
Income tax paid		**(45,515)**	(45,277)
Interest received		**992**	2,798
Net cash flows generated from/(used in) operating activities		**114,361**	(665,669)

Consolidated Statement of Cash Flows

Year ended 31 December 2019

	NOTES	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from equity investments designated at fair value through other comprehensive income		**12,790**	2,525
Purchase of items of property, plant and equipment		**(59,775)**	(23,870)
Proceeds from disposal of items of property, plant and equipment		**200**	100
Purchase of items of other intangible assets		**(1,114)**	(1,045)
Disposal of subsidiaries, net of cash	36	**58,866**	(18)
Disposal of prepaid land lease payment		**23,331**	–
Purchases of equity investments at fair value through profit or loss		**(184,191)**	–
Advances to related parties	38	**(100,228)**	(995,458)
Repayments of advances to related parties	38	**1,529,568**	342,411
Net cash flows generated from/(used in) from investing activities		**1,279,447**	(675,355)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**437,136**	–
Deemed distribution upon reorganisation		**(1,338,480)**	–
Share issue expenses		**(37,849)**	–
Additions of interest-bearing bank borrowings		**370,000**	700,000
Repayments of interest-bearing bank borrowings		**(495,000)**	(6,000)
Advances from related parties	38	**111,884**	84,559
Repayments of advances from related parties	38	**(198,673)**	(171)
Capital contribution by shareholders		**–**	600,000
Interest paid		**(21,788)**	(5,050)
Net cash flows (used in)/generated from financing activities		**(1,172,770)**	1,373,338
NET INCREASE IN CASH AND CASH EQUIVALENTS		**221,038**	32,314
Effect of foreign exchange rate changes, net		**(406)**	–
Cash and cash equivalents at beginning of year		**101,277**	68,963
CASH AND CASH EQUIVALENTS AT END OF YEAR		**321,909**	101,277
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**452,326**	219,431
Less: pledged deposits		**(130,417)**	(120,598)
Cash and cash equivalents as stated in the statement of financial position		**321,909**	98,833
Cash and cash equivalents attributable to discontinued operations		**–**	2,444
Cash and cash equivalents as stated in the statement of cash flows		**321,909**	101,277

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 PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands.

During the year, 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 ("BVI").

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Legal status	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity interest attributable to the Company indirect	Principal activities
天保建設集團有限公司 Tianbao Construction Group Company Limited	Limited liability company	People's Republic of China ("PRC")/ Mainland China	RMB1,050,000,000	100	Construction contracting
天保房地產開發有限公司 Tianbao Property Development Company Limited	Limited liability company	PRC/Mainland China	RMB300,000,000	100	Property development and others
懷來天保房地產開發有限公司 Huailai Tianbao Property Development Company Limited	Limited liability company	PRC/Mainland China	RMB20,000.000	100	Property development and others
蔚縣天保房地產開發有限公司 Yuxian Tianbao Property Development Company Limited	Limited liability company	PRC/Mainland China	RMB20,000,000	100	Property development and others
張北天保恒旗房地產開發有限責任公司 Zhangbei Tianbao Hengqi Property Development Company Limited	Limited liability company	PRC/Mainland China	RMB5,000,000	100	Property development and others
涿州市明陽房地產開發有限責任公司 Zhuozhou City Mingyang Property Development Company Limited	Limited liability company	PRC/Mainland China	RMB10,000,000	100	Property development and others

The financial statements of these principal subsidiaries above were not audited by Ernst & Young, Hong Kong, or another member firm of the Ernst & Young global network.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("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,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 2019. 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).

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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Except for the amendments to IFRS 9, IAS 19 and IAS 28, and Annual Improvements to IFRSs 2015-2017 Cycle, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

IFRIC-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation 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 3	*Definition of a Business*[1]
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 17	*Insurance Contracts*[2]
Amendments to IAS 1 and IAS 8	*Definition of Material*[1]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSS *(Continued)*

Amendments to IFRS 10 and IAS 28 (2011) address an inconsistency between the requirements in IFRS 10 and in IAS 28 (2011) 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 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 (2011) was removed by the IICPA in January 2016 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 IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

The Group measures its investment properties and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than deferred tax assets, financial assets, properties under development, completed properties held for sale, investment properties, inventories, contract assets and assets of a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the year in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the year in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the year in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2%-5%
Plant and machinery	10%-19%
Motor vehicles	6%-19%
Office equipment and others	11%-33%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the year of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset (2018: leasehold property under an operating lease) which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" for owned property or accounts for such property in accordance with the policy stated under "Right-of-use assets" for property held as a right-of-use asset up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation and carried in the asset revaluation reserve in equity. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Properties under development

Properties under development are intended to be held for sale after completion.

Properties under development are stated at the lower of cost comprising land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development year and net realisable value.

Properties under development are classified as current assets unless those will not be realised in the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Completed properties held for sale

Completed properties held for sale are stated in the statement of financial position at the lower of cost and net realisable value. Cost is determined by an apportionment of the total costs of land and buildings attributable to the unsold properties. Net realisable value takes into account the price ultimately expected to be realised, less estimated costs to be incurred in selling the properties.

Allocation of property development cost

Land costs are allocated to each unit according to their respective saleable gross floor areas ("GFA") to the total saleable GFA. Construction costs relating to units were identified and allocated specifically. Common construction costs have been allocated according to the saleable GFA similar to land cost.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation year and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software is stated at cost less any impairment loss and is amortised on the straight-line basis over its estimated useful life from 1 year to 10 years.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	50 years
Buildings	2 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Group as a lessee *(Continued)*

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies recognition exemption for the lease of low-value assets to leases of office equipment that are considered to be low value (i.e., below US$5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Initial recognition and measurement *(Continued)*

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition.When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

General approach *(Continued)*

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, an amount due to the ultimate holding company, derivative financial instruments and interest-bearing bank borrowings.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Subsequent measurement
The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)
After initial recognition, interest-bearing bank borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Financial guarantee contracts
Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Derecognition of financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting periods of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of the reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future year in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the years that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) Construction services

Revenue from the provision of construction services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

Claims to customers are amounts that the Group seeks to collect from the customers as reimbursement of costs and margins for scope of works not included in the original construction contract. Claims are accounted for as variable consideration and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The Group uses the expected value method to estimate the amounts of claims because this method best predicts the amount of variable consideration to which the Group will be entitled.

(b) Sale of properties

Revenue from the sale of properties is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the properties.

(c) Provision of management services

Revenue from the provision of management services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits

Social pension plans

The Group has the social pension plans for its employees arranged by local government labour and security authorities. The Group makes contributions on a monthly basis to the social pension plans. The contributions are charged to profit or loss as they become payable in accordance with the rules of the social pension plans. Under the plans, the Group has no further obligation beyond the contributions made.

Housing fund and other social insurances

The Group has participated in defined social security contribution schemes for its employees pursuant to the relevant laws and regulations of the PRC. These include housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes monthly contributions to the housing fund and other social insurances. The contributions are charged to profit or loss on an accrual basis. The Group has no further obligations beyond the contributions made.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial year of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the year in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group’s net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statement of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are disclosed below:

Provision of properties under development and completed properties held for sale

The Group's properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Based on the Group's historical experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion of properties under development, and the costs to be incurred in selling the properties based on prevailing market condition.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Provision of properties under development and completed properties held for sale *(Continued)*

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in a provision for properties under development and completed properties held for sale. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the period in which such estimate is changed will be adjusted accordingly.

Progress of completion of construction and design service works

Revenue recognition on a project is dependent on management's estimation of the total outcome of the construction contracts and is measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract. The Group reviews and revises the estimates of total contract costs, prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by management on the basis of quotations from time to time provided by the major subcontractors, suppliers or vendors involved and the experience of management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the management budgets by comparing the budgeted amounts to the actual amounts incurred. Total budgeted costs for construction contracting and architectural design services comprise (i) direct material costs and direct labour, (ii) costs of subcontracting, and (iii) an appropriation of variable and fixed construction and services overheads. In estimating the total budgeted costs for construction contracting and architectural design services, management makes reference to information such as (i) current offers from subcontractors and suppliers, (ii) recent offers agreed with subcontractors and suppliers, and (iii) an estimation on material costs, labour costs and other costs with reference to past experience.

PRC corporate income tax ("CIT")

The Group is subject to corporate income taxes in China. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimate and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision for income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the year in which the differences realise.

PRC land appreciation tax ("LAT")

The Group is subject to LAT in China. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT calculation and payments with the tax authorities for certain of its property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences will impact on the LAT expenses and the related provision in the year in which the differences realise.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of the reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Estimate of fair value of investment properties

Investment properties carried at fair value were revalued at each reporting date based on the appraised market value provided by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of the reporting period.

The principal assumptions for the Group's estimation of the fair value include those related to estimated rental values with reference to the current market rents for similar properties in the same location and condition, appropriate capitalisation rates and expected profit margin.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, and carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Provision for expected credit losses on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the construction contracting and property development sectors, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward looking estimates are analysed.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Provision for expected credit losses on trade receivables and contract assets *(Continued)*

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in note 24 and note 20 to the financial statements, respectively.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

4. OPERATING SEGMENT INFORMATION

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

(a) Construction contracting – this segment engages in the provision of services relating to construction as a general contractor for building construction projects, infrastructure construction projects and property investment; and

(b) Property development and others – this segment engages in the sale of properties and the provision of services relating to properties.

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

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

4. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2019	Construction contracting RMB'000	Property development and others RMB'000	Total RMB'000
Segment revenue (note 5):			
Sales to external customers	1,365,498	1,294,539	2,660,037
Intersegment sales	540,606	–	540,606
Total revenue	1,906,104	1,294,539	3,200,643
Reconciliation:			
Eliminations of intersegment sales – continuing			(540,606)
Revenue from continuing operations			2,660,037
Segment results	30,974	540,950	571,924
Reconciliation:			
Eliminations of intersegment results – continuing			(1,921)
Profit before tax from continuing operations			570,003
Segment assets	4,708,750	8,935,920	13,644,670
Reconciliation:			
Eliminations of intersegment receivables			(7,530,415)
Total assets			6,114,255
Segment liabilities	3,509,968	6,585,863	10,095,831
Reconciliation:			
Eliminations of intersegment payables			(5,068,362)
Total liabilities			5,027,469
Other segment information:			
Depreciation and amortisation	1,223	4,531	5,754
Impairment losses recognised/(reversed) in the consolidated statement of profit or loss, net	25,525	(1,251)	24,274
Capital expenditure*	1,538	59,335	60,873

4. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2018	Construction contracting RMB'000	Property development and others RMB'000	Total RMB'000
Segment revenue (note 5):			
Sales to external customers	1,201,480	400,259	1,601,739
Intersegment sales	450,364	–	450,364
Total revenue	1,651,844	400,259	2,052,103
Reconciliation:			
Eliminations of intersegment sales – continuing			(450,364)
Revenue from continuing operations			1,601,739
Segment results	77,479	132,544	210,023
Reconciliation:			
Eliminations of intersegment results – continuing			(28,353)
Profit before tax from continuing operations			181,670
Segment assets	3,594,542	6,335,463	9,930,005
Reconciliation:			
Eliminations of intersegment receivables			(3,579,086)
Assets related to discontinued operations			7,944
Total assets			6,358,863
Segment liabilities	2,415,399	5,650,791	8,066,190
Reconciliation:			
Eliminations of intersegment payables			(3,392,551)
Liabilities related to discontinued operations			6,303
Total liabilities			4,679,942
Other segment information:			
Depreciation and amortisation	492	5,975	6,467
Impairment losses (reversed)/recognised in the consolidated statement of profit or loss,net	(11,908)	1,283	(10,625)
Capital expenditure*	1,819	24,434	26,253

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

4. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

(a) ***Revenue from external customers***

The Group has derived substantially all of its revenue in the PRC, and hence, geographical segment information is not considered necessary.

(b) ***Non-current assets***

	2019 RMB'000	2018 RMB'000
Hong Kong	**1,964**	–
Mainland China	**372,564**	335,125
	374,528	335,125

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

Information about major customers

Revenue from continuing operations of approximately RMB380,787,000 (2018: Nil) was derived from sales by the industrial products segment to a single customer, including sales to a group of entities which are known to be under common control with that customer.

5. REVENUE, OTHER INCOME AND GAINS

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

	2019 RMB'000	2018 RMB'000
Revenue from contracts with customers	**2,650,169**	1,593,189
Revenue from other sources		
Gross rental income from investment property operating leases:		
Other lease payments, including fixed payments	**9,868**	8,550
	2,660,037	1,601,739

5. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Revenue from contracts with customers

(a) ***Disaggregated revenue information***

For the year ended at 31 December 2019

	Construction contracting RMB'000	Property development RMB'000	Total RMB'000
Type of goods or services			
Construction contracting	**1,365,498**	**–**	**1,365,498**
Property development	**–**	**1,284,671**	**1,284,671**
Total revenue from contracts with customers	**1,365,498**	**1,284,671**	**2,650,169**
Geographical markets			
Mainland China	**1,365,498**	**1,284,671**	**2,650,169**
Timing of revenue recognition			
Goods transferred at a point in time	**–**	**1,284,671**	**1,284,671**
Services transferred over time	**1,365,498**	**–**	**1,365,498**
Total revenue from contracts with customers	**1,365,498**	**1,284,671**	**2,650,169**

For the year ended at 31 December 2018

	Construction contracting RMB'000	Property development RMB'000	Total RMB'000
Type of goods or services			
Construction contracting	1,201,480	–	1,201,480
Property development	–	391,709	391,709
Total revenue from contracts with customers	1,201,480	391,709	1,593,189
Geographical markets			
Mainland China	1,201,480	391,709	1,593,189
Timing of revenue recognition			
Goods transferred at a point in time	–	391,709	391,709
Services transferred over time	1,201,480	–	1,201,480
Total revenue from contracts with customers	1,201,480	391,709	1,593,189

5. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Revenue from contracts with customers *(Continued)*

(a) Disaggregated revenue information *(Continued)*

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

For the year ended 31 December 2019

Segments	Construction services RMB'000	Property Development RMB'000	Total RMB'000
Revenue from contracts with customers			
External customers	**1,365,498**	**1,284,671**	**2,650,169**
Intersegment sales	**540,606**	**–**	**540,606**
	1,906,104	**1,284,671**	**3,190,775**
Intersegment eliminations	**(540,606)**	**–**	**(540,606)**
Total revenue from contracts with customers	**1,365,498**	**1,284,671**	**2,650,169**

For the year ended 31 December 2018

Segments	Construction services RMB'000	Property Development RMB'000	Total RMB'000
Revenue from contracts with customers			
External customers	1,201,480	391,709	1,593,189
Intersegment sales	450,364	–	450,364
	1,651,844	391,709	2,043,553
Intersegment eliminations	(450,364)	–	(450,364)
Total revenue from contracts with customers	1,201,480	391,709	1,593,189

5. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Revenue from contracts with customers *(Continued)*

(a) *Disaggregated revenue information* *(Continued)*

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:

	2019 RMB'000	2018 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Construction contracting	**79,281**	50,141
Property development	**774,765**	354,487
	854,046	404,628

(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:

	2019 RMB'000	2018 RMB'000
Amounts expected to be recognised as revenue:		
Within one year	**3,695,944**	2,150,371
After one year	**1,212,384**	1,211,787
	4,908,328	3,362,158

5. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Revenue from contracts with customers *(Continued)*

(b) Performance obligations *(Continued)*

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 five years, while those related to property services 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.

	Note	2019 RMB'000	2018 RMB'000
Other income			
Bank interest income		**992**	2,798
Dividend income from equity investments designated at fair value through other comprehensive income		**10,845**	13,270
		11,837	16,068
Gains			
Gain on disposal of subsidiaries	36	**1,534**	490
Others		**415**	362
		1,949	852
		13,786	16,920

6. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

	2019 RMB'000	2018 RMB'000
Cost of construction contracting	**1,292,724**	1,132,758
Cost of properties development and others	**684,893**	279,057
Depreciation of property, plant and equipment	**5,029**	5,178
Depreciation of right-of-use assets (2018: amortisation of land lease payments)	**578**	1,263
Amortisation of other intangible assets	**147**	26
Minimum lease payments under operating leases	**65**	209
Lease payments not included in the measurement of lease liabilities	**93**	–
Auditor's remuneration	**1,600**	996
Employee benefit expenses (excluding directors' and chief executive's remuneration):		
– Wages, salaries and allowances	**12,138**	13,766
– Social insurance	**4,672**	3,491
– Welfare and other expenses	**673**	2,337
	17,483	19,594
Impairment of trade receivables, net	**13,604**	(10,648)
Impairment of contract assets, net	**11,835**	647
Reversal of impairment losses of financial assets included in prepayments, other receivables and other assets	**(1,165)**	(624)
	24,274	(10,625)
Changes in fair value of investment properties	**(4,700)**	(19,400)
Dividend income from equity investments designated at fair value through other comprehensive income	**(10,845)**	(13,270)
Bank interest income	**(992)**	(2,798)
(Gain)/loss on disposal of items of property, plant and equipment	**(8)**	430

7. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	2019 RMB'000	2018 RMB'000
Interest on bank borrowing	**54,222**	29,794
Interest on lease liabilities	**8**	–
Total interest expense on financial liabilities not at fair value through profit or loss	**54,230**	29,794
Less: interest capitalised	**(32,442)**	(24,744)
	21,788	5,050

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Group	
	2019 RMB'000	2018 RMB'000
Fee	**69**	–
Other emoluments:		
Salaries, allowances and benefits in kind	**7,015**	731
Pension scheme contributions and social welfare	**147**	159
	7,231	890

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2019 RMB'000	2018 RMB'000
Independent non-executive directors		
Mr. Li Xu	23	–
Mr. Liu Kaixiang	23	–
Mr. Li Qingxu	23	–
	69	–

There were no other emoluments payable to the independent non-executive directors during 2018.

(b) Executive directors

2019

	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions and social welfare RMB'000	Total remuneration RMB'000
Executive directors			
Ms. Shen Lifeng	4,300	–	4,300
Mr. Li Baotian	1,029	–	1,029
Ms. Wang Xinling	448	47	495
Mr. Li Yaruixin	448	47	495
Mr. Zang Lin	395	37	432
Ms. Wang Huijie	395	16	411
	7,015	147	7,162

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

(b) Executive directors *(Continued)*

2018

	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions and social welfare RMB'000	Total remuneration RMB'000
Executive directors			
Ms. Wang Xinling	203	59	262
Mr. Zang Lin	186	55	241
Ms. Wang Huijie	175	–	175
Mr. Li Yaruixin	167	45	212
Mr. Li Baotian	–	–	–
Ms. Shen Lifeng	–	–	–
	731	159	890

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included five directors (2018: three directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining nil (2018: two) highest paid employees in 2018 who were neither a director nor chief executive of the Company are as follows:

	2019 RMB'000	2018 RMB'000
Salaries, allowances and benefits in kind	–	322
Pension scheme contributions and social welfare	–	87
	–	409

9. FIVE HIGHEST PAID EMPLOYEES *(Continued)*

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2019	**2018**
Nil to HK$1,000,000	–	2

10. 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 Corporation Income Tax during the year.

Certain subsidiaries of the Group were subject to the CIT of Mainland China at a tax rate of 25% on a deemed profit basis which represents 8% of construction contracting segment's revenue in accordance with the authorised tax valuation method approved by the local tax bureau pursuant to the applicable PRC tax regulations during 2018. From 1 January 2019, certain of these subsidiaries are no longer applicable to the authorised tax valuation method and consequently are subject to the income tax rate of 25% based on assessable profits.

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

10. INCOME TAX *(Continued)*

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.

	2019 RMB'000	2018 RMB'000
Current income tax	**184,850**	68,618
PRC LAT	**143,476**	15,249
Deferred income tax	**(76,095)**	(11,831)
Total tax charge for the year from continuing operations	**252,231**	72,036
Total tax charge for the year from discontinued operations (note 11)	**–**	105
	252,231	72,141

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective income tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	2019 RMB'000	2018 RMB'000
Profit before tax from continuing operations	**570,003**	181,670
Loss before tax from discontinued operations	**(62)**	(1,322)
	569,941	180,348
Tax at the statutory tax rate	**142,485**	45,087
Income not subject to tax	**(2,711)**	(3,317)
Expenses not deductible for tax	**982**	4,675
Deductible temporary differences not recognised	**–**	556
Tax losses not recognised	**3,868**	–
Provision for LAT	**143,476**	15,249
Tax effect on LAT	**(35,869)**	(3,812)
Effect of the deemed profit basis	**–**	13,703
Tax charge for the year at the Group's effective rate	**252,231**	72,141
Tax charge from continuing operations at the effective rate	**252,231**	72,036
Tax charge from discontinued operations at the effective rate	**–**	105

11. DISCONTINUED OPERATIONS

In 2018, the Group decided to dispose of the entire interests in certain subsidiaries (the "Disposal Group") to the related parties and third parties in order to delineate other businesses operated by the Group from its principal businesses. As at 31 December 2018, the Disposal Group was classified as a disposal group held for sale and as discontinued operations. With the Disposal Group being classified as discontinued operations, the related businesses are no longer included in the note for operating segment information. The disposals of the Disposal Group were completed in 2019.

The results of the Disposal Group for each of the year are presented below:

	2019 RMB'000	2018 RMB'000
REVENUE	**339**	4,383
Cost of sales	**(321)**	(3,187)
Other income and gains	**–**	13
Administrative expenses	**(87)**	(2,547)
Reversal of impairment losses on financial assets and contract assets, net	**7**	16
Loss before tax from the discontinued operations	**(62)**	(1,322)
Income tax expense	**–**	(105)
Loss for the year from the discontinued operations	**(62)**	(1,427)

11. DISCONTINUED OPERATIONS *(Continued)*

The major classes of assets and liabilities of the Disposal Group classified as held for sale as at 31 December are as follows:

	Note	2018 RMB'000
Assets		
Property, plant and equipment	14	56
Other intangible assets		7
Trade receivables		1,384
Contract assets		140
Prepayments, other receivables and other assets		3,913
Cash and cash equivalents		2,444
Assets classified as held for sale		7,944
Liabilities		
Trade payables		(2,389)
Other payables and accruals		(3,829)
Tax payable		(85)
Liabilities directly associated with the assets classified as held for sale		(6,303)
Net assets directly associated with the disposal group		1,641

The net cash flows incurred by the Disposal Group are as below:

	2019 RMB'000	2018 RMB'000
Operating activities	**(778)**	(3,791)
Investing activities	**–**	(24)
Financing activities	**(1,666)**	70
Net cash outflow	**(2,444)**	(3,745)

12. DIVIDENDS

No dividends have been paid or declared by the Company since its date of incorporation.

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 144,680,000 (2018: Not applicable) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2019.

The calculations of basic and diluted earnings per share are based on:

	2019 RMB'000	2018 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:		
From continuing operations	**317,772**	109,634
From discontinued operations	**(62)**	(1,427)
Profit attributable to ordinary equity holders of the parent	**317,710**	108,207

	Number of shares 2019	2018
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**144,680,000**	N/A

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2019						
At 1 January 2019:						
Cost	84,123	6,595	7,929	1,915	85,194	185,756
Accumulated depreciation	(10,999)	(5,010)	(4,414)	(1,019)	–	(21,442)
Net carrying amount	73,124	1,585	3,515	896	85,194	164,314
At 1 January 2019, net of accumulated depreciation	73,124	1,585	3,515	896	85,194	164,314
Additions	–	733	393	612	58,011	59,749
Disposals	–	–	(2)	(46)	–	(48)
Depreciation provided during the year	(3,528)	(545)	(669)	(295)	–	(5,037)
At 31 December 2019, net of accumulated depreciation	69,596	1,773	3,237	1,167	143,205	218,978
At 31 December 2019:						
Cost	84,123	7,328	8,201	2,464	143,205	245,321
Accumulated depreciation	(14,527)	(5,555)	(4,964)	(1,297)	–	(26,343)
Net carrying amount	69,596	1,773	3,237	1,167	143,205	218,978

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2018						
At 1 January 2018:						
Cost	84,123	6,483	9,030	1,320	61,516	162,472
Accumulated depreciation	(7,471)	(4,493)	(5,283)	(823)	–	(18,070)
Net carrying amount	76,652	1,990	3,747	497	61,516	144,402
At 1 January 2018, net of accumulated depreciation	76,652	1,990	3,747	497	61,516	144,402
Additions	–	132	902	745	23,678	25,457
Disposals	–	(20)	(152)	(104)	–	(276)
Assets included in discontinued operations (note 11)	–	–	(10)	(46)	–	(56)
Depreciation provided during the year	(3,528)	(517)	(972)	(196)	–	(5,213)
At 31 December 2018, net of accumulated depreciation	73,124	1,585	3,515	896	85,194	164,314
At 31 December 2018:						
Cost	84,123	6,595	7,929	1,915	85,194	185,756
Accumulated depreciation	(10,999)	(5,010)	(4,414)	(1,019)	–	(21,442)
Net carrying amount	73,124	1,585	3,515	896	85,194	164,314

As at 31 December 2019, nil of the Group's property, plant and equipment (2018: RMB7,370,000) were pledged to secure bank borrowings granted to the related party.

As at 31 December 2019, certain of the Group's property, plant and equipment with a net carrying amount of approximately RMB68,176,000 (2018: RMB66,038,000) were pledged to secure bank borrowings granted to the Group (note 30).

15. INVESTMENT PROPERTIES

	2019 RMB'000	2018 RMB'000
Carrying amount at 1 January	**136,400**	117,000
Net gain from a fair value adjustment	**4,700**	19,400
Carrying amount at 31 December	**141,100**	136,400

The Group's investment properties are situated in Baoding City of Hebei Province in Mainland China. The Group's investment properties were revalued on 31 December 2019 based on valuations performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent professionally qualified valuer, at RMB141,100,000.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 16 to the financial statements.

As at 31 December 2019, certain of the Group's investment properties with aggregate carrying amounts of approximately RMB84,433,000 (2018: RMB134,029,000) were pledged to secure bank borrowings granted to the Group (note 30).

15. INVESTMENT PROPERTIES *(Continued)*

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2019 using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for:				
Commercial properties	**–**	**–**	**141,100**	**141,100**

	Fair value measurement as at 31 December 2018 using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for:				
Commercial properties	–	–	136,400	136,400

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfer into or out of Level 3 (2018: Nil).

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Commercial properties RMB'000
Carrying amount at 1 January 2018	117,000
Net gain from a fair value adjustment recognised in profit or loss	19,400
Carrying amount at 31 December 2018 and 1 January 2019	136,400
Net gain from a fair value adjustment recognised in profit or loss	4,700
Carrying amount at 31 December 2019	141,100

15. INVESTMENT PROPERTIES *(Continued)*

Fair value hierarchy *(Continued)*

Set out below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	Significant unobservable inputs	Range 2019	Range 2018
Commercial properties	Income approach	Estimated rental value (RMB per s.q.m. and per month)	RMB29 to 51	RMB33 to 48
		Capitalisation rate	6%	6%
		Long term vacancy rate	42%	24%

The fair value of commercial properties is determined by the income approach by taking into account the rental income of the properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the fair value at an appropriate capitalisation rate. Where appropriate, reference to the comparable sales transactions as available in the relevant market has also been considered.

A significant increase (decrease) in the estimated rental value would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the long term vacancy rate and the capitalisation rate in isolation would result in a significant decrease (increase) in the fair value of the investment properties.

16. LEASES

The Group as a lessee

The Group has lease contracts for various items of plant and machinery and prepaid land lease payments used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of plant and machinery generally have lease terms of 2 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.There is one lease contract that includes extension and termination options, which are further discussed below.

(a) Prepaid land lease payments (before 1 January 2019)

	RMB'000
Carrying amount at 1 January 2018	34,860
Recognised in profit or loss during the year	(1,263)
Carrying amount at 31 December 2018	33,597

(b) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Prepaid land lease payments RMB'000	Office Building RMB'000	Total RMB'000
As at 1 January 2019	**33,597**	**–**	**33,597**
Additions	**–**	**2,049**	**2,049**
Depreciation charge	**(493)**	**(85)**	**(578)**
Disposal	**(22,406)**	**–**	**(22,406)**
As at 31 December 2019	**10,698**	**1,964**	**12,662**

16. LEASES *(Continued)*

The Group as a lessee *(Continued)*

(c) Lease liabilities

The carrying amount of lease liabilities (included under interest-bearing bank borrowings) and the movements during the year are as follows:

	2019 Lease liabilities RMB'000
Carrying amount at 1 January	–
New leases	2,049
Accretion of interest recognised during the year	8
Payments	(90)
Carrying amount at 31 December	1,967
Analysed into:	
Current portion	1,004
Non-current portion	963

(d) The amounts recognised in profit or loss in relation to leases are as follows:

	2019 RMB'000
Interest on lease liabilities	8
Depreciation charge of right-of-use assets	85
Expense relating to leases of low-value assets (included in administrative expenses)	65
Total amount recognised in profit or loss	158

16. LEASES *(Continued)*

The Group as a lessor

The Group leases its investment properties (note 15) under operating lease arrangements with leases negotiated from terms ranging from one to ten years.

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2019 RMB'000	2018 RMB'000
Within one year	**9,011**	7,510
More than one year but within two years	**4,789**	3,861
More than two years but within three years	**2,092**	894
More than three years but within four years	**344**	274
More than four years but within five years	**267**	274
After five years	**355**	1,370
	16,858	14,183

17. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 RMB'000	2018 RMB'000
Equity investments designated at fair value through other comprehensive income		
Unlisted equity investments, at fair value		
河北涿州農村商業銀行股份有限公司	**143,000**	136,000
涿州天保建築體系有限公司	**–**	391
	143,000	136,391

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

As at 31 December 2019, nil of the Group's equity investments designated at fair value through other comprehensive income (2018: RMB136,000,000) have been pledged to secure bank borrowings granted to a related party.

In April 2019, the Group disposed its equity interest in 涿州天保建築體系有限公司 at RMB584,000.

For the year ended 31 December 2019, the Group received dividends in the amount of RMB10,845,000 (2018: RMB13,270,000) from 河北涿州農村商業銀行股份有限公司.

18. INVENTORIES

	2019 RMB'000	2018 RMB'000
Raw materials	**16**	719

19. ADVANCES TO DIRECTORS

Advances to directors, disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

Name	At 31 December 2019 RMB'000	Maximum amount outstanding during the year RMB'000	At 31 December 2018 and 1 January 2019 RMB'000	Maximum amount outstanding during the prior year RMB'000	At 1 January 2018 RMB'000
Mr. Li Baotian	**–**	1,052,130	1,052,130	1,052,130	509,086
Mr. Li Yaruixin	**–**	175,234	175,234	175,234	158,858
Mr. Zang Lin	**–**	770	770	2,948	2,948
Ms. Wang Huijie	**–**	43	43	43	–
Ms. Wang Xinling	**–**	50	50	50	–
張北天保投資管理有限公司("Zhangbei Tianbao Investment Management Co., Ltd.") (controlled by Mr. Li Yaruixin)	**–**	–	–	33,630	33,630
	–		1,228,227		704,522

The advances to directors are unsecured, non-interest-bearing and repayable on demand.

20. CONTRACT ASSETS

	31 December 2019 RMB'000	31 December 2018 RMB'000	1 January 2018 RMB'000
Contract assets arising from:			
Construction contracting	**1,234,350**	785,692	914,037
Impairment	**(12,482)**	(647)	–
	1,221,868	785,045	914,037

Contract assets are initially recognised for revenue earned from construction contracting as the receipt of consideration is conditional on successful completion of construction. Included in contract assets for construction contracting are retention receivables. Upon completion of services and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. The increase in contract assets in 2019 was the result of the increase in the provision of construction contracting at the end of the year, the decrease in contract assets in 2018 was the result of the increase in the completion of services and acceptance by the customer at the end of the year.

As at 31 December 2019, RMB12,482,000 (2018: RMB647,000) was recognised as an allowance for expected credit losses on contract assets. The Group's trading terms and credit policy with customers are disclosed in note 24 to the financial statements.

The expected timing of recovery or settlement for contract assets as at 31 December is as follows:

	2019 RMB'000	2018 RMB'000
Within one year	**400,762**	236,491
After one year	**821,106**	548,554
Total contract assets	**1,221,868**	785,045

The movements in the loss allowance for impairment of contract assets are as follows:

	2019 RMB'000	2018 RMB'000
At beginning of year	**647**	–
Impairment losses recognised during the year, net	**11,835**	647
At end of year	**12,482**	647

20. CONTRACT ASSETS *(Continued)*

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past due of trade receivables for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's contract assets using a provision matrix:

	2019	2018
Expected credit loss rate	**1.01%**	0.08%
Gross carrying amount (RMB'000)	**1,234,350**	785,692
Expected credit losses (RMB'000)	**12,482**	647

21. PROPERTIES UNDER DEVELOPMENT

	2019 RMB'000	2018 RMB'000
Carrying amount at 1 January	**2,594,931**	1,415,599
Additions	**812,681**	1,218,117
Transferred to completed properties held for sale	**(969,726)**	(38,785)
	2,437,886	2,594,931

21. PROPERTIES UNDER DEVELOPMENT *(Continued)*

Properties under development expected to be completed and recovered:

	2019 RMB'000	2018 RMB'000
Within one year	**998,710**	1,216,865
After one year	**1,439,176**	1,378,066
	2,437,886	2,594,931

The Group's properties under development are situated on leasehold lands in Mainland China.

As at 31 December 2019, certain of the Group's properties under development with an aggregate carrying amount of approximately RMB593,895,000 (2018: RMB600,410,000) have been pledged to secure bank borrowings granted to the Group (note 30).

As at 31 December 2019, nil of the Group's properties under development (2018: RMB67,804,000) have been pledged to secure bank borrowings granted to related parties.

22. DEFERRED TAX

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2016.

As at 31 December 2019, the Group has retained earning of approximately RMB683,555,000 (2018: RMB364,668,000). No deferred tax has been recognised for withholding taxes that would be payable on the unremitted earning that are subject to withholding taxes of the Company and the Group's subsidiaries established in Mainland China. In the opinion of the directors of the Company, the Group's fund will be retained in Mainland China for the expansion of the Group's operation, so it is not probable that these subsidiaries will distribute such earning in the foreseeable future.

22. DEFERRED TAX *(Continued)*

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	2019			
	Fair value adjustments arising from investment properties RMB'000	Fair value adjustments arising from equity investments at FVOCI RMB'000	Others RMB'000	Total RMB'000
At 1 January 2019	14,813	2,375	8,184	25,372
Deferred tax charged to the statement of profit or loss during the year (note10)	1,175	–	11,769	12,944
Deferred tax charged to the statement of other comprehensive income during the year	–	1,750	–	1,750
Gross deferred tax liabilities at 31 December 2019	15,988	4,125	19,953	40,066

Deferred tax assets

	2019					
	Deductible loss RMB'000	Unrealised profit from intercomany transactions RMB'000	Impairment of receivables RMB'000	Fair value adjustments arising from equity investments at FVOCI RMB'000	Others RMB'000	Total RMB'000
At 1 January 2019	–	7,892	7,628	152	4,643	20,315
Deferred tax credited/(charged) to the statement of profit or loss during the year	1,121	(165)	6,068	–	82,015	89,039
Deferred tax charged to the statement of other comprehensive income during the year	–	–	–	(152)	–	(152)
Gross deferred tax assets at 31 December 2019	1,121	7,727	13,696	–	86,658	109,202

22. DEFERRED TAX *(Continued)*

Deferred tax liabilities

	2018			
	Fair value adjustments arising from investment properties RMB'000	Fair value adjustments arising from equity investments at FVOCI RMB'000	Others RMB'000	Total RMB'000
At 1 January 2018	9,963	–	7,420	17,383
Deferred tax charged to the statement of profit or loss during the year (note 10)	4,850	–	764	5,614
Deferred tax charged to the statement of other comprehensive income during the year	–	2,375	–	2,375
Gross deferred tax liabilities at 31 December 2018	14,813	2,375	8,184	25,372

Deferred tax assets

	2018					
	Deductible loss RMB'000	Unrealised profit from intercomany transactions RMB'000	Impairment of receivables RMB'000	Fair value adjustments arising from equity investments at FVOCI RMB'000	Others RMB'000	Total RMB'000
At 1 January 2018	–	1,512	217	–	989	2,718
Deferred tax credited/(charged) to the statement of profit or loss during the year	–	6,380	7,411	–	3,654	17,445
Deferred tax charged to the statement of other comprehensive income during the year	–	–	–	152	–	152
Gross deferred tax assets at 31 December 2018	–	7,892	7,628	152	4,643	20,315

22. DEFERRED TAX *(Continued)*

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes.

	2019 RMB'000	2018 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**69,136**	15,601
Net deferred tax liabilities recognised in the consolidated statement of financial position	**–**	(20,658)
Net deferred tax assets/liabilities in respect of continuing operations	**69,136**	(5,057)

23. COMPLETED PROPERTIES HELD FOR SALE

	2019 RMB'000	2018 RMB'000
Carrying amount at the beginning of the year	**54,120**	293,231
Transferred from properties under development	**969,726**	38,785
Transferred to cost of sales	**(683,724)**	(277,896)
Carrying amount at the end of the year	**340,122**	54,120

24. TRADE RECEIVABLES

	2019 RMB'000	2018 RMB'000
Trade receivables	**433,148**	331,985
Impairment	**(24,149)**	(10,545)
	408,999	321,440

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.

24. TRADE RECEIVABLES *(Continued)*

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

	2019 RMB'000	2018 RMB'000
Retentions included in trade receivables	**6,730**	5,325
Provision for impairment	**(770)**	(282)
Retentions included in trade receivables, net	**5,960**	5,043

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

Trade receivables without retention receivables

	2019 RMB'000	2018 RMB'000
Within 1 year	**330,389**	285,284
1 year to 2 years	**64,311**	12,211
2 years to 3 years	**8,187**	28,878
Over 3 years	**23,531**	287
	426,418	326,660

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 before net of loss allowance, is as follows:

	2019 RMB'000	2018 RMB'000
Within 1 year	**332,995**	287,792
1 year to 2 years	**65,834**	15,028
2 years to 3 years	**10,788**	28,878
Over 3 years	**23,531**	287
	433,148	331,985

24. TRADE RECEIVABLES *(Continued)*

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

	2019 RMB'000	2018 RMB'000
At beginning of year	**10,545**	21,193
Impairment losses, net	**13,604**	(10,648)
At end of year	**24,149**	10,545

An impairment analysis is performed at each reporting date using a provision matrix to measure 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 about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2019

	Past due						
	Current and within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	Over 4 years	Apparently impaired	Total
Expected credit loss rate	**0.05%**	**11.96%**	**25.19%**	**49.47%**	**100.00%**	**100.00%**	**5.58%**
Gross carrying amount (RMB'000)	**332,995**	**65,834**	**8,628**	**23,244**	**287**	**2,160**	**433,148**
Expected credit losses (RMB'000)	**156**	**7,875**	**2,173**	**11,498**	**287**	**2,160**	**24,149**

As at 31 December 2018

	Past due						
	Current and within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	Over 4 years	Apparently impaired	Total
Expected credit loss rate	0.37%	10.99%	20.00%	50.17%	100.00%	100.00%	3.18%
Gross carrying amount (RMB'000)	287,792	12,868	28,878	287	–	2,160	331,985
Expected credit losses (RMB'000)	1,051	1,414	5,776	144	–	2,160	10,545

Included in the above provision for impairment of trade receivables are provisions for apparently impaired trade receivables of RMB2,160,000 (2018: RMB2,160,000) with an aggregate carrying amount before provision of RMB2,160,000 (2018: RMB2,160,000) as at 31 December 2019.

25. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2019 RMB'000	2018 RMB'000
Prepayments	**214,241**	75,335
Advances to related parties (note 38)	**3,049**	1,429,340
Deposits	**156,294**	128,624
Other receivables	**71,635**	82,104
Others	**339**	1,263
Other taxes recoverable	**37,752**	98,091
	483,310	1,814,757
Impairment allowance	**(8,310)**	(9,482)
	475,000	1,805,275

Prepayments, other receivables and other assets are unsecured, non-interest-bearing and repayable on demand.

The movements in provision for impairment of prepayments, deposits and other receivables are as follows:

	2019 RMB'000	2018 RMB'000
At beginning of the year	**9,482**	10,121
Impairment losses, net	**(1,172)**	(639)
At end of the year	**8,310**	9,482

25. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS *(Continued)*

From 1 January 2018, the Group has applied the general approach prescribed by IFRS 9, by measuring loss allowance at an amount equal to 12-month ECLs for deposits and other receivables in stage 1 and lifetime ECLs in stage 2 and stage 3. To measure the ECLs, deposits and other receivables have been grouped based on shared credit risk characteristics, ECLs are estimated based on historical credit loss experience, adjusted for factors that are specific to the debtors and general economic conditions.

As at 31 December 2019

		Past due				
	Current	Within 1 year	1 to 2 years	Over 2 years	Apparently impairment items	Total
Expected credit loss rate	–	0.02%	10.57%	49.93%	100.00%	3.62%
Gross carrying amount (RMB'000)	167,138	52,701	946	1,406	7,500	229,691
Expected credit losses (RMB'000)	–	8	100	702	7,500	8,310

As at 31 December 2018

		Past due				
	Current	Within 1 year	1 to 2 years	Over 2 years	Apparently impairment items	Total
Expected credit loss rate	–	0.03%	10.29%	29.84%	100.00%	0.58%
Gross carrying amount (RMB'000)	1,566,779	51,247	8,383	7,206	6,453	1,640,068
Expected credit losses (RMB'000)	–	16	863	2,150	6,453	9,482

The apparently impaired other receivables relate to customers that were in financial difficulties or were in default in interest and/or principal payments and only a portion of the receivables is expected to be recovered.

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 RMB'000	2018 RMB'000
Listed equity investments, at fair value	184,655	–

The above equity investments were classified as financial assets at fair value through profit or loss as they were held for trading.

27. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2019 RMB'000	2018 RMB'000
Cash and bank balances	**452,326**	219,431
Less: pledged time deposits		
Pledged for bank loans	**(46,563)**	(51,083)
Pledged for others	**(83,854)**	(69,515)
Cash and cash equivalents	**321,909**	98,833

As at 31 December 2019, bank deposits of RMB46,563,000 (2018: RMB51,083,000) were pledged as security for purchasers' mortgage loans.

Pursuant to relevant regulations in the PRC, certain property development companies of the Group are required to place certain amounts of cash in designated bank accounts for specified use. As at 31 December 2019, such restricted cash amounted to RMB83,854,000 (2018: RMB69,515,000).

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values.

At the end of the reporting period, cash and bank balances are denominated in RMB and HKD. The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

28. TRADE PAYABLES

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

	2019 RMB'000	2018 RMB'000
Within 6 months	**863,373**	568,677
6 months to 1 year	**203,163**	166,327
1 to 2 years	**441,787**	259,868
2 to 3 years	**132,216**	43,417
Over 3 years	**60,735**	59,873
	1,701,274	1,098,162

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

29. OTHER PAYABLES AND ACCRUALS

	Notes	2019 RMB'000	2018 RMB'000
Contract liabilities	(a)	**1,605,484**	2,072,263
Amounts due to related parties (note 38)		**2,375**	86,795
Other payables	(b)	**379,313**	207,675
Accrued salaries, wages and benefits		**9,541**	5,235
Other taxes payable		**189,381**	140,681
Others		**8,000**	–
		2,194,094	2,512,649

(a) Details of contract liabilities are as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Short-term advances received from customers		
Construction contracting	**258,431**	121,631
Sales of properties	**1,347,053**	1,950,632
Total contract liabilities	**1,605,484**	2,072,263

Contract liabilities include short-term advances received from customers for construction contracting when the pace of progress billings exceeds the pace of relevant construction projects and pre-sale proceeds in relation to property sales contracts.

(b) Other payables are non-interest-bearing and repayable on demand.

30. INTEREST-BEARING BANK BORROWINGS

	31 December 2019			31 December 2018		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank borrowings – secured	**5.66**	**2020**	**250,000**	5.66	2019	350,000
Current portion of long term bank borrowings – secured	**4.75-8.00**	**2020**	**369,000**	4.75	2019	119,000
			619,000			469,000
Non-current						
Bank borrowings – secured	**4.75-9.75**	**2021-2022**	**170,000**	4.75-8.00	2021	445,000
			789,000			914,000

	2019 RMB'000	2018 RMB'000
Analysed into:		
Bank borrowings repayable:		
Within one year or on demand	**619,000**	469,000
In the second year	**100,000**	395,000
In the third to fifth years, inclusive	**70,000**	50,000
	789,000	914,000

The Group's borrowings are all denominated in RMB.

(a) As at 31 December 2019, the Group's investment properties with an aggregate carrying amount of approximately RMB84,433,000 (2018: RMB134,029,000) were pledged to secure bank borrowings granted to the Group.

(b) As at 31 December 2019, certain of the Group's properties under development with an aggregate carrying amount of approximately RMB593,895,000 (2018: RMB600,410,000) have been pledged to secure bank borrowings granted to the Group.

(c) As at 31 December 2019, certain of the Group's property, plant and equipment with a carrying amount of approximately RMB68,176,000 (2018: RMB66,038,000) were pledged to secure bank borrowings granted to the Group.

31. SHARE CAPITAL

Shares

	2019 HK$'000	2018 HK$'000
Authorised: 2,000,000,000 (2018: 39,000,000) ordinary shares of HK$0.01 each	**20,000**	390

	2019 RMB'000	2018 RMB'000
Issued and fully paid: 809,456,000 (2018: Nil) ordinary shares of HK$0.01 each	**7,281**	–

A summary of movements in the Company's share capital was as follows:

	Number of shares in issue	Share capital RMB'000
At 1 January 2019	**100**	–
Injection by shareholders (a)	**900**	–
Capitalisation issuance of shares to shareholders (b)	**599,999,000**	5,408
Issuance of new shares in initial public offering (c)	**200,000,000**	1,788
Issuance of new shares in exercise of over-allotment option (d)	**9,456,000**	85
At 31 December 2019	**809,456,000**	7,281

(a) On 7 January 2019, the Company allotted and issued 1 ordinary share, credited as fully paid at par to Mr. Li Baotian.

On 28 April 2019, the Company allotted and issued 889 ordinary shares to Jixiang International Industrial Company Limited, a company controlled by the controlling shareholder, which were all fully paid up at a consideration of HK$8.89.

On 29 April 2019, the Company allotted and issued 10 ordinary shares of HK$0.10 for cash to Ms. Wu Mengxia, a pre-IPO investor for all the issued shares of Excel Thrive Development Company Limited.

(b) On 21 October 2019, the Company allotted and issued 599,999,000 ordinary shares at par value, to shareholders by way of capitalization of HK$5,999,990 from share premium.

(c) On 11 November 2019, the Company allotted and issued 200,000,000 ordinary shares through initial public offering at the price of HK$2.5 per ordinary share, for a total cash consideration of HK$500,000,000.

(d) On 9 December 2019, the Company allotted and issued 9,456,000 ordinary shares pursuant to the exercise of the over-allotment option at the price of HK$2.5 per ordinary share, for a total cash consideration of HK$23,640,000.

32. RESERVES

The amounts of the Group's reserves and the movements therein for the reporting period are presented in the consolidated statement of changes in equity.

(a) Capital reserve

As at 31 December 2019, capital reserve represents the difference between the par value of the shares issued and the consideration received. As at 31 December 2018, capital reserve represents the excess capital paid over the registered capital to the Group's subsidiaries by the equity holder.

(b) Merger reserve

Merger reserve of the Group represents the issued capital and the capital contributions from the equity holders of certain subsidiaries now comprising the Group before the completion of the reorganisation.

On April 29, 2019, the Group through its subsidiaries, Zhuozhou Tianbao Industrial Company Limited and Fine Credit Investment Holding Limited acquired 100% equity interest in Tianbao Corporate Management Company Limited from its controlling shareholder Mr. Li Baotian with cash consideration of RMB1,338.5 million, which was regarded as a deemed distribution to the Controlling Shareholder.

(c) Special reserve

In preparation of the financial statements, the Group has appropriated certain amount of retained profits to a special reserve fund for the year ended 31 December 2019 and 2018, for safety production expense purposes as required by directives issued by relevant PRC government authorities. The Group charged the safety production expense to the statement of profit or loss when such expense was incurred, and at the same time an equal amount of such special reserve fund was utilised and transferred back to retained profits until such special reserve was fully utilised.

(d) Statutory surplus reserve

In accordance with the PRC Company Law, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the PRC Company Law, part of the statutory surplus reserve may be converted to share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

(e) Equity investments revaluation reserve

The equity investments revaluation reserve represents unrealised fair value gains or losses for equity investments at FVOCI.

33. FINANCIAL GUARANTEE CONTRACTS

At the end of the reporting period, financial guarantee provided for in the financial statements was as follows:

	2019 RMB'000	2018 RMB'000
Guarantees given to banks in connection with facilities granted to related parties:		
Companies controlled by Mr. Li Baotian and his close affiliates	–	159,000

As at 31 December 2019, nil of the facilities granted to related parties subject to guarantees given to banks were utilised by the Group (2018: RMB159,000,000). The fair value of the financial guarantee contracts at initial recognition is considered insignificant.

34. CONTINGENT LIABILITIES

As at 31 December 2019, the Group has provided guarantees in respect of mortgage facilities for certain purchasers of the Group's properties amounting to approximately RMB816,441,000 (2018: RMB870,896,000).

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 of the Group 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.

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

35. PLEDGE OF ASSETS

Details of the Group's bank borrowings which are mortgaged by the assets of the Group or guaranteed are included in note 30 to the financial statements.

36. DISPOSALS OF SUBSIDIARIES

	2019 RMB'000	2018 RMB'000
Net assets disposed of:		
Property, plant and equipment	**56**	–
Intangible assets	**7**	–
Cash and bank balances	**1,675**	18
Trade receivables	**2,163**	100
Contract assets	**36**	–
Prepayments, deposits and other receivables	**67,807**	2,959
Trade payables	**(2,465)**	(2,496)
Other payables and accruals	**(10,990)**	–
Tax payable	**(82)**	–
Non-controlling interests	**–**	(271)
	58,207	310
Gain on disposal of subsidiaries	**1,534**	490
	59,741	800
Satisfied by:		
Other receivables	**–**	800
Cash	**59,741**	–
	59,741	800

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2019 RMB'000	2018 RMB'000
Cash consideration	**60,541**	–
Cash and cash equivalents disposed of	**(1,675)**	(18)
Net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries	**58,866**	(18)

37. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period

	31 December 2019 RMB'000	2018 RMB'000
Contracted, but not provided for:		
Construction contracting	**229,572**	133,310

38. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	Note	2019 RMB'000	2018 RMB'000
Advances to related parties		**100,228**	995,458
Repayments by related parties		**1,529,568**	342,411
Advances from related parties		**111,884**	84,559
Repayments of advances from related parties		**198,673**	171
Purchases of raw materials from companies of which a director of the Company is a controlling shareholder	(i)	**2,913**	2,500
Property management fee paid to related parties	(ii)	**2,369**	–
Other rental income	(iii)	**1,599**	–

(i) The purchases were made from companies of which a director of the Company is a controlling shareholder. The directors consider that the purchases of raw materials were made according to the published prices and conditions similar to those offered to the major customers of the suppliers, except that interest was not charged on overdue balances. As at 31 December 2019, the balance owing to the supplier was RMB100,000 (2018: Nil), and the balance due from the supplier was RMB1,287,000 (2018: Nil).

(ii) The fees were paid for the property management services provided by companies controlled by Mr. Li Baotian's spouse. As at 31 December 2019, the balance owing to the companies was RMB2,369,000 (2018: Nil).

(iii) The rental income was from the lease agreement with companies controlled by Mr. Li Baotian and his spouse. As at 31 December 2019, the balance due from the companies was RMB1,599,000 (2018: Nil).

38. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Other transactions with related parties

As at 31 December 2019, Mr. Li Baotian and his close associates provided a guarantee to the Group's interest-bearing bank borrowings of RMB50,000,000 (2018: RMB914,000,000).

As at 31 December 2019, nil of the guarantee were provided by the Group to the certain related parties' interest-bearing bank borrowings (2018: RMB159,000,000).

In 2019, the Group disposed of two subsidiaries, Zhuozhou Tianbao Property Service Co., Ltd. and Zhangbei Tianbao Neotype Construction Co., Ltd., to Baoxin Industrial Co., Ltd at cash consideration of RMB1,588,000 and RMB8,138,000, respectively.

(c) Outstanding balances with related parties

	2019 RMB'000	2018 RMB'000
Prepayments, other receivables and other assets (note 25):		
Advances to directors (note 19)	**–**	1,228,227
Advances to other related parties	**3,049**	201,113
Total	**3,049**	1,429,340
Other payables and accruals (note 29):		
Amounts due to related parties	**2,375**	86,795
Total	**2,375**	86,795

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

38. RELATED PARTY TRANSACTIONS *(Continued)*

(d) Compensation of senior management personnel

	2019 RMB'000	2018 RMB'000
Short-term employee benefits	**7,337**	893
Pension scheme contributions	**245**	206
Total compensation paid to senior management personnel	**7,582**	1,099

39. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2019

Financial assets

	Financial assets at fair value through profit or loss RMB'000	Financial assets at fair value through other comprehensive income RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Financial assets included in prepayments, other receivables and other assets	–	–	229,691	229,691
Equity investments at fair value through profit or loss	184,655	–	–	184,655
Equity investments at fair value through other comprehensive income	–	143,000	–	143,000
Trade receivables	–	–	408,999	408,999
Pledged deposits	–	–	130,417	130,417
Cash and cash equivalents	–	–	321,909	321,909
	184,655	143,000	1,091,016	1,418,671

39. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	**1,701,274**
Financial liabilities included in other payables and accruals	**381,688**
Interest-bearing bank borrowings	**789,000**
	2,871,962

2018

Financial assets

	Financial assets at fair value through other comprehensive income RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Financial assets included in prepayments, other receivables and other assets	–	1,640,068	1,640,068
Equity investments at fair value through other comprehensive income	136,391	–	136,391
Trade receivables	–	321,440	321,440
Pledged deposits	–	120,598	120,598
Cash and cash equivalents	–	98,833	98,833
	136,391	2,180,939	2,317,330

39. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	1,098,162
Financial liabilities included in other payables and accruals	294,470
Interest-bearing bank borrowings	914,000
	2,306,632

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Financial assets				
Equity investments designated at fair value through other comprehensive income	**143,000**	136,391	**143,000**	136,391
Financial assets at fair value through profit or loss	**184,655**	–	**184,655**	–
	327,655	136,391	**327,655**	136,391

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(Continued)

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

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

The fair values of listed equity investments are based on quoted market prices. As at 31 December 2019, for the fair values of unlisted equity investments at fair value through other comprehensive income, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model and used recent transaction method. The directors believe that the estimated fair values resulting from recent transaction, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values. As at 31 December 2018, the fair values of unlisted equity investments designated at fair value through other comprehensive income have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as enterprise value to earnings before interest, taxes, depreciation and amortisation ("**EV/EBITDA**") multiple and price to earnings ("**P/E**") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as liquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The fair values of interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank borrowings as at 31 December 2019 and 2018 was assessed to be insignificant.

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(Continued)

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2018:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Investment A	Valuation multiples	Median P/E multiple of peers	6.68	A low end of 5.4 and high end of 10.8 P/E multiple used would result in a difference in fair value of RMB109,000,000
		Discount for lack of marketability	20%	5% increase/decrease in multiple would result in decrease/increase in fair value by RMB1,500,000
Investment B	Valuation multiples	Median P/B multiple of peers	1.15	A low end of 0.8 and a high P/B multiple used would result in a different in fair value of RMB536,000
		Discount for lack of marketability	30%	5% increase/decrease in multiple would result in decrease/increase in fair value by RMB9,000

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly include cash and cash equivalents, pledged deposits, trade receivables, financial assets included in prepayments, other receivables and other assets, trade payables and financial liabilities included in other payables and accruals, which arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, credit risk and liquidity risk. The Group does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Foreign currency risk

The Group has transactional currency exposures. These exposures mainly arise from rental by the Group's operating units in Hong Kong in currencies other than the units' functional currencies RMB. The Group does not enter into any hedging transactions for reducing the Group's exposure to foreign currency risk.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the Hong Kong dollar exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities). There is no significant impact on other components of the Group's equity.

	Increase/ (decrease) in exchange rates %	Increase/ (decrease) in profit before tax RMB'000
31 December 2019		
If RMB strengthens against the Hong Kong dollar	5	787
If RMB weakens against the Hong Kong dollar	(5)	(787)

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(b) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank borrowings set out in note 30. The Group does not use derivative financial instruments to hedge interest rate risk. The Group manages the interest cost using variable rate bank borrowings.

If the interest rate of bank borrowings had increased/decreased by 1% and all other variables held constant, profit before tax of the Group, through the impact on floating rate borrowings, would have decreased/increased by approximately RMB3,200,000 for the year ended 31 December 2019.

(c) Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Contract assets*	–	–	–	1,234,350	1,234,350
Trade receivables*	–	–	–	433,148	433,148
Financial assets included in prepayments, other receivables and other assets					
– Normal**	219,839	–	–	–	219,839
– Doubtful**	–	2,352	7,500	–	9,852
Pledged deposits					
– Not yet past due	130,417	–	–	–	130,417
Cash and cash equivalents					
– Not yet past due	321,909	–	–	–	321,909
Guarantees in respect of mortgage facilities for certain purchasers of the Group's properties					
– Not yet past due	816,441	–	–	–	816,441
Total	1,488,606	2,352	7,500	1,667,498	3,165,956

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(c) Credit risk *(Continued)*

As at 31 December 2018

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Contract assets*	–	–	–	785,692	785,692
Trade receivables*	–	–	–	331,985	331,985
Financial assets included in prepayments, other receivables and other assets					
– Normal**	1,618,026	–	–	–	1,618,026
– Doubtful**	–	15,589	6,453	–	22,042
Pledged deposits					
– Not yet past due	120,598	–	–	–	120,598
Cash and cash equivalents					
– Not yet past due	98,833	–	–	–	98,833
Guarantees given to banks in connection with facilities granted to third party					
– Not yet past due	159,000	–	–	–	159,000
Guarantees in respect of mortgage facilities for certain purchasers of the Group's properties					
– Not yet past due	870,896	–	–	–	870,896
Total	2,867,353	15,589	6,453	1,117,677	4,007,072

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 24 and 20 to the financial statements, respectively.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 24 to the financial statements.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(d) Liquidity risk

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations to meet its debt obligations as they fall due, and its ability to obtain external financing to meet its committed future capital expenditure.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on contractual undiscounted payments, is as follows:

	2019			
	On demand or no fixed terms of repayments RMB'000	Within one year RMB'000	Over one year RMB'000	Total RMB'000
Guarantees in respect of mortgage facilities	816,441	–	–	816,441
Trade payables	–	1,701,274	–	1,701,274
Financial liabilities included in other payables and accruals	381,688	–	–	381,688
Interest-bearing bank borrowings	–	639,676	189,578	829,254
	1,198,129	2,340,950	189,578	3,728,657

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(d) Liquidity risk *(Continued)*

	2018			
	On demand or no fixed terms of repayments RMB'000	Within one year RMB'000	Over one year RMB'000	Total RMB'000
Guarantees given to banks in connection with facilities granted to related parties	–	159,000	–	159,000
Guarantees in respect of mortgage facilities	870,896	–	–	870,896
Trade payables	–	1,098,162	–	1,098,162
Financial liabilities included in other payables and accruals	294,470	–	–	294,470
Interest-bearing bank borrowings	–	490,122	455,531	945,653
	1,165,366	1,747,284	455,531	3,368,181

(e) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 2018.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(e) Capital management *(Continued)*

The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. Net debt includes interest-bearing bank borrowings, trade payables and other payables and accruals, less cash and cash equivalents, and excludes the discontinued operations. Capital represents the equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

	31 December 2019 RMB'000	1 January 2019 RMB'000	31 December 2018 RMB'000
Trade payables	**1,071,274**	1,098,162	1,098,162
Other payables and accruals	**2,194,094**	2,512,649	2,512,649
Interest-bearing bank borrowings	**789,000**	914,000	914,000
Less: cash and cash equivalents	**(321,909)**	(98,833)	(98,833)
Net debt	**3,732,459**	4,425,978	4,425,978
Equity attributable to owners of the parent	**1,086,786**	1,678,921	1,678,921
Capital and net debt	**4,819,245**	6,104,899	6,104,899
Gearing ratio	**77%**	72%	72%

42. EVENTS AFTER THE REPORTING PERIOD

On 6 January 2020, the Group entered into a land use right grant contract of the land parcel for a cash consideration of RMB246,276,000. The land parcel has a total area of 58,610.92 sq.m. with land use right for 40 years. And it will be used for other commercial service purpose, including but not limited to commercial offices, hotels and apartments.

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2019 RMB'000
NON-CURRENT ASSETS	
Financial assets at fair value through profit or loss	184,655
Right-of-use assets	1,964
Total non-current assets	186,619
CURRENT ASSETS	
Prepayments, other receivables and other assets	143,705
Cash and cash equivalents	88,852
Total current assets	232,557
CURRENT LIABILITIES	
Other payables and accruals	5,370
Lease liabilities	1,004
Total current liabilities	6,374
NET CURRENT ASSETS	226,183
TOTAL ASSETS LESS CURRENT LIABILITIES	412,802
NON-CURRENT LIABILITIES	
Lease liabilities	963
Total non-current liabilities	963
Net assets	411,839
EQUITY	
Equity attributable to owners of the parent	
Share capital	7,281
Reserves	404,558
	411,839
Total equity	411,839

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

A summary of the Company's reserves is as follows:

	Share capital RMB'000	Capital reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Total equity RMB'000
As at 1 January 2019	–	–	–	–	–	–
Profit for the year	–	–	–	(15,474)	(15,474)	(15,474)
Exchange differences related to foreign operations	–	–	1,085	–	1,085	1,085
Total comprehensive income for the year	–	–	1,085	(15,474)	(14,389)	(14,389)
Issue of shares	7,281	429,855	–	–	437,136	437,136
Share issue expenses	–	(10,908)	–	–	(10,908)	(10,908)
As at 31 December 2019	7,281	418,947	1,085	(15,474)	411,839	411,839

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 24 March 2020.

FOUR YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last four financial years, as extracted from the published audited financial statements is set out below.

FOUR YEAR FINANCIAL SUMMARY

	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
CONTINUING OPERATIONS				
REVENUE	**2,660,037**	1,601,739	1,202,278	800,192
Cost of sales	**(1,977,617)**	(1,411,815)	(1,008,691)	(737,351)
Gross profit	**686,420**	189,924	193,587	62,841
Other income and gains	**13,786**	16,920	4,796	9,343
Selling and distribution expenses	**(3,220)**	(5,629)	(7,586)	(4,354)
Administrative expenses	**(78,038)**	(42,522)	(28,222)	(23,205)
(Impairment losses)/reversal of impairment losses on financial and contract assets, net	**(24,274)**	10,625	(26,781)	(729)
Fair value gains on investment properties	**4,700**	19,400	2,600	28,743
Fair value loss on financial assets through profit or loss	**(910)**	–	–	–
Other expenses	**(2,673)**	(1,998)	(3,015)	(229)
Finance costs	**(21,788)**	(5,050)	(4,484)	(6,129)
Share of loss of an associate	**–**	–	(15)	–
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	**570,003**	181,670	130,880	66,281
Income tax expense	**(252,231)**	(72,036)	(70,649)	(28,314)
PROFIT FOR THE YEAR CONTINUING OPERATIONS	**317,772**	109,634	60,231	37,967
DISCONTINUED OPERATIONS				
Loss for the year from discontinued operations	**(62)**	(1,427)	(893)	(787)
PROFIT FOR THE YEAR	**317,710**	108,207	59,338	37,180
Attributable to:				
Owners of the parent	**317,710**	108,207	59,460	37,133
Non-controlling interests	**–**	–	(122)	47
	317,710	108,207	59,338	37,180

FOUR YEAR FINANCIAL SUMMARY

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
TOTAL ASSETS	**6,122,610**	6,358,863	4,630,747	3,062,620
TOTAL LIABILITIES	**5,035,824**	4,679,942	3,666,439	2,157,650
NON-CONTROLLING INTERESTS	**–**	–	262	384

DEFINITIONS

"Annual General Meeting"	the annual general meeting of the Company to be held at the Company's conference room in Baoxin International Building, No. 33, Guanyun East Road, Zhuozhou, Hebei Province, the PRC on May 27, 2020 at 9:00 a.m. and any adjournment thereof
"Annual Report"	the 2019 Annual Report of the Company
"Articles" or "Articles of Association"	the Memorandum and Articles of Association of the Company (as amended from time to time)
"Board" or "Board of Directors"	the board of Directors of the Company
"Chairman of the Board"	the chairman of the Board of the Company
"China" or "PRC"	the People's Republic of China, but for the purposes of this Annual Report and for geographical reference only (unless otherwise indicated), excluding Hong Kong, Macau Special Administrative Region and Taiwan
"Company" or "we"	China Tianbao Group Development Company Limited (中國天保集團發展有限公司), an exempted company incorporated in Cayman Islands with limited liability on November 16, 2018, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1427)
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Director(s)"	director(s) of the Company
"GFA"	gross floor area
"Group" or "our Group"	the Company and its subsidiaries
"HK$" or "HK dollars"	Hong Kong dollars and Hong Kong cents, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IFRSs"	International Financial Reporting Standards, which include standards and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and interpretation issued by the International Accounting Standards Committee
"Listing Date"	November 11, 2019, on which the Shares were listed on the Stock Exchange and from which dealings in the Shares were permitted to commence on the Stock Exchange

DEFINITIONS

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
"Renminbi" or "RMB"	Renminbi, the lawful currency of the PRC
"Reporting Period"	the year ended December 31, 2019
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shareholder(s)"	holder(s) of Shares
"Shares"	ordinary shares of nominal value HK$0.01 each of the Company
"sq. m."	square meters
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Tianbao Construction Group"	Tianbao Construction Group Company Limited (天保建設集團有限公司), a limited liability company established in China on March 18, 1998 and an indirect wholly-owned subsidiary of the Company
"Tianbao Property Development"	Tianbao Property Development Company Limited (天保房地產開發有限公司), a limited liability company established in China on May 10, 2001 and an indirect wholly-owned subsidiary of our Company
"Yuxian Tianbao Property Development"	Yuxian Tianbao Property Development Company Limited (蔚縣天保房地產開發有限公司), a limited liability company established in China on June 30, 2017 and an indirect wholly-owned subsidiary of our Company
"Zhuozhou Tianbao Construction"	Zhuozhou Tianbao Construction Co., Ltd. (涿州天保建築體系有限公司), a limited liability company established in China on November 1, 2005 and owned as to 70% by Mr. Li Baotian and 30% by Baoxin Industrial Co., Ltd.
"%"	per cent.