



**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)*

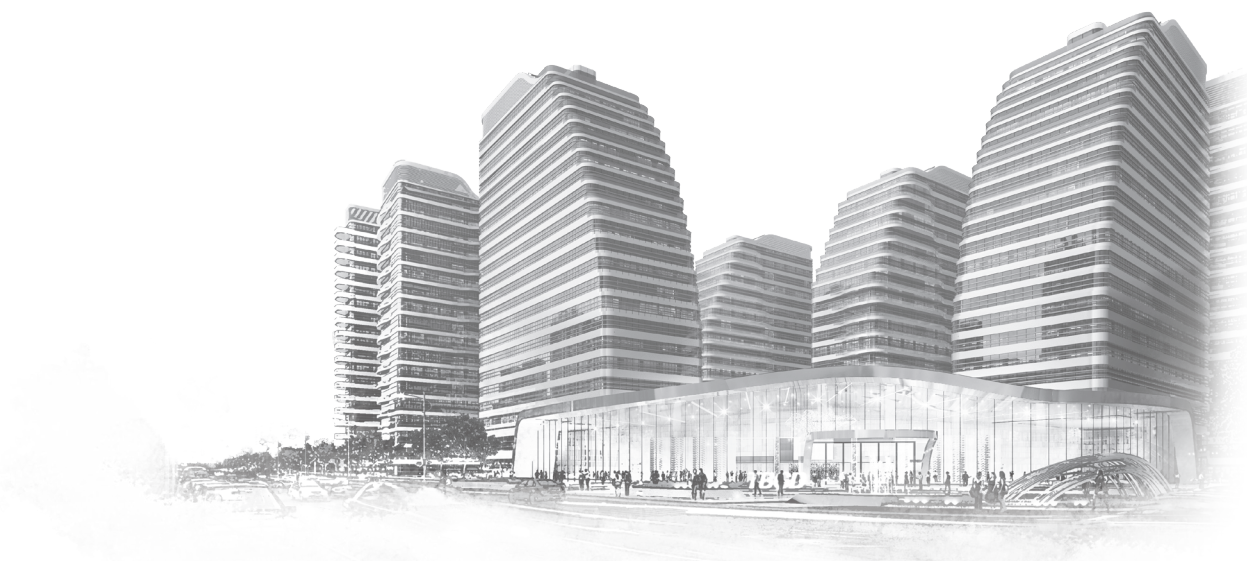
Stock Code: 01427



**2020** INTERIM REPORT

# CONTENTS

	<b>Page</b>
CORPORATE INFORMATION	2
FINANCIAL HIGHLIGHT	4
BUSINESS REVIEW AND PROSPECT	5
BREAKDOWN OF MAJOR PROPERTIES	7
MANAGEMENT DISCUSSION AND ANALYSIS	9
CORPORATE GOVERNANCE AND OTHER INFORMATION	23
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS	28
INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	29
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	30
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	32
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	34
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	35



# 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 ADVISOR

Guotai Junan Capital Limited

## LEGAL ADVISOR

Jia Yuan Law Office

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited

Clifton House

75 Fort Street

PO Box 1350

Grand Cayman

KY1-1108

Cayman Islands

## HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17th Floor

Hopewell Centre

183 Queen's Road East

Wanchai

Hong Kong

## REGISTERED OFFICE

PO Box 1350

Clifton House

75 Fort Street

Grand Cayman

KY1-1108

Cayman Islands

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN CHINA

No. 33, Guanyun East Road

Zhuozhou County

Hebei Province

the PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 3326, 33/F, China Merchants Tower, Shun Tak Centre

168-200 Connaught Road Central

Sheung Wan

Hong Kong

## AUDITOR

Ernst & Young

# CORPORATE INFORMATION

## JOINT COMPANY SECRETARIES

Mr. Du Hang  
Mr. Lei Kin Keong

## AUTHORISED REPRESENTATIVES

Mr. Li Yaruixin  
Mr. Lei Kin Keong

## PRINCIPAL BANKS

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

## COMPANY WEBSITE

[www.chinatbjt.com](http://www.chinatbjt.com)

## STOCK CODE

1427

## COMMUNICATION WITH INVESTORS

Telephone: (852) 3150 6788  
(852) 2792 1388  
Fax: (852) 3150 6728  
(852) 2792 1488  
E-mail: [tianbaogroup.hk@pordahas.com](mailto:tianbaogroup.hk@pordahas.com)  
[zhongguotianbao@chinatbjt.com](mailto:zhongguotianbao@chinatbjt.com)

# FINANCIAL HIGHLIGHT

The board (the “Board”) of directors (the “Directors”) of China Tianbao Group Development Company Limited (the “Company”) is pleased to present the interim report and the unaudited condensed consolidated financial information of the Company and its subsidiaries (collectively, the “Group”) for the six months ended June 30, 2020 (the “Reporting Period”).

As of June 30, 2020, the Group had land reserves of approximately 1,975,000 square meters (“sq.m.”). During the Reporting Period, the Group acquired a land parcel located at the High-Tech Development Zone, Zhuozhou with a land area of approximately 58,611 sq.m. and with a buildable gross floor area (“GFA”) of approximately 310,000 sq.m.

During the Reporting Period, the Group’s revenue was approximately RMB1,340 million, representing an increase of approximately RMB676 million (101.8%) as compared to the corresponding period of 2019. The Group’s revenue of property development business and construction contracting business were approximately RMB661 million and approximately RMB679 million respectively, representing an increase of approximately RMB321 million (94.7%) and approximately RMB354 million (109.2%) respectively as compared to the corresponding period of 2019.

The Group’s gross profit and gross profit margin for the Reporting Period were approximately RMB298 million and 22.2% respectively.

The Group’s net profit for the Reporting Period was approximately RMB128 million, representing an increase of approximately RMB72 million or 127.0% as compared to the corresponding period of 2019.

As of June 30, 2020, the net gearing ratio of the Group was approximately 18.4% (as of December 31, 2019: 31.0%).

The Board declared an interim dividend of HK\$0.05 per ordinary share (equivalent to RMB0.045) for the six months ended June 30, 2020.

# BUSINESS REVIEW AND PROSPECT

## REVIEW FOR THE FIRST HALF OF 2020

In the first half of 2020, the macro economy was exposed to constant pressure due to the impact of COVID-19 pandemic. Nevertheless, “Houses are for living, not for speculation; and introducing policies aligning with local conditions to promote the stable operation of the property market” remained as the major policy keynotes in respect of the real estate industry from the central government. According to the data released by the National Bureau of Statistics, from January to June in 2020, the sold area of the commercial housing was 694.04 million sq.m, down by 8.4% year-on-year, while the commercial housing sales amounted to RMB6,689.5 billion, down by 5.4% year-on-year. The total national commercial housing sales in January-February and March of 2020 fell 35.9% and 14.6% year-on-year respectively due to the impact of COVID-19 pandemic. As the resumption of work and production accelerated the return to normal sales activities following the gradual control of the COVID-19 pandemic, the year-on-year decline in sales in April of 2020 narrowed significantly to 5%, while sales in May and June of 2020 recorded positive year-on-year growth, with increases of approximately 14% and 9% respectively. According to the National Bureau of Statistics, the national land transaction price of the real estate industry began to record year-on-year growth in March of 2020, and approximately RMB72.2 billion was recorded in April of 2020, a year-on-year increase of approximately 82.3%, which was the biggest increase among the months in the first half of the year.

According to the fixed asset investments data of January to June of 2020 released by the National Bureau of Statistics, the fixed asset investments in infrastructure from January to June 2020 decreased by 0.1% year-on-year, and the decline narrowed by 3.2 percentage points from the second half of 2019. The central government proposed to let central cities and city clusters play a leading role in cultivating industries and increase employment. With the support of huge application demand and national policies, new infrastructure construction has attracted wide attention. In the first half of 2020, various provinces rolled out infrastructure investment plans, introduced policies, accelerated the construction of major projects, speeded up the grant of project approvals, and encouraged the implementation of new investment projects, with a total investment of nearly RMB34 trillion.

The Group is mainly engaged in two business segments, including property development business and construction contracting business. During the Reporting Period, the revenue of the Group was approximately RMB1,340 million, representing an increase of approximately 101.8% as compared with the corresponding period of last year; and the Group achieved net profit attributable to the Group of approximately RMB128 million, representing an increase of approximately 127.0% as compared with the corresponding period of last year.

### 1. The property development business

During the Reporting Period, the sales income of the property development business of the Group was approximately RMB661 million. At the end of the Reporting Period, the Group had land reserves with a total gross floor area (“GFA”) of approximately 1,975,000 sq.m. (100% of GFA of land reserve was owned by the Group), representing an increase of 22.9% as compared with approximately 1,606,000 sq.m. as of December 31, 2019, which provides sufficient support for future development.

### 2. The construction contracting business

During the Reporting Period, the contract income of the construction contracting business of the Group was approximately RMB679 million. New contracts were valued at approximately RMB337 million while the value of backlog amounted to approximately RMB3,349 million, representing an increase of 75% as compared with approximately RMB1,912 million for the corresponding period of last year.

Currently, the construction contracting business of the Group has established footprint in 15 provinces in China and has set up new offices in Shandong Province, Anhui Province and Sichuan Province.

# BUSINESS REVIEW AND PROSPECT

## OUTLOOK FOR THE SECOND HALF OF 2020

Looking forward to the second half of 2020, the central government will adhere to the positioning of “houses are for living, not for speculation”, and will continue to focus on “stabilization” in the regulation and control policy of the property market, so as to achieve the annual goal of stabilizing land prices, housing prices and expectations. The monetary policy will continue to be loose, but the financial supervision on the real estate sector will remain strict. Local governments will continue to implement policies depending on their own actual situations. The focus of real estate investments will be the core cities of the first-, second- and third-tier metropolitan areas where housing demand is supported by the long-term economic development, while the overall sales growth trend of real estate companies will be sustained through the continuous demand for housing improvement, and products will continue to be iteratively upgraded.

Currently, the process of urbanization in China has entered into its mid-late phase, and the outline of urban agglomerations as the main form of new urbanization will be clearer. With the construction of urban agglomerations and central cities, the demand for huge digital infrastructure applications will become more prominent. The construction of new areas in first- and second-tier cities and the development of mega-industrial towns and new infrastructure will bring new opportunities to the development of the construction industry.

In the second half of 2020, the Group will continue to adhere to the expansion strategy of “construction first and property development to follow”, and fully utilise the synergies between property development and construction contracting. As for the property development, the Group will focus on the development of high-quality land resources in metropolitan cities and satellite cities, as well as, expand commercial complexes. In the area of construction contracting business, the Group will constantly improve the qualifications of its infrastructure segment, develop engineering technology and information technology, and establish a sound information system, to seize key infrastructure projects, enlarge and strengthen its historic building business, and steadily increase its market share and the revenue from construction contracting business.

The Group consolidates our brand by developing high-end quality projects and safeguards our brand with construction projects of excellent quality, to make concerted efforts in construction and development, our two prime businesses. Meanwhile, guided by our mechanism and culture, the Group establishes a team of talents with high efficiency, so as to create a “service + quality” cultural system and facilitate collaborative development of two major businesses.

# BREAKDOWN OF MAJOR PROPERTIES

The breakdown of major properties of the Group as of June 30, 2020 is set out as follows:

Project name	Completed			Under development				Held for future development	Equity holders' equity	
	Site area (sq.m.)	GFA completed (sq.m.)	Saleable/rentable GFA (sq.m.)	Unsold saleable GFA (sq.m.)	Rentable GFA held for property investment (sq.m.)	GFA under development (sq.m.)	Saleable GFA (sq.m.)	Saleable GFA pre-sold (sq.m.)		Planned GFA (sq.m.)
<b>I. Residential properties</b>										
<b>Zhuozhou</b>										
1. Tianma Jingyuan (天馬景苑)	45,926.8	200,403.4	195,676.1	2,610.2	-	-	-	-	-	100%
2. Tianhe Penghua (田合鵬華)	36,950.1	71,863.7	66,861.2	4,000.4	-	-	-	-	-	100%
3. Tianbao Green City (天保綠城)	33,764.1	105,173.3	78,320.0	20,005.7	-	-	-	-	-	100%
4. Tianbao Lingyun City (天保凌雲城)	26,666.7	89,120.8	60,902.6	12,883.5	-	-	-	-	-	100%
5. Project Ming Yang Phase I (明陽一期)	17,593.3	-	-	-	-	48,665.5	45,127.2	41,040.7	-	100%
6. Tianbao Smart Building Technology Park Project (天保智慧建築科技園項目)	58,610.9	-	-	-	-	-	-	-	310,092.7	100%
<b>Zhangjiakou</b>										
7. Tianbao New City Phase I (天保新城一期)	66,351.8	132,778.0	121,080.0	8,926.8	-	-	-	-	-	100%
8. Tianbao New City Phase II (天保新城二期)	66,340.0	132,035.7	118,368.2	7,545.5	-	-	-	-	-	100%
9. Tianbao New City Phase III (天保新城三期)	92,189.5	241,355.8	211,032.7	78,319.2	-	-	-	-	-	100%
10. Zhangbei Zhongdu Ginza (張北中都銀座)	8,106.7	-	-	-	-	86,690.5	77,598.0	-	-	100%
11. Zhangbei Fuxinyuan Shanty-town Improvement Project (張北縣福馨苑棚戶區改造項目)	71,057.0	147,871.2	137,701.5	71,554.7	-	-	-	-	-	100%
12. Tianbao Edelweiss City (Residential) (天保雪絨花都(住宅))	100,368.0	-	-	-	-	190,887.2	134,482.7	56,853.8	-	100%
13. Tianbao Edelweiss City (Twin Tower) (天保雪絨花都(雙子座))	54,533.0	-	-	-	-	-	-	-	130,000.0	100%
14. Tianbao Boyue Bay (天保鉞悅灣)	81,815.0	-	-	-	-	201,630.0	-	-	-	100%
15. Tianbao Hushan Yard (天保湖山大院)	145,569.5	-	-	-	-	223,540.0	-	-	167,388.4	100%
16. Tianbao Jingbei Health City (Commercial Section) (天保京北健康城(商業部分))	54,168.9	-	-	-	-	140,863.7	62,179.0	6,323.1	-	100%
17. Zhangbei Zhongdu Garden (張北中都莊園)	99,513.0	-	-	-	-	-	-	-	119,415.6	100%
18. Zhangbei Haiziwa Land Lot (張北海子窪地塊)	48,742.0	-	-	-	-	-	-	-	48,742.0	100%



## BREAKDOWN OF MAJOR PROPERTIES

Project name	Completed					Under development			Held for future development	Equity holders' equity
	Site area (sq.m.)	GFA completed (sq.m.)	Saleable/ rentable GFA (sq.m.)	Unsold saleable GFA (sq.m.)	Rentable GFA held for property investment (sq.m.)	GFA under development (sq.m.)	Saleable GFA (sq.m.)	Saleable GFA pre-sold (sq.m.)	Planned GFA (sq.m.)	
<b>II. Investment property</b> <i>Zhuozhou</i>										
19. Baoxin International Building (保鑫國際大廈)	17,792.4	50,039.7	44,336.1	-	44,336.1	-	-	-	-	100%
<b>III. Other property</b> <i>Zhangjiakou</i>										
20. Project Haiziwa Hotel (海子窪酒店)	52,237.0	-	-	-	-	-	-	-	57,460.7	100%

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

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

Segment	Six months ended June 30			
	2020		2019	
	Revenue RMB'000 (unaudited)	Percentage of total revenue (%) (unaudited)	Revenue RMB'000 (unaudited)	Percentage of total revenue (%) (unaudited)
Property development business	661,190	49.3	339,625	51.1
Construction contracting business	679,144	50.7	324,709	48.9
<b>Total</b>	<b>1,340,334</b>	<b>100.0</b>	<b>664,334</b>	<b>100.0</b>

### (i) Property development business

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

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

Business line	Nature of income	Six months ended June 30			
		2020		2019	
		Revenue RMB'000 (unaudited)	Percentage of total revenue (%) (unaudited)	Revenue RMB'000 (unaudited)	Percentage of total revenue (%) (unaudited)
Property development and sales	Sales of residential properties	656,191	99.2	334,516	98.5
Leasing and operation of an investment property	Rental income from investment property	4,999	0.8	5,109	1.5
<b>Total</b>		<b>661,190</b>	<b>100.0</b>	<b>339,625</b>	<b>100.0</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

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

Project name	Six months ended June 30					
	2020			2019		
	GFA delivered sq.m.	Total revenue RMB'000 (unaudited)	Recognised ASP (RMB/sq.m.)	GFA delivered sq.m.	Total revenue RMB'000 (unaudited)	Recognised ASP (RMB/sq.m.)
<b>Zhuozhou</b>						
Tianbao Green City	18,480	185,966	10,063	-	-	-
Tianbao Lingyun City	-	-	-	42,595	334,516	7,853
<b>Zhangjiakou</b>						
Tianbao New City Phase II	115	914	7,948	-	-	-
Tianbao New City Phase III	40,748	229,680	5,637	-	-	-
Fuxinyuan	57,415	239,631	4,173	-	-	-
<b>Total/Overall</b>	<b>116,758</b>	<b>656,191</b>	<b>5,620</b>	<b>42,595</b>	<b>334,516</b>	<b>7,853</b>

As of June 30, 2020, the Group had a diverse portfolio of 20 projects consisting of 18 residential properties, one investment property and one hotel. Out of these 20 projects, 9 were completed projects, 6 were projects under development and 5 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 June 30, 2020:

Regions	Completed		Under development	Future development	Total land reserves	Percentage of total land reserves by geographical location (%)
	Unsold saleable GFA (sq.m.)	Completed rentable GFA held for property investment (sq.m.)	Planned GFA under development (sq.m.)	Planned GFA (sq.m.)	Total GFA (sq.m.)	
	Zhuozhou	39,500	44,336	48,666	310,093	
Zhangjiakou	166,346	-	843,611	523,007	1,532,964	77.6
<b>Total</b>	<b>205,846</b>	<b>44,336</b>	<b>892,277</b>	<b>833,100</b>	<b>1,975,559</b>	<b>100.0</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

### *Commercial Property Investment and Operations*

The Group owns and operates Baoxin International Building, which the Group developed for long-term investment purposes. The Group holds this property for capital appreciation and receiving rental income. During the Reporting Period, the Group's rental income from investment property operating leases amounted to approximately RMB5.0 million (six months ended June 30, 2019: approximately RMB5.1 million).

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

### *Hotel Investment and Operations*

Haiziwa Hotel (海子窪酒店) is a project under development. During the Reporting Period, the project was in the process of obtaining necessary permits and had not commenced operations at Haiziwa Hotel. 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 a majority of its revenue from construction contracting business. During the Reporting Period, the Group generated a majority of its construction contracting revenue from construction projects located in Beijing-Tianjin-Hebei region, mainly in Hebei Province. The Group's construction projects in other geographical locations were mainly located in Sichuan, Anhui and Zhejiang Provinces.

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

Regions	2020		2019	
	Revenue RMB'000 (unaudited)	Percentage of total revenue (%) (unaudited)	Revenue RMB'000 (unaudited)	Percentage of total revenue (%) (unaudited)
Beijing-Tianjin-Hebei	431,347	63.5	292,841	90.2
Other	247,797	36.5	31,868	9.8
Total	679,144	100.0	324,709	100.0

## MANAGEMENT DISCUSSION AND ANALYSIS

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

Project type	2020		2019	
	Revenue RMB'000 (unaudited)	Percentage of total revenue (%) (unaudited)	Revenue RMB'000 (unaudited)	Percentage of total revenue (%) (unaudited)
Building construction	523,778	77.1	171,693	52.9
Industrial, commercial and infrastructure construction	155,366	22.9	153,016	47.1
Total	679,144	100.0	324,709	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 structures, horticulture, buildings, industrial buildings, new pseudo-classic buildings and preservation of antiquities and historic buildings. The Group's industrial and commercial construction customers are enterprises in diverse industries.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **Backlog and New Contract Value**

#### **Backlog value**

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

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

Regions	As of June 30			
	2020		2019	
	Contract value RMB million (unaudited)	Percentage of contract value (%) (unaudited)	Contract value RMB million (unaudited)	Percentage of contract value (%) (unaudited)
Beijing-Tianjin-Hebei	2,154.2	64.3	1,801.0	94.2
Other	1,195.2	35.7	111.0	5.8
<b>Total</b>	<b>3,349.4</b>	<b>100.0</b>	<b>1,912.0</b>	<b>100.0</b>

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

Project type	As of June 30			
	2020		2019	
	Contract value RMB million (unaudited)	Percentage of contract value (%) (unaudited)	Contract value RMB million (unaudited)	Percentage of contract value (%) (unaudited)
Building construction	2,724.0	81.3	1,509.9	79.0
Industrial, commercial and infrastructure construction	625.4	18.7	402.1	21.0
<b>Total</b>	<b>3,349.4</b>	<b>100.0</b>	<b>1,912.0</b>	<b>100.0</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

### *New Contract Value*

New contract value represents the aggregate value of contracts entered into by the Group for the six months ended June 30, 2020 and for the six months ended June 30, 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 periods indicated:

Regions	Six months ended June 30			
	2020		2019	
	Contract value RMB million (unaudited)	Percentage of contract value (%) (unaudited)	Contract value RMB million (unaudited)	Percentage of contract value (%) (unaudited)
Beijing-Tianjin-Hebei	307.2	91.1	512.2	87.8
Other	29.8	8.9	71.1	12.2
<b>Total</b>	<b>337.0</b>	<b>100.0</b>	<b>583.3</b>	<b>100.0</b>

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

Project type	Six months ended June 30			
	2020		2019	
	Contract value RMB million (unaudited)	Percentage of contract value (%) (unaudited)	Contract value RMB million (unaudited)	Percentage of contract value (%) (unaudited)
Building construction	95.1	28.2	367.0	62.9
Industrial, commercial and infrastructure construction	241.9	71.8	216.3	37.1
<b>Total</b>	<b>337.0</b>	<b>100.0</b>	<b>583.3</b>	<b>100.0</b>

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 approximately RMB337.0 million for the six months ended June 30, 2020. During the Reporting Period, the Group expanded the construction contracting business to regions other than Beijing-Tianjin-Hebei region, the outstanding contract value of projects in the backlog of other regions entered into by the Group amounted to approximately RMB1,195.2 million, and the percentage of which increased from 5.8% for the first half of 2019 to 35.7% for the Reporting Period.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### 1. Revenue

The revenue of the Group was primarily derived from two business segments: (i) property development business and (ii) construction contracting business. Total revenue increased from approximately RMB664 million for the six months ended June 30, 2019 to approximately RMB1,340 million for the six months ended June 30, 2020, representing an increase of 101.8%.

#### 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 42,595 sq.m. for the six months ended June 30, 2019 to 116,758 sq.m. for the six months ended June 30, 2020 and the recognised revenue increased from approximately RMB335 million for the six months ended June 30, 2019 to approximately RMB656 million for the six months ended June 30, 2020. The above increments were primarily attributable to the completion and delivery of Tianbao Green City, Tianbao New City Phase III and Fuxinyuan to purchasers in the first half of 2020, of which Tianbao Green City was sold at a higher ASP.

The rental income of the Group was primarily derived from lease of commercial investment properties. The Group holds these commercial investment properties for capital appreciation and leases them to generate rental income. As of June 30, 2020, the Group held one commercial investment property, Baoxin International Building, which had a rentable GFA of 44,336.1 sq.m..

#### 1.2 *Construction contracting business*

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

The overall increase in the revenue from the Group's construction contracting business was primarily attributable to increased revenue from 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 represent the costs the Group incurs for the property development and sales as well as construction contracting service the Group rendered. The cost for property development business primarily includes land costs, construction costs and rent costs. The cost for construction contracting services primarily includes labor costs, raw material costs, machinery costs, subcontracting costs and other costs.

The Group's cost of sales increased from approximately RMB506 million for the six months ended June 30, 2019 to approximately RMB1,042 million for the six months ended June 30, 2020, representing an increase of 106.2%, which was in line with the growth of property development business and construction contracting business of the Group.



# MANAGEMENT DISCUSSION AND ANALYSIS

## 3. Gross profit and gross profit margin

The Group's gross profit increased from approximately RMB159 million for the six months ended June 30, 2019 to approximately RMB298 million for the six months ended June 30, 2020, and its gross profit margin decreased slightly from 23.9% for the six months ended June 30, 2019 to approximately 22.2% for the six months ended June 30, 2020. The Group's gross profit was primarily derived from property development business, its gross profit margin remained stable at approximately 40% for both six months ended June 30, 2019 and 2020. During the Reporting Period, Tianbao Green City and Tianbao New City Phase III were completed and delivered to purchasers, the gross profit margin of these projects reached 50.2%. The gross profit margin of the construction contracting business remained stable at approximately 5.1%.

## 4. Selling and distribution expenses

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

The Group's selling and distribution expenses increased from approximately RMB2.9 million for the six months ended June 30, 2019 to approximately RMB7.1 million for the six months ended June 30, 2020, which was due to the increased selling and marketing activities of property projects.

## 5. Administrative expenses

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

The Group's administrative expenses increased by 11.4% from approximately RMB32 million for the six months ended June 30, 2019 to approximately RMB36 million for the six months ended June 30, 2020, which was mainly due to the business expansion of the Group and the rise of staff costs resulting from an increase in the number of staff. Among the administrative expenses of approximately RMB36 million, staff costs (including Directors' remuneration) amounted to approximately RMB18 million (for the six months ended June 30, 2019: approximately RMB10 million).

## 6. Finance costs

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

The Group's finance costs increased from approximately RMB10 million for the six months ended June 30, 2019 to approximately RMB21 million for the six months ended June 30, 2020, which was mainly due to the fact that a large portion of the interest expenses incurred from the loans raised were not capitalized to property development projects during the Reporting Period.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 7. Income tax expenses

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

The Group's income tax expenses increased by 73.9% from approximately RMB50 million for the six months ended June 30, 2019 to approximately RMB88 million for the six months ended June 30, 2020, which was mainly due to the Group's taxable profit derived from the property development business and construction contracting business and the provision of land appreciation tax for the units delivered to purchasers of the property development business.

## 8. Profit for the Reporting Period

For the six months ended June 30, 2020, the Group's profit amounted to approximately RMB128 million, representing an increase of 127.0% from approximately RMB57 million for the corresponding period of last year.

## 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.

### 1. Cash position

As of June 30, 2020, the Group's total deposits, cash and cash equivalents amounted to approximately RMB429 million (December 31, 2019: approximately RMB452 million), which are denominated in RMB and Hong Kong dollar, including pledged deposits of approximately RMB220 million as of June 30, 2020 (December 31, 2019: approximately RMB130 million).

### 2. 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.

### 3. Significant investments held

As of June 30, 2020, the Group did not hold any significant investments.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 4. Debts and pledge of assets

	As of June 30, 2020			As of December 31, 2019		
	Effective interest rate (%)	Maturity (unaudited)	RMB'000	Effective interest rate (%)	Maturity (audited)	RMB'000
<b>Current</b>						
Secured bank borrowings	5.66-8.00	2020-2021	320,000	5.66	2020	250,000
Current portion of secured long-term bank borrowings	4.75	2021	50,000	4.75-8.00	2020	369,000
			370,000			619,000
<b>Non-current</b>						
Secured bank borrowings	4.75-9.75	2021-2022	285,000	4.75-9.75	2021-2022	170,000
			655,000			789,000

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

	As of June 30, 2020 RMB'000 (unaudited)	As of December 31, 2019 RMB'000 (audited)
Analysed into:		
Bank borrowings repayable:		
Within one year or on demand	370,000	619,000
In the second year	285,000	100,000
In the third to fifth years, inclusive	–	70,000
	655,000	789,000

The Group's interest-bearing bank borrowings are at fixed interest rate and 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, as of June 30, 2020, approximately RMB67 million (December 31, 2019: approximately RMB68 million), approximately RMB84 million (December 31, 2019: approximately RMB84 million) and approximately RMB842 million (December 31, 2019: approximately RMB594 million), respectively.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 5. Key financial ratios

The Group's net gearing ratio (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) was approximately 18.4% as of June 30, 2020 (as of December 31, 2019: 31.0%). The Group's gearing ratio (total interest-bearing bank borrowings divided by total equity as of the end of the respective periods) was approximately 53.5% as of June 30, 2020 (as of December 31, 2019: 72.6%). The Group's current ratio (current assets divided by current liabilities) was approximately 1.15 times as of June 30, 2020 (as of December 31, 2019: 1.10 times).

### 6. Capital commitments

As of June 30, 2020, the Group had capital expenditure commitments contracted but not provided for of approximately RMB634 million (December 31, 2019: approximately RMB230 million).

### 7. Commitments

#### *Operating Lease Commitments*

##### *The Group as a lessor*

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

	As of June 30, 2020 RMB'000 (unaudited)	As of December 31, 2019 RMB'000 (audited)
Within one year	8,075	9,011
In the second to fifth years, both inclusive	9,002	7,492
After five years	2,175	355
	<b>19,252</b>	16,858

#### *Contingent Liabilities*

##### *Mortgage guarantee*

The Group has provided guarantees in respect of mortgage facilities for certain purchasers of the Group's properties amounting to approximately RMB1,518 million as at June 30, 2020 (as of June 30, 2019: approximately RMB1,251 million). The Group's guarantee period starts from the dates of the grant of relevant mortgage loans and ends upon the issuance of real estate ownership certificates to the purchasers, which will generally be available within one to two years after the purchasers take possession of the relevant properties.

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## ***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 Intermediate People's Court of Baoding, Hebei Province and remitted to retrial by the People's Court of Zhuozhou, 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.

## **8. Material acquisitions and disposals**

On January 6, 2020, Tianbao Real Estate Group Co., Ltd.\* (formerly known as Tianbao Property Development Company Limited\*), an indirect wholly-owned subsidiary of the Company, entered into a contract for grant of the right of use of state-owned construction land 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 58,611 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, whose name is Tianbao Smart Building Technology Park Project with the total planned GFA of approximately 310,000 sq.m., 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.

Save as the aforesaid, there was no material acquisition and disposal of subsidiaries and assets by the Group during the Reporting Period.

## **9. Use of proceeds from initial public offering**

The trading of Shares in the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") commenced on November 11, 2019, and the Group raised net proceeds of initial public offering (the "IPO") 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.

\* For identification purpose only

## MANAGEMENT DISCUSSION AND ANALYSIS

As of June 30, 2020, an analysis of the utilisation of proceeds from the IPO is as follows:

Proposed use of Net Proceeds as set out in the Prospectus	Approximate percentage of Net Proceeds (%)	Proceeds utilised in the same manner and proportions as stated in the Prospectus (RMB million)	Cumulative amount of proceeds utilised as of December 31, 2019 (RMB million)	Proceeds utilised during the six months ended June 30, 2020 (RMB million)	Unutilised Net Proceeds as of June 30, 2020 (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	-
<b>Total</b>	<b>100</b>	<b>437.14</b>	<b>287.92</b>	<b>63.81</b>	<b>85.41</b>

As of June 30, 2020, the Company's unutilised Net Proceeds were approximately RMB85.41 million. The Company intends to apply the unutilised Net Proceeds from the IPO as of June 30, 2020 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.

### 10. 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.

### 11. Interest rate risk

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## OTHERS

### 1. Employees and remuneration policies

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

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

During the Reporting Period, the Group's total staff costs (excluding the remuneration of the Directors and senior management) amounted to approximately RMB11 million (the same period of 2019: approximately RMB9 million), including salaries, wages, allowances and benefits.

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

In addition, the Group has adopted the Share Option Scheme and the Share Award Scheme (as discussed in the Corporate Governance and Other Information section) for the purpose of providing incentives and rewards to eligible persons who contribute to the success of the Group's continual operation and development.

As of June 30, 2020, the Group had a total of 391 employees (as of June 30, 2019: 328 employees). The Group has established a comprehensive training system for our employees, based on their responsibilities, covering professional knowledge, technical, operational and managerial skills, corporate culture, internal control and other areas. Such programs are designed to foster career development for our employees and thus to invest in the future of the Group's human resources.

## EVENTS AFTER THE REPORTING PERIOD

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

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

During the Reporting Period, the Company has complied with all the applicable code provisions as set out in the Corporate Governance Code, except for the deviation from the Corporate Governance Code provision A.2.1. The Directors will do their best to procure the Company to comply with the Corporate Governance Code on a continuous basis.

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

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

## COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

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

After making specific enquiries to all Directors, each of the Directors has confirmed that he/she has complied with the Model Code during the six months end June 30, 2020.

The Company’s employees, who are likely to be in possession of inside information of the Company, have also been subject to the Model Code for securities transactions. No incident of non-compliance of the Model Code by the Company’s employees was noted by the Company during the six months ended June 30, 2020.

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

### Changes in Directors’ Information

Mr. Li Xu was appointed as an independent non-executive director of China Kangda Food Company Limited (a company listed on the Stock Exchange (stock code: 834) and the Singapore Exchange Securities Trading Limited (stock code: P74), respectively) on August 24, 2020.

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



# CORPORATE GOVERNANCE AND OTHER INFORMATION

## SHARE OPTION SCHEME

The Company conditionally adopted the share option scheme through written resolutions on October 21, 2019 (the “Share Option Scheme”). The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. The Directors believe the Share Option Scheme will enable the Group to reward our employees, our Directors and other selected participants for their contributions to the Group. For details of the Share Option Scheme, please refer to the section headed “Appendix V – Statutory and General Information – D. Other Information – 1. Share Option Scheme” in the Prospectus.

Since the date of the adoption of the Share Option Scheme and up to the end of the Reporting Period, no options have been granted, exercised, cancelled or lapsed under the Share Option Scheme, and there were no outstanding options under the Share Option Scheme.

## SHARE AWARD SCHEME

The Company has adopted the Share Award Scheme (the “Share Award Scheme”) on March 4, 2020 to recognise the contributions by certain employees of any members of the Group (including but not limited to any executive Directors) and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group. For details of the adoption of the Share Award Scheme, please refer to the announcement of the Company dated March 4, 2020.

The Company has not granted or has agreed to grant any awarded shares under the Share Award Scheme since the adoption of the Share Award Scheme and up to June 30, 2020.

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

As of June 30, 2020, the interests or short positions of the Directors or the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“the SFO”)) which were required to be entered in the register required to be kept by the Company pursuant to section 352 of the SFO, or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code under the Listing Rules, are set out below:

<b>Name of Director/ Chief Executive</b>	<b>Name of Group Member/Associated Corporation of the Group</b>	<b>Capacity/Nature of Interest</b>	<b>Number of Shares<sup>(1)</sup></b>	<b>Approximate Percentage of Shareholding in the Company</b>
Mr. Li Baotian <sup>(2)</sup>	the Company	Interest in controlled corporation	594,000,000	73.38%

Notes:

(1) All interests stated are long position.

(2) Mr. Li Baotian holds the entire interests in Jixiang International Industrial Company Limited.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

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 of June 30, 2020, none of the Directors or the chief executives of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be entered in the register required to be kept by the Company pursuant to section 352 of the SFO, or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

So far as is known to the Company, as at June 30, 2020, as recorded in the register required to be kept by the Company under section 336 of the SFO, the following persons, other than a Director or chief executive of the Company, had an interest of 5% or more in the Shares or underlying Shares:

Name of Shareholder	Capacity	Number of Shares <sup>(1)</sup>	Approximate Percentage of Shareholding in the Company
Jixiang International Industrial Company Limited <sup>(2)</sup>	Beneficial owner	594,000,000	73.38%
Ms. Zhou Chunlan <sup>(3)</sup>	Interest of spouse	594,000,000	73.38%

Notes:

- (1) All interests stated are long positions.
- (2) Jixiang International Industrial Company Limited is wholly owned by Mr. Li Baotian.
- (3) Ms. Zhou Chunlan is the spouse of Mr. Li Baotian. Therefore, under the SFO, Ms. Zhou Chunlan is deemed to be interested in all the Shares in which Mr. Li Baotian is interested.

### INTERIM DIVIDEND

The Board has declared the payment of an interim dividend of HK\$0.05 per ordinary share (equivalent to RMB0.045 per ordinary share calculated at the exchange rate of HK\$1 to RMB0.89279) for the six months ended June 30, 2020 (six months ended June 30, 2019: Nil). The interim dividend for 2020 shall be denominated in RMB and payable in Hong Kong dollars, and is expected to be paid on November 11, 2020 to the Shareholders whose names appear on the register of members of the Company as of October 29, 2020.

### CLOSURE OF REGISTER OF MEMBERS

For the purpose of determination of entitlement to the interim dividend for the six months ended June 30, 2020, the register of members of the Company will be closed for a period from October 27, 2020 (Tuesday) to October 29, 2020 (Thursday) (both days inclusive) during which no transfer of shares will be registered. In order to qualify for the interim dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with Computershare Hong Kong Investor Services Limited at shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on October 23, 2020 (Friday).

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

For the six months ended June 30, 2020, the Group did not purchase, sell or redeem any securities of the Company listed on the Stock Exchange.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and to the knowledge of the Directors of the Company, the Company's Shares in public hands are no less than 25% of the entire share capital in issue as at the date of this report.

## DIVIDEND POLICY

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

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

- a. 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.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### AUDIT COMMITTEE

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

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

On August 25, 2020, the Audit Committee has reviewed the Company’s unaudited interim results, interim report and unaudited interim condensed consolidated financial information for the six months ended June 30, 2020 and confirmed that it has complied all applicable accounting principles, standards and requirements, and made sufficient disclosures. The Audit Committee has also discussed the matters of audit and financial reporting.

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

Hong Kong, August 25, 2020

# Interim Condensed Consolidated Statement of Profit or Loss

Six months ended June 30, 2020

	NOTES	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
<b>CONTINUING OPERATIONS</b>			
REVENUE	4	1,340,334	664,334
Cost of sales		(1,042,454)	(505,528)
<b>GROSS PROFIT</b>			
		297,880	158,806
Other income and gains		15,064	2,736
Selling and distribution expenses		(7,126)	(2,869)
Administrative expenses		(35,841)	(32,180)
Impairment losses on financial and contract assets, net		(10,911)	(12,918)
Fair value gains on investment properties		–	4,400
Fair value loss at financial assets through profit or loss		(20,787)	–
Other expenses		(1,204)	(824)
Finance costs		(21,261)	(10,256)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	5	215,814	106,895
Income tax expense	6	(87,500)	(50,306)
<b>PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS</b>			
		128,314	56,589
<b>DISCONTINUED OPERATIONS</b>			
Loss for the period from discontinued operations		–	(62)
<b>PROFIT FOR THE PERIOD</b>			
		128,314	56,527
Attributable to:			
Owners of the parent		128,314	56,527
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
	8		
Basic and diluted			
– For profit for the period		RMB0.16	RMB0.09
– For profit from continuing operations		RMB0.16	RMB0.09

# Interim Condensed Consolidated Statement of Comprehensive Income

Six months ended June 30, 2020

	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
PROFIT FOR THE PERIOD	128,314	56,527
OTHER COMPREHENSIVE INCOME		
Exchange differences:		
Exchange differences on translation of foreign operations	9,848	-
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	-	7,000
Income tax effect	-	(1,750)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	-	5,250
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	138,162	61,777
Attributable to:		
Owners of the parent	138,162	61,777

# Interim Condensed Consolidated Statement of Financial Position

As of June 30, 2020

	NOTES	June 30, 2020 RMB'000 (unaudited)	December 31, 2019 RMB'000 (audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	234,124	218,978
Investment properties		141,100	141,100
Right-of-use assets		12,034	12,662
Other intangible assets		1,687	1,788
Equity investments designated at fair value through other comprehensive income		143,000	143,000
Financial assets at fair value through profit or loss		179,382	184,655
Deferred tax assets		76,903	69,136
<b>TOTAL NON-CURRENT ASSETS</b>		<b>788,230</b>	<b>771,319</b>
<b>CURRENT ASSETS</b>			
Inventories		–	16
Trade receivables	12	380,696	408,999
Contract assets		1,548,505	1,221,868
Properties under development	10	2,265,044	2,437,886
Completed properties held for sale	11	705,505	340,122
Prepayments, other receivables and other assets		159,882	475,000
Tax recoverable		26,414	15,074
Pledged deposits		220,770	130,417
Cash and cash equivalents		208,561	321,909
<b>TOTAL CURRENT ASSETS</b>		<b>5,515,377</b>	<b>5,351,291</b>

# Interim Condensed Consolidated Statement of Financial Position

As of June 30, 2020

	NOTES	June 30, 2020 RMB'000 (unaudited)	December 31, 2019 RMB'000 (audited)
<b>CURRENT LIABILITIES</b>			
Trade payables	13	1,894,889	1,701,274
Other payables and accruals		2,064,790	2,194,094
Interest-bearing bank borrowings	14	370,000	619,000
Lease liabilities		1,028	1,004
Tax payable		462,509	349,489
<b>TOTAL CURRENT LIABILITIES</b>		<b>4,793,216</b>	4,864,861
<b>NET CURRENT ASSETS</b>		<b>722,161</b>	486,430
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,510,391</b>	1,257,749
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings	14	285,000	170,000
Lease liabilities		443	963
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>285,443</b>	170,963
<b>NET ASSETS</b>		<b>1,224,948</b>	1,086,786
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Share capital	15	7,281	7,281
Reserves		1,217,667	1,079,505
<b>TOTAL EQUITY</b>		<b>1,224,948</b>	1,086,786

Wang Xinling  
Director

Li Yaruixin  
Director



# Interim Condensed Consolidated Statement of Changes in Equity

Six months ended June 30, 2020

	Attributable to owners of the parent							
	Share capital RMB'000	Capital reserve RMB'000	Merger reserve RMB'000	Special reserve RMB'000	Statutory surplus reserve RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Retained profits RMB'000	Total equity RMB'000
As at January 1, 2019 (audited)	-	2,701	1,355,000	-	43,643	6,668	270,909	1,678,921
Profit for the period	-	-	-	-	-	-	56,527	56,527
Other comprehensive income for the period:								
Change in fair value of equity investments designated at fair value through other comprehensive income, net of tax	-	-	-	-	-	5,250	-	5,250
Total comprehensive income for the period	-	-	-	-	-	5,250	56,527	61,777
Disposal of an equity investments at fair value through other comprehensive income, net of tax	-	-	-	-	-	457	-	457
Deemed distribution upon the reorganisation	-	12,135	(1,355,000)	-	-	-	-	(1,342,865)
Transfer to special reserve	-	-	-	9,928	-	-	(9,928)	-
Utilisation of special reserve	-	-	-	(9,928)	-	-	9,928	-
As at June 30, 2019 (unaudited)	-	14,836	-	-	43,643	12,375	327,436	398,290

# Interim Condensed Consolidated Statement of Changes in Equity

Six months ended June 30, 2020

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

# Interim Condensed Consolidated Statement of Cash Flows

Six months ended June 30, 2020

	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Net cash flows generated from/(used in) operating activities	63,747	(87,928)
Net cash flows (used in)/generated from investing activities	(18,346)	1,479,319
Net cash flows used in financing activities	(158,749)	(1,375,819)
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(113,348)</b>	15,572
Cash and cash equivalents at beginning of period	321,909	101,277
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>208,561</b>	116,849
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	429,331	292,614
Less: Pledged deposits	(220,770)	(175,765)
<b>Cash and cash equivalents as stated in the statement of cash flows</b>	<b>208,561</b>	116,849

# Notes to Interim Condensed Consolidated Financial Statements

June 30, 2020

## 1. CORPORATE AND GROUP INFORMATION

The Company 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 six months ended June 30, 2020, the Group was involved in the following principal activities:

- Construction contracting
- Property development and others

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

## 2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended June 30, 2020 has been prepared in accordance with IAS 34 Interim Financial Reporting. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended December 31, 2019.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2019, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform
Amendments to IAS 1 and IAS 8	Definition of Material

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

# Notes to Interim Condensed Consolidated Financial Statements

June 30, 2020

## 3. OPERATING SEGMENT INFORMATION

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

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

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

For the six months ended June 30, 2020	Construction contracting RMB'000 (unaudited)	Property development and others RMB'000 (unaudited)	Total RMB'000 (unaudited)
<b>Segment revenue (note 4):</b>			
Sales to external customers	679,144	661,190	1,340,334
Intersegment sales	138,889	–	138,889
<b>Total revenue</b>	<b>818,033</b>	<b>661,190</b>	<b>1,479,223</b>
<i>Reconciliation:</i>			
Eliminations of intersegment sales – continuing			<u>(138,889)</u>
Revenue from continuing operations			<u>1,340,334</u>
<b>Segment results</b>	<b>7,356</b>	<b>215,484</b>	<b>222,840</b>
<i>Reconciliation:</i>			
Eliminations of intersegment results – continuing			<u>(7,026)</u>
Profit before tax from continuing operations			<u>215,814</u>

# Notes to Interim Condensed Consolidated Financial Statements

June 30, 2020

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

For the six months ended June 30, 2019	Construction contracting RMB'000 (unaudited)	Property development and others RMB'000 (unaudited)	Total RMB'000 (unaudited)
<b>Segment revenue (note 4):</b>			
Sales to external customers	324,709	339,625	664,334
Intersegment sales	368,081	–	368,081
<b>Total revenue</b>	<b>692,790</b>	<b>339,625</b>	<b>1,032,415</b>
<i>Reconciliation:</i>			
Eliminations of intersegment sales – continuing			(368,081)
Revenue from continuing operations			664,334
<b>Segment results</b>	<b>6,531</b>	<b>108,312</b>	<b>114,843</b>
<i>Reconciliation:</i>			
Eliminations of intersegment results – continuing			(7,948)
<b>Profit before tax from continuing operations</b>			<b>106,895</b>

The following table presents the asset and liability information of the Group's operating segments as at June 30, 2020 and December 31, 2019, respectively.

As at June 30, 2020	Construction contracting RMB'000 (unaudited)	Property development and others RMB'000 (unaudited)	Total RMB'000 (unaudited)
<b>Segment assets</b>	<b>4,852,076</b>	<b>9,365,718</b>	<b>14,217,794</b>
<i>Reconciliation:</i>			
Eliminations of intersegment receivables			(7,914,187)
<b>Total assets</b>			<b>6,303,607</b>
<b>Segment liabilities</b>	<b>3,647,635</b>	<b>6,454,875</b>	<b>10,102,510</b>
<i>Reconciliation:</i>			
Eliminations of intersegment payables			(5,023,851)
<b>Total liabilities</b>			<b>5,078,659</b>

# Notes to Interim Condensed Consolidated Financial Statements

June 30, 2020

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

As at December 31, 2019	Construction contracting RMB'000 (audited)	Property development and others RMB'000 (audited)	Total RMB'000 (audited)
<b>Segment assets</b>	4,708,750	8,935,920	13,644,670
<i>Reconciliation:</i>			
Eliminations of intersegment receivables			(7,530,415)
Total assets			6,114,255
<b>Segment liabilities</b>	3,509,968	6,585,863	10,095,831
<i>Reconciliation:</i>			
Eliminations of intersegment payables			(5,068,362)
Total liabilities			5,027,469

## 4. REVENUE

An analysis of revenue is as follows:

	For the six months ended June 30,	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
<i>Revenue from contracts with customers</i>	1,335,335	659,225
<i>Revenue from other sources</i>		
Gross rental income	4,999	5,109
	1,340,334	664,334

# Notes to Interim Condensed Consolidated Financial Statements

June 30, 2020

## 4. REVENUE (Continued)

### Revenue from contracts with customers

#### Disaggregated revenue information

For the six months ended June 30, 2020

	Construction contracting RMB'000 (unaudited)	Property development RMB'000 (unaudited)	Total RMB'000 (unaudited)
<b>Type of goods or services</b>			
Construction contracting	679,144	–	679,144
Property development	–	656,191	656,191
Total revenue from contracts with customers	679,144	656,191	1,335,335
<b>Geographical markets</b>			
Mainland China	679,144	656,191	1,335,335
<b>Timing of revenue recognition</b>			
Goods transferred at a point in time	–	656,191	656,191
Services transferred over time	679,144	–	679,144
Total revenue from contracts with customers	679,144	656,191	1,335,335

For the six months ended June 30, 2019

	Construction contracting RMB'000 (unaudited)	Property development RMB'000 (unaudited)	Total RMB'000 (unaudited)
<b>Type of goods or services</b>			
Construction contracting	324,709	–	324,709
Property development	–	334,516	334,516
Total revenue from contracts with customers	324,709	334,516	659,225
<b>Geographical markets</b>			
Mainland China	324,709	334,516	659,225
<b>Timing of revenue recognition</b>			
Goods transferred at a point in time	–	334,516	334,516
Services transferred over time	324,709	–	324,709
Total revenue from contracts with customers	324,709	334,516	659,225



# Notes to Interim Condensed Consolidated Financial Statements

June 30, 2020

## 4. REVENUE (Continued)

### Revenue from contracts with customers (Continued)

#### Disaggregated revenue information (Continued)

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

For the six months ended June 30, 2020

Segments	Construction contracting RMB'000 (unaudited)	Property development RMB'000 (unaudited)	Total RMB'000 (unaudited)
<b>Revenue from contracts with customers</b>			
External customers	679,144	656,191	1,335,335
Intersegment sales	138,889	–	138,889
	<b>818,033</b>	<b>656,191</b>	<b>1,474,224</b>
Intersegment eliminations	(138,889)	–	(138,889)
<b>Total revenue from contracts with customers</b>	<b>679,144</b>	<b>656,191</b>	<b>1,335,335</b>

For the six months ended June 30, 2019

Segments	Construction contracting RMB'000 (unaudited)	Property development RMB'000 (unaudited)	Total RMB'000 (unaudited)
<b>Revenue from contracts with customers</b>			
External customers	324,709	334,516	659,225
Intersegment sales	368,081	–	368,081
	<b>692,790</b>	<b>334,516</b>	<b>1,027,306</b>
Intersegment eliminations	(368,081)	–	(368,081)
<b>Total revenue from contracts with customers</b>	<b>324,709</b>	<b>334,516</b>	<b>659,225</b>

# Notes to Interim Condensed Consolidated Financial Statements

June 30, 2020

## 5. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

The Group's profit before tax from continuing operations is arrived at after charging:

	For the six months ended June 30,	
	2020 RMB'000	2019 RMB'000
Cost of construction contracting	644,661	307,749
Cost of properties development and others	397,793	197,779
Employee benefit expenses (including directors' and chief executive's remuneration):		
– Wages, salaries and allowances	15,507	6,771
– Social insurance	1,605	2,472
– Welfare and other expenses	780	441
	17,892	9,684
Impairment of financial and contract assets, net	13,328	12,918

## 6. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Company and the Group's subsidiaries incorporated in the Cayman Islands and British Virgin Islands are not subject to any income tax. The Group's subsidiaries incorporated in Hong Kong are not liable for income tax as they did not have any assessable profits currently arising in Hong Kong during the six months ended June 30, 2020.

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 six months ended June 30, 2020.

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

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

# Notes to Interim Condensed Consolidated Financial Statements

June 30, 2020

## 6. INCOME TAX *(Continued)*

	For the six months ended June 30,	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Current income tax	75,605	48,924
PRC LAT	19,496	26,680
Deferred income tax	(7,601)	(25,298)
	87,500	50,306

## 7. DIVIDENDS

The Board declared an interim dividend of HK\$0.05 (equivalent to RMB0.045) per ordinary share (six months ended June 30, 2019: Nil), amounting to HK\$40,472,800 (equivalent to approximately RMB36,426,000) (six months ended June 30, 2019: Nil).

## 8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The Group had no potentially dilutive ordinary shares in issue during the six months ended June 30, 2020. The calculations of basic and diluted earnings per share are based on:

	For the six month ended June 30,	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:		
From continuing operations	128,314	56,589
From discontinued operations	–	(62)
Profit attributable to ordinary equity holders of the parent	128,314	56,527

# Notes to Interim Condensed Consolidated Financial Statements

June 30, 2020

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

	Number of shares For the six month ended June 30,	
	2020 (unaudited)	2019 (unaudited)
<b>Shares</b>		
Weighted average number of ordinary shares in issue (thousands)	809,456	599,999

## 9. PROPERTY, PLANT AND EQUIPMENT

	As at June 30, 2020 RMB'000 (unaudited)	As at December 31, 2019 RMB'000 (audited)
Carrying amount at the beginning of the period/year	218,978	164,314
Additions	17,133	59,749
Depreciation charges	(1,987)	(5,037)
Disposals	–	(48)
	234,124	218,978

## 10. PROPERTIES UNDER DEVELOPMENT

	As at June 30, 2020 RMB'000 (unaudited)	As at December 31, 2019 RMB'000 (audited)
Carrying amount at the beginning of the period/year	2,437,886	2,594,931
Additions	526,437	812,681
Transferred to completed properties held for sale	(699,279)	(969,726)
	2,265,044	2,437,886

# Notes to Interim Condensed Consolidated Financial Statements

June 30, 2020

## 11. COMPLETED PROPERTIES HELD FOR SALE

	As at June 30, 2020 RMB'000 (unaudited)	As at December 31, 2019 RMB'000 (audited)
Carrying amount at the beginning of the period/year	340,122	54,120
Transferred from properties under development	699,279	969,726
Transferred to cost of sales	(333,896)	(683,724)
	<b>705,505</b>	340,122

## 12. TRADE RECEIVABLES

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

	As at June 30, 2020 RMB'000 (unaudited)	As at December 31, 2019 RMB'000 (audited)
Within 1 year	285,650	332,995
1 year to 2 years	56,345	65,834
2 years to 3 years	40,681	10,788
Over 3 years	33,080	23,531
Provision for impairment	(35,060)	(24,149)
	<b>380,696</b>	408,999

## 13. TRADE PAYABLES

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

	As at June 30, 2020 RMB'000 (unaudited)	As at December 31, 2019 RMB'000 (audited)
Within 6 months	883,939	863,373
6 months to 1 year	410,726	203,163
1 to 2 years	150,438	441,787
2 to 3 years	301,203	132,216
Over 3 years	148,583	60,735
	<b>1,894,889</b>	1,701,274

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

# Notes to Interim Condensed Consolidated Financial Statements

June 30, 2020

## 14. INTEREST-BEARING BANK BORROWINGS

	As at June 30, 2020			As at December 31, 2019		
	Effective interest rate (%)	Maturity (unaudited)	RMB'000	Effective interest rate (%)	Maturity (audited)	RMB'000
<b>Current</b>						
Bank borrowings – secured	5.66-8.00	2020-2021	320,000	5.66	2020	250,000
Current portion of long term bank borrowings – secured	4.75	2021	50,000	4.75-8.00	2020	369,000
			370,000			619,000
<b>Non-current</b>						
Bank borrowings – secured	4.75-9.75	2021-2022	285,000	4.75-9.75	2021-2022	170,000
			655,000			789,000

	As at June 30, 2020 RMB'000 (unaudited)	As at December 31, 2019 RMB'000 (audited)
Analysed into:		
Bank borrowings repayable:		
Within one year or on demand	370,000	619,000
In the second year	285,000	100,000
In the third to fifth years, inclusive	–	70,000
	655,000	789,000

The Group's borrowings are at fixed interest rate and all denominated in RMB.

- As at June 30, 2020, the Group's investment properties with an aggregate carrying amount of approximately RMB84,433,000 (December 31, 2019: RMB84,433,000) were pledged to secure bank borrowings granted to the Group.
- As at June 30, 2020, certain of the Group's properties under development with an aggregate carrying amount of approximately RMB842,085,000 (December 31, 2019: RMB593,895,000) have been pledged to secure bank borrowings granted to the Group.
- As at June 30, 2020, certain of the Group's property, plant and equipment with a carrying amount of approximately RMB67,299,000 (December 31, 2019: RMB68,176,000) were pledged to secure bank borrowings granted to the Group.

# Notes to Interim Condensed Consolidated Financial Statements

June 30, 2020

## 15. SHARE CAPITAL

Shares	As at June 30, 2020 HK\$'000 (unaudited)	As at December 31, 2019 HK\$'000 (audited)
Authorised: 2,000,000,000 (December 31, 2019: 2,000,000,000) ordinary shares of HK\$0.01 each	20,000	20,000
	As at June 30, 2020 RMB'000 (unaudited)	As at December 31, 2019 RMB'000 (audited)
Issued and fully paid: 809,456,000 (December 31, 2019: 809,456,000) ordinary shares of HK\$0.01 each	7,281	7,281

## 16. CONTINGENT LIABILITIES

As at June 30, 2020, the Group has provided guarantees in respect of mortgage facilities for certain purchasers of the Group's properties amounting to approximately RMB1,518 million (June 30, 2019: RMB1,251 million).

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

The Directors consider that the fair value of the guarantees is not significant, and in case of default on payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalties. Therefore, no provision for the guarantees has been made during the six months ended June 30, 2020

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 Intermediate People's Court of Baoding, Hebei Province and remitted to retrial by the People's Court of Zhuozhou, 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.

# Notes to Interim Condensed Consolidated Financial Statements

June 30, 2020

## 17. CAPITAL COMMITMENTS

The Group had the following capital commitments:

	As at June 30, 2020 RMB'000 (unaudited)	As at December 31, 2019 RMB'000 (audited)
Contracted, but not provided for: Construction contracting	633,790	229,572

## 18. RELATED PARTY TRANSACTIONS

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

	For the six months ended June 30,	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Advances to related parties	-	100,228
Repayments by related parties	-	1,529,568
Advances from related parties	-	110,261
Repayments of advances from related parties	-	107,344
Purchases of raw materials from companies of which a director of the Company is a controlling shareholder	-	1,662
Property management fee paid to related parties	475	977
Other rental income	750	750

### (b) Other transactions with related parties

As at June 30, 2020, a Director of the Company provided a guarantee to the Group's interest-bearing bank borrowings of RMB50,000,000 (December 31, 2019: RMB50,000,000).

During the six months ended June 30, 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.

\* For identification purpose only



# Notes to Interim Condensed Consolidated Financial Statements

June 30, 2020

## 18. RELATED PARTY TRANSACTIONS *(Continued)*

### (c) Outstanding balances with related parties

	As at June 30, 2020 RMB'000 (unaudited)	As at December 31, 2019 RMB'000 (audited)
<b>Prepayments, other receivables and other assets:</b>		
Advances to other related parties	3,800	3,049
<b>Other payables and accruals:</b>		
Amounts due to related parties	2,850	2,375

Balances with the above related parties were unsecured, non-interest bearing and repayable on demand and non-trade.

### (d) Compensation of senior management personnel

	For the six month ended June 30,	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Short-term employee benefits	6,674	364
Pension scheme contributions	48	89
Total compensation paid to senior management personnel	6,722	453

# Notes to Interim Condensed Consolidated Financial Statements

June 30, 2020

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

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	As at June 30, 2020 RMB'000 (unaudited)	As at December 31, 2019 RMB'000 (audited)	As at June 30, 2020 RMB'000 (unaudited)	As at December 31, 2019 RMB'000 (audited)
<b>Financial assets</b>				
Equity investments designated at fair value through other comprehensive income	143,000	143,000	143,000	143,000
Financial assets at fair value through profit or loss	179,382	184,655	179,382	184,655
	<b>322,382</b>	327,655	<b>322,382</b>	327,655

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.

# Notes to Interim Condensed Consolidated Financial Statements

June 30, 2020

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

*(Continued)*

Financial assets at fair value through profit or loss represented the listed equity investments, and their fair values are based on quoted market prices.

As at June 30, 2020, 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.

As at December 31, 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.

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 June 30, 2020 and December 31, 2019 was assessed to be insignificant.

# Notes to Interim Condensed Consolidated Financial Statements

June 30, 2020

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

(Continued)

### Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

	Fair value measurement as at June 30, 2020 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Recurring fair value measurements: Equity investments designated at fair value through other comprehensive income	-	-	143,000	143,000
Financial assets at fair value through profit or loss	179,382	-	-	179,382

	Fair value measurement as at December 31, 2019 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(audited)	(audited)
Recurring fair value measurements: Equity investments designated at fair value through other comprehensive income	-	-	143,000	143,000
Financial assets at fair value through profit or loss	184,655	-	-	184,655

# Notes to Interim Condensed Consolidated Financial Statements

June 30, 2020

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

*(Continued)*

### Fair value hierarchy *(Continued)*

During the six months ended June 30, 2020, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfer into or out of Level 3 (six months ended June 30, 2019: Nil).

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

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

	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
At January 1	143,000	136,391
Total gains recognised in other comprehensive income	–	7,000
Disposals	–	(391)
At June 30	143,000	143,000

## 20. APPROVAL OF THE FINANCIAL STATEMENTS

The interim condensed consolidated financial information was approved and authorized for issue by the Board on August 25, 2020.