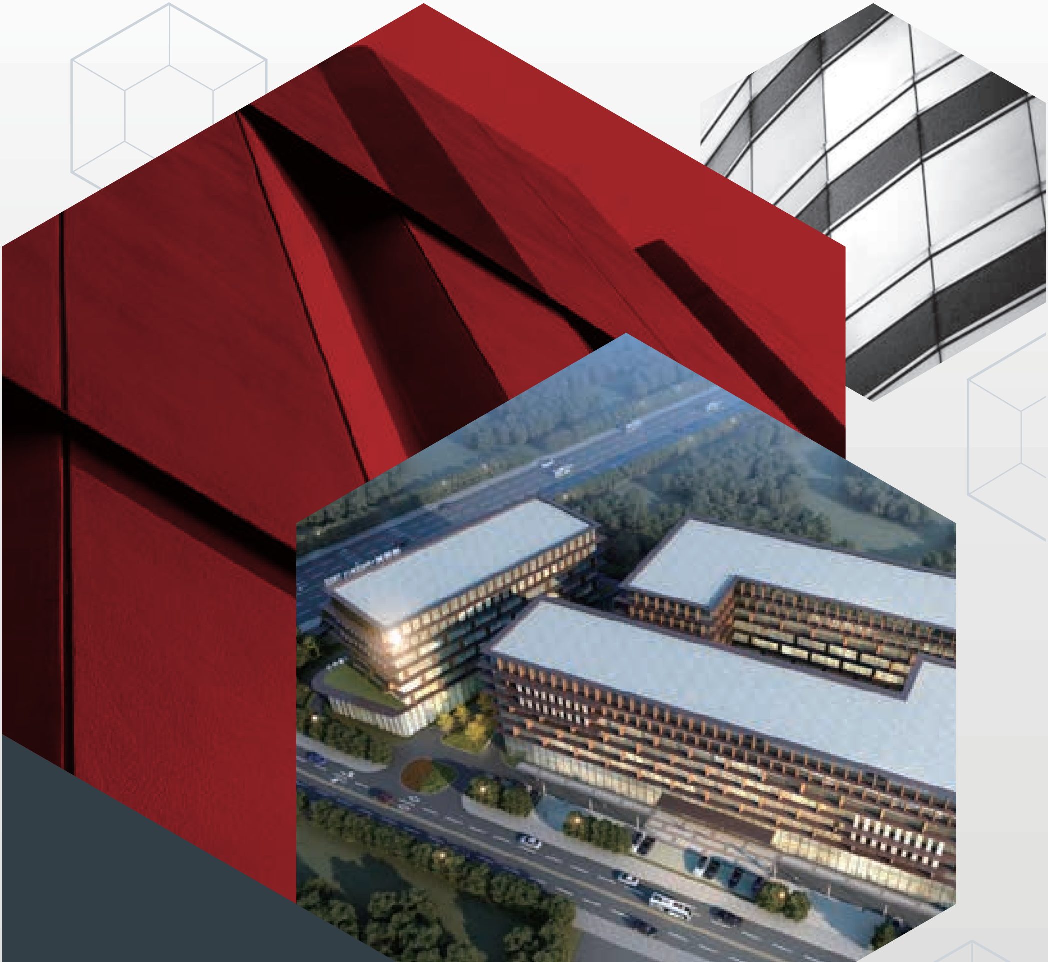
巨匠建设
JUJIANG CONSTRUCTION GROUP

# Jujiang Construction Group Co., Ltd.
# 巨 匠 建 設 集 團 股 份 有 限 公 司

*(A joint stock limited company established in the People's Republic of China)*

(Stock Code: 1459)



# 2019
## INTERIM REPORT

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# CORPORATE INFORMATION

## DIRECTORS

### Executive Directors

Mr. Lyu Yaoneng (Chairman)
Mr. Lyu Dazhong
Mr. Li Jinyan
Mr. Lu Zhicheng
Mr. Shen Haiquan
Mr. Zheng Gang

### Independent Non-Executive Directors

Mr. Yu Jingxuan
Mr. Lin Tao
Mr. Wong Ka Wai

## SUPERVISORS

Mr. Zou Jiangtao
Mr. Chen Xiangjiang
Mr. Lyu Xingliang
Mr. Zhu Jialian

## AUDIT COMMITTEE

Mr. Yu Jiagxuan (Chairman)
Mr. Wong Ka Wai
Mr. Lin Tao

## NOMINATION COMMITTEE

Mr. Lin Tao (Chairman)
Mr. Lyu Yaoneng
Mr. Yu Jingxuan

## REMUNERATION AND APPRAISAL COMMITTEE

Mr. Wong Ka Wai (Chairman)
Mr. Lyu Yaoneng
Mr. Lin Tao

## STRATEGIC COMMITTEE

Mr. Lyu Yaoneng (Chairman)
Mr. Lin Tao
Mr. Zheng Gang

## JOINT COMPANY SECRETARIES

Mr. Hong Kam Le
Mr. Jin Shuigen

## AUTHORISED REPRESENTATIVES

Mr. Lyu Yaoneng
Mr. Jin Shuigen

## LEGAL ADVISER

*As to Hong Kong Law*
Ince & Co.

*As to PRC Law*
AllBright Law Offices

## AUDITOR

Ernst & Young

## H SHARE REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong
(with effect from 11 July 2019)

## PRINCIPAL BANKERS

China Construction Bank Corporation Tongxiang Branch
Industrial and Commercial Bank of China Limited Tongxiang Branch
Industrial Bank Co., Ltd Jiaxing Branch
Bank of Communications Co., Ltd Tongxiang Branch
China Merchants Bank Co., Ltd Jiaxing Tongxiang Branch

# CORPORATE INFORMATION

## REGISTERED ADDRESS

No. 669
Qingfeng South Road (South)
Tongxiang City
Zhejiang Province
PRC

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN PRC

No. 669
Qingfeng South Road (South)
Tongxiang City
Zhejiang Province
PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

28/F,
Henley Building,
5 Queen's Road Central
Hong Kong

## STOCK CODE

1459

## WEBSITE

www.jujiang.cn

# FINANCIAL SUMMARY

| | For the six months ended 30 June | | |
|---|---|---|---|
| | **2019** | 2018 | |
| | **Unaudited** | Unaudited | Change |
| | **RMB'000** | RMB'000 | % |
| **Revenue** | **3,401,893** | 3,214,760 | 5.8 |
| **Gross profit** | **183,351** | 178,038 | 3.0 |
| Gross profit margin | **5.39%** | 5.54% | (0.15) |
| **Profit for the period** | **68,320** | 77,423 | (11.8) |
| Net profit margin | **2.01%** | 2.41% | (0.40) |
| **Basic and diluted earnings per share (RMB)** | **0.12** | 0.14 | |

# MANAGEMENT DISCUSSION AND ANALYSIS

## OVERVIEW

The Jujiang Construction Group Co., Ltd. (the "Company") and its subsidiaries (collectively the "Group") was established in 1965 as one of the earliest construction companies in Jiaxing, a city currently with a population of more than 4.5 million and strong commercial and light industrial activities. With more than 50 years' experience in the construction industry, the Group has built a successful track record in the industry in which the Group operates.

The Group successfully obtained the Premium Class Certificate for General Building Construction Contracting Work ("Premium Class Certificate") and the Grade A Engineering Design (Construction Industry) Certificate ("Engineering Design Certificate") on 28 January 2015 after undergoing a stringent review process. The Premium Class Certificate is the highest qualification awarded to building construction general contractors satisfying the high standards in relation to project management experience, technological innovation and scale of operations. The Engineering Design Certificate is awarded to those that meet high standards in relation to personnel qualifications, management capabilities and internal control. As two key certificates holders as well as other certificates holders, the Group is able to provide fully integrated construction solutions, which consist of construction contracting and design, survey and consultancy services for building construction projects of all types and scales nationwide.

## MARKET REVIEW

In the first half of 2019, central and local governments of PRC have issued as many as 251 real estate regulatory control policies. Under the key rationale of "stabilizing housing prices, land prices and expectations", regulatory control became the key word for China's real estate market for the first half of the year. At the same time, it continued to maintain the continuity and stability of the regulatory control policies, strengthened the two-way adjustment of supply and demand in the real estate market, improved the supply structure of housing, supported reasonable self-occupation needs, resolutely curbed housing speculation to ensure market stability. In the first half of 2019, the overall real estate market steadily slowed down. According to the national data of National Bureau of Statistics of PRC, during the six months ended 30 June 2019: i) the total building construction area in China was approximately 10,749.59 million square meters (30 June 2018: approximately 10,466.13 million square meters), representing an increase of 2.7% as compared to the corresponding period of 2018; ii) the total new construction area in China was approximately 2,351.89 million square meters (30 June 2018: approximately 2,518.54 million square meters), representing a decrease of 6.6% as compared to the corresponding period of 2018; and iii) the total contract value of construction companies in China was approximately RMB36,397.8 billion (30 June 2018: approximately RMB33,537.8 billion), representing an increase of 8.5% as compared to the corresponding period of 2018. In addition, during the six months ended 30 June 2019, the total output value of construction industry in China grew by 7.2% to approximately RMB10,161.6 billion (30 June 2018: approximately RMB9,479.0 billion) as compared with the same period of last year. The figures reflected that in spite of new challenges to real estate industry brought by the real estate policy control, the development momentum of construction industry was still strong and the demand for construction industry is expected to maintain a growing trend.

## BUSINESS REVIEW

In the first half of the year 2019, the Group continues to use of its own brand superiority to strengthen the allocation of business resources by actively delivering the three main strategies of 'major customers', 'going out', and 'quality business'. During the interim reporting period, the Group's revenue and net profit were approximately RMB3,401.9 million and approximately RMB68.3 million, respectively, representing an increase of approximately 5.8% and a decrease of approximately 11.8% respectively compared with the same period last year. Compared with the value of backlog of approximately RMB8,822.8 million as at 30 June 2018, the value of backlog increased by approximately 41.8% to approximately RMB12,506.4 million as at 30 June 2019. The table below shows the breakdown of the value of backlog changes:

| | For the six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'million** | RMB'million |
| Opening value of backlog | **11,239.2** | 7,976.8 |
| Net value of new projects[(1)] | **4,632.3** | 4,038.9 |
| Revenue recognized[(2)] | **(3,365.1)** | (3,192.9) |
| Closing value of backlog[(3)] | **12,506.4** | 8,822.8 |

Notes:

(1) Net value of new contracts means the total contract value of new construction contracting contracts which were awarded to us during the relevant period indicated.

(2) Revenue recognized means the revenue that has been recognized during the relevant period indicated.

(3) Closing value of backlog means the total contract value for the remaining work of construction projects before the percentage of completion of such projects reached 100% as of the end of the relevant period indicated.

### *'Major Customers'*

In the first half of 2019, the Group actively pushed forward the "major customers" strategy. While maintaining sound relationship with existing customers of top real estate companies, the Group took the initiative to engage with other top-tier property enterprises in China to diversify its customer base. The Group's new commercial and residential projects accounted for approximately RMB2.08 billion, or 45.0% of its projects. Meanwhile, the Group pursued development of industrial projects by strengthening the cooperation with industrial enterprises, including Tongkun Group Co., Ltd.*(桐昆集團股份有限公司), Jushi Group Co., Ltd.(巨石集團有限公司), Zhejiang Huayou Cobalt Co., Ltd.*(浙江華友鈷業股份有限公司), Xin Feng Ming Group Co., Ltd*(新鳳鳴集團股份有限公司) and Skyworth Group Limited*(創維集團有限公司). New industrial projects accounted for approximately RMB0.47 billion, or 10.1% of its projects.

***'Going Out'***

Supported by "major customers", the Group further pushed ahead the "going out" development in addition to strengthening its market position in Jiaxing, Tongxiang. As a result, the Group secured new contracts outside of Zhejiang Province, which accounted for over 53.6% of its business. Besides, the Group undertook projects of approximately RMB1.17 billion in Ningbo, Hangzhou, Huzhou, Wenzhou, Quzhou and other cities in Zhejiang Province (except Jiaxing City), representing an increase of approximately 322.7% compared with the same period last year. For markets outside Zhejiang Province, the Group intensively developed the Henan market and extended its reach to neighboring areas from Zhengzhou, which boosted its market share. With such effort, the Group's new contract amount reached approximately RMB1.39 billion, accounting for approximately 56.0% of the total new contract amount in other areas (expect Zhejiang Province). The Group intensified the strategic cooperation mainly with local major players in the property sector. Moreover, in the first half of 2019, the Group's market expansion efforts in Anhui Province started to pay off and it undertook projects amounting to approximately RMB0.28 billion. The number of projects undertaken for the year is expected to have a healthy growth.

| | For the six months ended 30 June | | | | |
|---|---|---|---|---|---|
| | **2019** | | **2018** | | Change |
| | **RMB'million** | **%** | RMB'million | % | % |
| Jiaxing City | **982.9** | **21.2** | 2,507.1 | 59.6 | (60.8) |
| Zhejiang Province (except Jiaxing City) | **1,165.5** | **25.2** | 275.7 | 13.5 | 322.7 |
| Other areas (except Zhejiang Province) | **2,483.9** | **53.6** | 1,256.1 | 26.9 | 97.7 |
| Total | **4,632.3** | **100.0** | 4,038.9 | 100.0 | |

***'Quality business'***

In the first half of 2019, on 17 April 2019, a subsidiary of the Group officially entered into a public-private partnership ("PPP") project with Tongxiang Education Bureau, which marked the Group's first ever PPP project. Pursuant to which, the Group will contribute to the PPP project through investment, financing, construction, operation and management.

## Research and Development

The Group has always been committed to innovation in production technology. Leveraging the "Industry-Academic Research" platform, the "Academician Workstations" and other resources, it expedited the enhancement of new technology and techniques. In the first half of 2019, it obtained 2 provincial QC achievements and 2 utility model patents in PRC. On 17 April 2019, the Company entered into an agreement in relation to "the Investment on Setting up Tongxiang

City Digital Construction Industrial Base Company Limited"*(《投資設立桐鄉市數字建築產業基地有限公司協議書》) with several investors, pursuant to which all parties agreed to engage in research, development, production and sale of concrete prefabricated parts and related products. At present, the People's Government of Tongxiang City of China is vigorously promoting green buildings, reducing construction pollution and implementing new industrialization and digital construction. Through joint venture with other investors, the Company will be able to effectively improve the development and application of building materials, thereby saving costs.

The Group further increased the technical application of the Building Information Model ("BIM"), from previous headquarters application to on-site application for 23 projects in total during the first half of the year. At present, the Group has applied the BIM5D platform, an advanced version of BIM, to each of the new construction projects. BIM5D features the addition of construction plan and cost control function. The application of BIM5D helps associate the construction process with time, and generate precise cost estimates from the components of the information model to form the sheet of initial data analysis. The Group believes the application of the BIM technology to complement project cost control, pre-settlement as well as production and technology management will help improve the efficiency of the construction sites.

The Group has successfully made great strides in its business development with the implementation of the three main strategies of 'major customers', 'going out', and 'quality business'. In order to support the rapid business expansion and future plans, the Group has recruited a total of 111 new employees since the first half of the year, including senior technology professionals, first class constructors and second class constructors.

For the six months ended 30 June 2019, approximately 98.7% (six months ended 30 June 2018: approximately 99.1%) of the revenue was contributed by the construction contracting business.

| | For the six months ended 30 June | | | |
|---|---|---|---|---|
| | **2019** | | 2018 | |
| | **RMB'million** | **%** | RMB'million | % |
| **Construction contracting business** | | | | |
| Residential | **1,736.9** | **51.1** | 1,472.9 | 45.8 |
| Commercial | **472.3** | **13.9** | 553.8 | 17.2 |
| Industrial | **888.1** | **26.1** | 911.6 | 28.4 |
| Public works | **260.4** | **7.6** | 249.1 | 7.7 |
| | **3,357.7** | **98.7** | 3,187.4 | 99.1 |
| **Other business** | **44.2** | **1.3** | 27.4 | 0.9 |
| Total revenue | **3,401.9** | **100.0** | 3,214.8 | 100.0 |

## FINANCIAL REVIEW

### Revenue and gross profit margin

Revenue increased by approximately 5.8% from approximately RMB3,214.8 million for the six months ended 30 June 2018 to approximately RMB3,401.9 million for the six months ended 30 June 2019, primarily because of increase of construction contracting business amounting to approximately RMB170.3 million and increase of other business amounting to approximately RMB16.8 million for the six months ended 30 June 2019. Increase in construction contracting business was primarily due to an increase in revenue from residential construction contracting business amounting to approximately RMB264.0 million, which was partially offset by a decrease in revenue from commercial construction contracting business amounting to approximately RMB81.5 million. Increase in revenue from residential construction contracting business for the six months ended 30 June 2019 was a result of benefits of our business strategy 'major customers' and 'going out', the Group co-operated with mega property developers and developers outside Jiaxing City which stimulated our revenue. However, the economy is uncertain in the PRC, the commercial activities were cooled down. As a result, the revenue from commercial construction contracting business for the six months ended 30 June 2019 was decreased.

Gross profit increased by approximately 3.0% from approximately RMB178.0 million for the six months ended 30 June 2018 to approximately RMB183.4 million for the six months ended 30 June 2019, which was in line with increase in revenue. The gross profit margin decreased from approximately 5.54% for the six months ended 30 June 2018 to approximately 5.39% for the six months ended 30 June 2019, such decrease was mainly due to the decrease in gross profits margins of the construction contracting business. The gross profit margin of the construction contracting business was affected by a decrease in revenue and gross profit margin of the commercial construction contracting business whose profit margin is higher than other construction contracting business. The gross profit margin of the commercial construction contracting business decreased from approximately 5.8% for the six months ended 30 June 2018 to approximately 4.7% for the six months ended 30 June 2019.

### Other income and gains

Other income and gains decreased by approximately RMB0.6 million from approximately RMB1.1 million for the six months ended 30 June 2018 to approximately RMB0.5 million for the six months ended 30 June 2019 primarily because a decrease in government grant income of approximately RMB0.6 million for the six months ended 30 June 2019.

### Administrative expenses

The administrative expenses increased by approximately 24.1% from approximately RMB36.5 million for the six months ended 30 June 2018 to approximately RMB45.3 million for the six months ended 30 June 2019 which primarily was due to an increase in salaries and employee benefits of approximately RMB8.4 million as the Group has recruited a total of 111 new employees, including senior technology professionals, first class constructors and second class constructors, to meet its fast growing business.

### Impairment losses on financial and contract assets, net

Impairment losses on financial and contract assets, net, increased significantly by approximately 102.2% from approximately RMB4.3 million for the six months ended 30 June 2018 to approximately RMB8.7 million for the six months ended 30 June 2019, primarily due to increase in impairments of trade receivable and other receivables as the receivable balance aged over 1 year were increased. The impairments of trade receivables and other receivables increased from approximately RMB3.5 million and approximately RMB1.1 million, respectively, for the six months ended 30 June 2018 to approximately RMB7.0 million and approximately RMB2.0 million, respectively, for the six months ended 30 June 2019.

### Finance costs

Finance costs increased by approximately 19.4% from approximately RMB32.0 million for the six months ended 30 June 2018 to approximately RMB38.2 million for the six months ended 30 June 2019. Such increase was primarily due to an increase in interest-bearing borrowings, as a result the Group incurred an interest of approximately RMB36.7 million for the six months ended 30 June 2019 as compared with approximately RMB26.9 million for the six months ended 30 June 2018.

### Income tax expense

Income tax expenses decreased by 15.8% from approximately RMB27.2 million for the six months ended 30 June 2018 to approximately RMB22.9 million for the six months ended 30 June 2019 primarily because of a decrease in profits from the operation. The effective tax rate decreased from approximately 26.0% for the six months ended 30 June 2018 to 25.1% for the six months ended 30 June 2019 primarily because one of the operating subsidiaries of the Company obtained the qualification of High and New Technology Enterprise which can enjoy corporate income tax rate at 15%.

### Profit for the period

Profit for the period decreased by approximately 11.8% from approximately RMB77.4 million for the six months ended 30 June 2018 to approximately RMB68.3 million for the six months ended 30 June 2019. Net profit margin decreased from approximately 2.4% for the six months ended 30 June 2018 to approximately 2.0% for the six months ended 30 June 2019, primarily due to a decrease in gross profit margin and an increase in administrative expenses for the six months ended 30 June 2019.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The working capital for the Group's operations primarily comes from cash generated from operating activities and interest-bearing bank and other borrowings. As of 30 June 2019 and 31 December 2018, the Group had cash and cash equivalents of approximately RMB236.9 million and approximately RMB167.4 million, respectively.

### Treasury Policies

The Group monitors the cash flows and cash balance on a regular basis and seeks to maintain an optimal level of liquidity that can meet the working capital needs while supporting a healthy level of business and its various growth strategies. In the future, the Group intends to finance its operations through cash generated from operating activities and interest-bearing bank and other borrowings. Other than normal bank borrowings that the Group obtains from commercial banks and potential debt financing plans, the Group does not expect to have any material external debt financing plan in the near future.

## Contract assets

The contract assets decreased from approximately RMB3,077.3 million as of 31 December 2018 to approximately RMB3,012.4 million as of 30 June 2019, representing 58.8% and 59.5% of the total current assets as of the same period. The proportion of the contract assets to the total current assets was increased due to the Group strict control over the billings process. Decrease in absolute amounts of contract assets was primarily because of the Group actively issued bills to the customers.

## Trade and bills receivables

Trade and bills receivables decreased by approximately 18.5% from approximately RMB1,470.7 million as at 31 December 2018 to approximately RMB1,198.3 million as at 30 June 2019. Such decrease was due to the Group collecting the receivable actively in order to strengthen its cash flow. The trade and bills receivables turnover days increased from approximately 63 days as at 31 December 2018 to approximately 71 days as at 30 June 2019, and such increase was a result of the increase in receivable balance aged over 1 year.

## Trade and bills payables

Trade and bills payables decreased from approximately RMB3,159.5 million as at 31 December 2018 to approximately RMB2,755.9 million as at 30 June 2019. The trade and bills payables turnover days increased from approximately 161 days as at 31 December 2018 to approximately 168 days as at 30 June 2019.

## Borrowings and charge on assets

As of 30 June 2019, the Group relied on short-term and long-term interest-bearing borrowings in the aggregated amount of approximately RMB560.1 million (31 December 2018: approximately RMB420.1 million). The short-term interest bearing borrowings amounting to approximately RMB457.7 million (31 December 2018: approximately RMB420.1 million) are repayable within 1 year and carried effective interest rate with a range from 4.71% to 6.48% per annum (31 December 2018: 3.93% to 6.48% per annum). A long-term interest-bearing borrowings amounting to approximately RMB102.4 million (31 December 2018: nil) are repayable from 2021 to 2027 and the interest rate is 10% lower than the base rate announced by the People's Bank of China (31 December 2018: nil).

As at 30 June 2019, certain general banking facilities were secured by the land use rights and buildings of approximately RMB92.1 million (31 December 2018: approximately RMB93.2 million).

## Gearing ratio

The gearing ratio increased from 16.5% as at 31 December 2018 to approximately 19.0% as at 30 June 2019. The increase was mainly attributable to an increase in long-term interest-bearing borrowings of approximately RMB102.4 million.

Gearing ratio represents net debt divided by total equity as of the end of a year/period. Net debt is defined as all borrowings deducted by cash and bank balances and pledged deposits.

### Capital Expenditure

For the six months ended 30 June 2019, the capital expenditures were approximately RMB6.4 million (30 June 2018: approximately RMB2.2 million). The capital expenditure incurred for the six months ended 30 June 2019 primarily related to the construction machinery for the business expansion.

### Capital Commitments

As at 30 June 2019, the Group did not have any significant commitments.

### Contingent liabilities

As at 30 June 2019, the Group had no material contingent liabilities.

### Fluctuation of RMB Exchange Rate and Foreign Exchange Risks

The majority of the Group's business and all bank borrowings are denominated and accounted for in RMB. Therefore, the Group does not have significant exposure to foreign exchange fluctuation. The Board does not expect the fluctuation of RMB exchange rate and other foreign exchange fluctuations will have material impact on the business operations or financial results of the Group. The Group currently has no hedging policy with respect to the foreign exchange risks, therefore, the Group has not entered into any hedging transactions to manage the potential fluctuation in foreign currencies.

## SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES ASSOCIATES AND JOINT VENTURES

### The PPP Project

On 17 April 2019, Tongxiang City Education Culture Development and Investment Co. Limited* (桐鄉市教育文化發展投資有限責任公司 or the "Vendor") and Tongxiang City Quality Education Complex Company Limited* (桐鄉市素質教育實踐基地有限責任公司 or the "Tongxiang Subsidiary"), a subsidiary of the Company, entered into the PPP contract in respect of the PPP project in Tongxiang City, Zhejiang Province, the PRC. The total investment of the PPP Project is expected to be approximately RMB263.1 million, which included the considerations of the acquisition, to acquire 80% shareholdings of the Tongxiang Subsidiary by the Company from the Vendor in accordance with the share transfer agreement dated 13 November 2018 entered into between the Company and the Vendor, in the amount of RMB48.0 million.

Pursuant to the PPP contract, the PPP project is construction and operation of the educational complex in Tongxiang City, Zhejiang Province, the PRC, with a total site area of approximately 100,000 square metre and a total construction floor area of 53,235.94 square metre. The educational complex is a complex that contains two ancillary to be used as offices and exhibition halls, two student dormitories and a staff dormitory, a canteen, a stadium, a power distribution room and a parking lot. Tongxiang Education Bureau agreed to grant certain concession rights in relation to the PPP Project to Tongxiang Subsidiary, including the right to (i) finance and construct the educational complex, (ii) operate and maintain the educational complex and the whole PPP project during the concession period, and (iii) receive revenue and other incomes from operating and maintaining the educational complex under the PPP project during the concession period, which include operating and managing restaurants, dormitories and supermarkets at the PPP project. The concession period was expected from July 2019 to July 2034.

For more details of the transaction, please refer to the announcement of the Company dated 17 April 2019, titled: "MAJOR TRANSACTION THE PPP CONTRACT IN RELATING TO PPP PROJECT" and the circular of the Company dated 12 June 2019.

### Establishment of a joint venture

On 17 April 2019, the Company entered into a joint venture agreement with several investors. Pursuant to the joint venture agreement, all parties agreed to hold a project company, through 2 intermediate companies, which will engage in the research, development, production and sale of concrete prefabricated parts and related products. After the establishment of the project company, the Company will indirectly hold 27.2% of the project company. The total investment amount under the joint venture agreement is expected to be RMB1.0 billion.

As at 30 June 2019, the Company and 2 investors have established an intermediate company named Tongxiang City San Ju Digital Construction Technology Company Limited* (桐鄉市三巨數字建築科技有限責任公司) with registered capital of RMB208.0 million. As at 30 June 2019, the Company have not yet paid any registered capital and the project company have not yet established.

For more details of the transaction, please refer to the announcement of the Company dated 17 April 2019, titled: "MAJOR TRANSACTION JV AGREEMENT IN RELATING TO THE ESTABLISHMENT OF THE PROJECT COMPANY" and the circular of the Company dated 12 June 2019.

Save as disclosed herewith, the Group had no significant investments held or material acquisitions and disposals during the six months ended 30 June 2019.

## FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group did not have other plans for material investments and capital assets as at 30 June 2019.

## EMPLOYEE AND REMUNERATION POLICIES

As of 30 June 2019, the Group had total of 928 employees, of which 701 were based in Jiaxing City, and 227 were based in other areas in Zhejiang Province and in other provinces and regions in China. For the six months ended 30 June 2019, the Group incurred total staff costs of approximately RMB28.6 million, representing an increase of approximately 42.3% as compared with the same period in 2018, mainly attributable to increase in headcount and salary incremental.

The Group believes that the long-term growth depends on the expertise, experience and development of the employees. The salaries and benefits of the employees depend primarily on their type of work, position, length of service with us and local market conditions. In order to improve the employees' skills and technical expertise, the Group provides regular training to the employees.

## FUTURE PROSPECTS

The Group will push forward the three main business strategy centering on 'major customers', 'going out', and 'quality business'. It will step up its brand building efforts, sharpen its focus on strengthening corporate brands, pay attention to customers' needs, attach great importance to publicity and results presentation, and enhance brand influence. Besides, it will carry out various construction works including the "Demonstration Site for Culture", combining which with production, technology and other efforts to deepen the image of VI and further align the standard of site image. At the same time, the Group will optimize internal management by implementing more stringent risk control, strengthening internal cost management, upgrading production technology management and improving operations supervision and management, so as to achieve high-quality development on all fronts.

## SHARE CAPITAL

The share capital structure of the Company as at 30 June 2019 is as follows:

| Class of Shares | Number of shares | Approximate percentage of the total issued share capital |
|---|---|---|
| Domestic shares in issue | 400,000,000 | 75.0% |
| H shares in issue | 133,360,000 | 25.0% |
| Total | 533,360,000 | 100.0% |

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (30 June 2018: Nil).

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the six months ended 30 June 2019 and up to the date of this report, there was no purchase, sale or redemption by the Company or any of its subsidiaries of any listed securities of the Company.

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

As at 30 June 2019, the interests or short positions of the Directors, Supervisors and the chief executive in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers as set out in Appendix 10 (the "Model Code") to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") to be notified to the Company and the Stock Exchange are as follows:

### The Company

| Director/Supervisor | Nature of interest | Number of shares of the relevant corporation (including associated corporation) held [1] | Approximate percentage of shareholdings in the total share capital of the Company | Approximate percentage of shareholdings in the relevant class of Shares of the Company |
|---|---|---|---|---|
| Mr. Lyu Yaoneng[2] | Interest of controlled corporation | 204,000,000 Domestic Shares (L) | 38.25% | 51% |

Notes:

(1) The letter "L" denotes a person's long position (as defined under Part XV of the SFO) in the Domestic Shares.

(2) Zhejiang Jujiang Holdings Group Co., Ltd (浙江巨匠控股集團有限公司) ("Jujiang Holdings") is held as to approximately 51.33% by Mr. Lyu Yaoneng. Mr. Lyu Yaoneng controls more than one-third of the voting rights of Jujiang Holdings and are deemed to be interested in its interest in the Company by virtue of the SFO.

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

As at 30 June 2019, so far as the Directors, Supervisors and the chief executive of the Company are aware of, as indicated on the register of interests and/or short positions required to be maintained pursuant to Section 336 of Part XV of the SFO, the substantial Shareholders and other persons (other than Directors, Supervisors and the chief executive of the Company) had the following interests and/or short positions in the Shares or underlying Shares of the Company:

| Shareholders | Nature of interest | Number of Shares held[1] | Approximate percentage of shareholdings in the relevant class of Shares[2] | Approximate percentage of shareholdings in the total share capital of the Company[3] |
|---|---|---|---|---|
| Jujiang Holdings[4] | Beneficial owner | 204,000,000 Domestic Shares (L) | 51% | 38.25% |
| Ms. Shen Hongfen[5] | Interest of spouse | 204,000,000 Domestic Shares (L) | 51% | 38.25% |
| Jujiang Equity Investment[6] | Beneficial owner | 196,000,000 Domestic Shares (L) | 49% | 36.75% |
| Chan Ka Wo | Beneficial owner | 9,480,000 H Shares (L) | 7.10% | 1.78% |

Notes:

(1) The letter "L" denotes a person's long position (as defined under Part XV of the SFO) in the Domestic Shares.

(2) The calculation is based on the percentage of shareholding in the Domestic Shares/H Shares.

(3) The calculation is based on the total number of 533,360,000 Shares in issue after the Global Offering.

(4) Jujiang Holdings will be directly interested in approximately 38.25% in the Company.

(5) Ms. Shen Hongfen (沈洪芬), the spouse of Mr. Lyu Yaoneng, is deemed to be interested in Mr. Lyu Yaoneng's interest in the Company by virtue of the SFO.

(6) Jujiang Equity Investment will be directly interested in approximately 36.75% in the Company.

Save as disclosed above, as at 30 June 2019, so far as the Directors, Supervisors and the chief executive of the Company are aware of, no other persons have interests and/or short positions in the Shares or underlying Shares which were required, pursuant to Section 336 of Part XV of the SFO, to be recorded in the register kept under such provisions.

## DIRECTORS' COMPETING INTERESTS

As at 30 June 2019, none of the controlling shareholders, Directors and their respective close associates (as defined under the Listing Rules) has any interests in any business which directly or indirectly competes or is likely to compete with the principal business and other businesses, which would require disclosure under Rule 8.10 of the Listing Rules.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board comprises six executive Directors and three independent non-executive Directors. The Board has adopted the code provisions (the "Code Provisions") of the Corporate Governance Code ("CG Code") set out in Appendix 14 to the Listing Rules. Throughout the six months ended 30 June 2019, the Company has fully complied with the Code Provisions, except for the following deviations.

Pursuant to Code Provision A.2.1 of the CG Code, the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. However, the Group does not have a separate chairman and general manager (which is equivalent to chief executive officer) and Mr. Lyu Yaoneng currently performs these two roles. Our Board believes that vesting the roles of both chairman and general manager in the same person has the benefit of ensuring consistent leadership within our Group and enables more effective and efficient overall strategic planning for our Group. Our Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively. Our Board will continue to review and consider splitting the roles of chairman of our Board and general manager of our Company at a time when it is appropriate and suitable by taking into account the circumstances of our Group as a whole.

Save as disclosed above, the Company has complied with the CG Code for the period. Our Directors will review our corporate governance policies and compliance with the CG Code each financial year.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the Company's code of conduct regarding Directors' and supervisors securities transactions. Upon specific enquiries, all Directors and Supervisors confirmed that they have complied with the relevant provisions of the Model Code throughout the period from 1 January 2019 to 30 June 2019.

Senior management who, because of their office in the Company, are likely to be in possession of inside information, have also been requested to comply with the provisions of the Model Code.

## SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this report, there are no major subsequent events to 30 June 2019 which would materially affect the Group's operating and financial performance as of the date of this report.

## AUDIT COMMITTEE

The Audit Committee was established with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code as set out in Appendix 14 to the Listing Rules on 23 December 2015. The Audit Committee consists of three members, namely Mr. Wong Ka Wai, Mr. Lin Tao and Mr. Yu Jingxuan, all being our independent non-executive Directors. Mr. Yu Jingxuan has been appointed as the chairman of the Audit Committee, and is our independent non-executive Director possessing the appropriate professional qualifications. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group, oversee the audit process and perform other duties and responsibilities as assigned by our Board.

The Audit Committee has discussed with the management and external auditor the accounting principles and policies adopted by the Group, and reviewed the Group's unaudited interim condensed consolidated financial information for the six months ended 30 June 2019. The Audit Committee is of the opinion that the financial statements comply with the applicable accounting standards.

On behalf of the Board
**Jujiang Construction Group Co., Ltd.**
**Mr. Lyu Yaoneng**
*Chairman*

Zhejiang Province, the PRC, 26 August 2019

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**To the board of directors of Jujiang Construction Group Co., Ltd.**
(Established in the People's Republic of China with limited liability)

## INTRODUCTION

We have reviewed the interim financial information set out on pages 21 to 52, which comprise the condensed consolidated statement of financial position of Jujiang Construction Group Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2019 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six months period then ended, and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 Interim Financial Reporting ("IAS 34") issued by the International Accounting Standards Board.

The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

**Ernst & Young**
*Certified Public Accountants*
Hong Kong

26 August 2019

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

| | Notes | 2019 RMB'000 (Unaudited) | 2018 RMB'000 (Unaudited) |
|---|---|---|---|
| **REVENUE** | 4 | 3,401,893 | 3,214,760 |
| Cost of sales | | (3,218,542) | (3,036,722) |
| **Gross profit** | | 183,351 | 178,038 |
| Other income and gains | 5 | 546 | 1,095 |
| Administrative expenses | | (45,297) | (36,477) |
| Impairment losses on financial and contract assets, net | | (8,744) | (4,325) |
| Other expenses | | (448) | (1,685) |
| Finance costs | 6 | (38,181) | (31,990) |
| **PROFIT BEFORE TAX** | 7 | 91,227 | 104,656 |
| Income tax expense | 8 | (22,907) | (27,233) |
| **PROFIT FOR THE PERIOD** | | 68,320 | 77,423 |
| **OTHER COMPREHENSIVE INCOME** | | – | – |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | | 68,320 | 77,423 |
| **Profit attributable to:** | | | |
| Owners of the parent | | 65,333 | 77,316 |
| Non-controlling interests | | 2,987 | 107 |
| | | 68,320 | 77,423 |
| **Total comprehensive income attributable to:** | | | |
| Owners of the parent | | 65,333 | 77,316 |
| Non-controlling interests | | 2,987 | 107 |
| | | 68,320 | 77,423 |
| **Earnings per share attributable to ordinary equity holders of the parent:** | | | |
| Basic and diluted (expressed in RMB) | 10 | 0.12 | 0.14 |

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2019

| | Notes | 30 June 2019 RMB'000 (Unaudited) | 31 December 2018 RMB'000 (Audited) |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 11 | 137,081 | 221,202 |
| Right-of-use assets | | 8,851 | – |
| Prepaid land lease payments | | – | 8,706 |
| Goodwill | | 1,162 | 1,162 |
| Other intangible assets | | 50,110 | 2,803 |
| Deferred tax assets | | 22,108 | 20,197 |
| Prepayments, other receivables and other assets | 14 | 11,633 | 26,224 |
| Total non-current assets | | 230,945 | 280,294 |
| **CURRENT ASSETS** | | | |
| Prepaid land lease payments | | – | 291 |
| Inventories | | 17,974 | 17,209 |
| Trade and bills receivables | 13 | 1,198,278 | 1,470,703 |
| Contract assets | 12 | 3,012,414 | 3,077,317 |
| Prepayments, other receivables and other assets | 14 | 529,659 | 466,489 |
| Pledged deposits | 15 | 64,550 | 35,369 |
| Cash and cash equivalents | 15 | 236,894 | 167,406 |
| Total current assets | | 5,059,769 | 5,234,784 |
| **CURRENT LIABILITIES** | | | |
| Trade and bills payables | 16 | 2,755,850 | 3,159,517 |
| Other payables and accruals | 17 | 415,462 | 439,085 |
| Interest-bearing bank and other borrowings | 18 | 457,710 | 420,050 |
| Tax payable | | 197,081 | 182,390 |
| Total current liabilities | | 3,826,103 | 4,201,042 |
| **NET CURRENT ASSETS** | | 1,233,666 | 1,033,742 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | 1,464,611 | 1,314,036 |

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2019

| | Notes | 30 June 2019 RMB'000 (Unaudited) | 31 December 2018 RMB'000 (Audited) |
|---|---|---|---|
| **NON-CURRENT LIABILITIES** | | | |
| Interest-bearing bank and other borrowings | 18 | 102,350 | – |
| Total non-current liabilities | | 102,350 | – |
| Net assets | | 1,362,261 | 1,314,036 |
| **EQUITY** | | | |
| **Equity attributable to owners of the parent** | | | |
| Share capital | 19 | 533,360 | 533,360 |
| Reserves | 20 | 808,160 | 761,570 |
| | | 1,341,520 | 1,294,930 |
| Non-controlling interests | | 20,741 | 19,106 |
| Total equity | | 1,362,261 | 1,314,036 |

**Lyu Yaoneng**
*Director*

**Lyu Dazhong**
*Director*

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## For the six months ended 30 June 2019

| | | Attributable to owners of the parent | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Note | Share capital RMB'000 | Capital reserve RMB'000 | Special reserve RMB'000 | Statutory surplus reserve RMB'000 | Retained profits RMB'000 | Total RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| At 1 January 2019 (audited) | | 533,360 | 188,480 | – | 61,053 | 512,037 | 1,294,930 | 19,106 | 1,314,036 |
| Profit for the period (unaudited) | | – | – | – | – | 65,333 | 65,333 | 2,987 | 68,320 |
| Total comprehensive income for the period (unaudited) | | – | – | – | – | 65,333 | 65,333 | 2,987 | 68,320 |
| Transfer to special reserve (unaudited) | (i) | – | – | 69,163 | – | 69,163 | – | – | – |
| Utilisation of special reserve (unaudited) | (i) | – | – | (69,163) | – | (69,163) | – | – | – |
| Final 2018 dividend declared (unaudited) | 9 | – | – | – | – | (18,743) | (18,743) | – | (18,743) |
| Dividends paid to non-controlling shareholders (unaudited) | | – | – | – | – | – | – | (1,352) | (1,352) |
| At 30 June 2019 (Unaudited) | | 533,360 | 188,480 | – | 61,053 | 558,627 | 1,341,520 | 20,741 | 1,362,261 |

## For the six months ended 30 June 2018

| | Note | Share capital RMB'000 | Capital reserve RMB'000 | Special reserve RMB'000 | Statutory surplus reserve RMB'000 | Retained profits RMB'000 | Total RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
|---|---|---|---|---|---|---|---|---|---|
| | | Attributable to owners of the parent | | | | | | | |
| At 1 January 2018 (audited) | | 533,360 | 188,480 | – | 42,971 | 359,023 | 1,123,834 | 6,225 | 1,130,059 |
| Profit for the period (unaudited) | | – | – | – | – | 77,316 | 77,316 | 107 | 77,423 |
| Total comprehensive income for the period (unaudited) | | – | – | – | – | 77,316 | 77,316 | 107 | 77,423 |
| Transfer to special reserve (unaudited) | (i) | – | – | 66,613 | – | (66,613) | – | – | – |
| Utilisation of special reserve (unaudited) | (i) | – | – | (66,613) | – | 66,613 | – | – | – |
| Dividends paid to non-controlling shareholders (unaudited) | | – | – | – | – | – | – | (600) | (600) |
| At 30 June 2018 (Unaudited) | | 533,360 | 188,480 | – | 42,971 | 436,339 | 1,201,150 | 5,732 | 1,206,882 |

Note:

(i) In preparation of the financial statements, the Group has appropriated a certain amount of retained profits to a special reserve fund for each of the six months ended 30 June 2019 and 2018, for safety production expense purposes as required by directives issued by relevant PRC government authorities. The Group charged the safety production expense to profit or loss when such expense was incurred, and at the same time an equal amount of such special reserve fund was utilised and transferred back to retained profits until such special reserve was fully utilised.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

| | Notes | 2019 RMB'000 (Unaudited) | 2018 RMB'000 (Unaudited) |
|---|---|---|---|
| **CASH FLOWS (USED IN)/ FROM OPERATING ACTIVITIES** | | | |
| Profit before tax | | **91,227** | 104,656 |
| Adjustments for: | | | |
| Finance costs | 6 | **38,181** | 31,990 |
| Interest income | 5 | **(250)** | (90) |
| Exchange difference | | **6** | – |
| Loss on disposal of intangible assets | | **–** | 1 |
| Depreciation of items of property, plant and equipment | 7 | **5,457** | 3,991 |
| Depreciation of right-of-use assets | 7 | **146** | – |
| Amortisation of intangible assets | 7 | **372** | 251 |
| Amortisation of prepaid land lease payments | 7 | **–** | 146 |
| Impairment of trade receivables | 7 | **6,967** | 3,514 |
| Impairment of deposits and other receivables | 7 | **1,954** | 811 |
| Reverse impairment of contract asset | 7 | **(177)** | – |
| Gain on disposal of items of property, plant and equipment, net | | **(8)** | (19) |
| | | **143,875** | 145,251 |
| Increase in inventories | | **(765)** | (2,148) |
| Decrease in contract assets | | **65,080** | – |
| Decrease in amount due from contract customers | | **–** | 151,428 |
| Decrease/(increase) in trade and bills receivables | | **265,458** | (263,559) |
| Increase in prepayments, other receivables and other assets | | **(50,533)** | (35,152) |
| Increase in pledged deposits | | **(7,219)** | (8,666) |
| (Decrease)/increase in trade and bills payables | | **(365,762)** | 166,660 |
| Decrease in other payables and accruals | | **(54,371)** | (16,238) |
| Cash flows (used in)/generated from operations | | **(4,237)** | 137,576 |
| Interest received | | **250** | 90 |
| Income tax paid | | **(10,127)** | (19,515) |
| Net cash flows (used in)/ from operating activities | | **(14,114)** | 118,151 |

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

| | Notes | 2019 RMB'000 (Unaudited) | 2018 RMB'000 (Unaudited) |
|---|---|---|---|
| **CASH FLOWS USED IN INVESTING ACTIVITIES** | | | |
| Payments for acquisition of items of property, plant and equipment | | (6,398) | (2,120) |
| Payments for acquisition of intangible assets | | (589) | (68) |
| Proceeds from disposal of items of property, plant and equipment | | 75 | 59 |
| Net cash flows used in investing activities | | (6,912) | (2,129) |
| **CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES** | | | |
| Repayment of loans from third parties | | (30,000) | – |
| Loans from third parties | | 42,000 | – |
| Interest paid | | (38,181) | (31,990) |
| Proceeds from borrowings | | 353,210 | 253,250 |
| Repayment of borrowings | | (213,200) | (336,084) |
| Deposits paid for bank loans | | (21,962) | – |
| Dividends paid to non-controlling shareholders | | (1,353) | (600) |
| Net cash flows from/(used in) financing activities | | 90,514 | (115,424) |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | | 69,488 | 598 |
| Cash and cash equivalents at beginning of period | | 167,406 | 83,859 |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | | 236,894 | 84,457 |
| **ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS** | | | |
| Cash and bank balances | 15 | 301,444 | 111,875 |
| Less: Pledged deposits | | 64,550 | 27,418 |
| Cash and cash equivalents as stated in the statement of financial position and statement of cash flows | | 236,894 | 84,457 |

## 1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2019 have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting.* The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial information, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2018. The interim condensed consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousands, except when otherwise indicated.

These interim condensed consolidated financial statements have not been audited.

## 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 31 December 2018, except for the adoption of the new and revised International Financial Reporting Standards ("IFRSs") effective as of 1 January 2019.

| | |
|---|---|
| Amendments to IFRS 9 | *Prepayment Features with Negative Compensation* |
| IFRS 16 | *Leases* |
| Amendments to IAS 19 | *Plan Amendment, Curtailment or Settlement* |
| Amendments to IAS 28 | *Long-term Interests in Associates and Joint Ventures* |
| IFRIC Inc 23 | *Uncertainty over Income Tax Treatments* |
| Annual Improvements 2015-2017 Cycle | *Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23* |

Other than as explained below regarding the impact of IFRS 16 *Leases* and IFRIC-Int 23 *Uncertainty over Income Tax Treatments*, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the new and revised IFRSs are described below:

(a) IFRS 16 replaces IAS 17 *Leases*, IFRIC-Int 4 *Determining whether an Arrangement contains a Lease,* SIC-Int 15 *Operating Leases – Incentives and* SIC-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have any financial impact on leases where the Group is the lessor.

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(a) *(Continued)*

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under IAS 17.

***New definition of a lease***

Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC-Int 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

***As a lessee – Leases previously classified as operating leases***

*Nature of the effect of adoption of IFRS 16*

The Group has lease contracts for various items of property, machinery, vehicles and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., laptop computers and telephones); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(a) *(Continued)*

***As a lessee – Leases previously classified as operating leases*** *(Continued)*

*Impacts on transition*

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position. This includes the lease assets recognised previous under prepaid land lease payment of RMB8,997,000 that were reclassified to right-of-use assets.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying IAS 40.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

The impacts arising from the adoption of IFRS 16 as at 1 January 2019 are as follows:

| | Increase/(decrease) RMB'000 (Unaudited) |
|---|---|
| Increase in right-of-use assets | 8,997 |
| Decrease in prepaid land lease payments | (8,997) |
| Increase in total assets | – |

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(a) *(Continued)*

***As a lessee – Leases previously classified as operating leases*** *(Continued)*

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

| | RMB'000 |
|---|---|
| **Operating lease commitments as at 31 December 2018** | 750 |
| Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019 | (750) |
| **Lease liabilities as at 1 January 2019** | – |

***Summary of new accounting policies***

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of IFRS 16 from 1 January 2019:

***Right-of-use assets***

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "inventories". The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for 'investment properties'.

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(a) *(Continued)*

***Lease liabilities***

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

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

***Significant judgement in determining the lease term of contracts with renewal options***

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases, to lease equipment for additional terms of three years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. It considers all relevant factors that create an economic incentive for it to exercise the renewal. After the lease commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within the control of the Group and affects its ability to exercise the option to renew.

The Group included the renewal period as part of the lease term for leases of machinery due to the significance of these assets to its operations. These leases have a short non-cancellable period and there will be a significant negative effect on production if a replacement is not readily available.

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(a) *(Continued)*

***Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss***

The carrying amounts of the Group's right-of-use assets and lease liabilities (included within 'interest-bearing bank and other borrowings'), and the movement during the period are as follow:

| | Right-of-use assets<br>Land lease<br>RMB'000 |
|---|---|
| As at 1 January 2019 | 8,997 |
| Depreciation charge | (146) |
| As at 30 June 2019 | 8,851 |

(b) IFRIC-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any significant impact on the Group's interim condensed consolidated financial information.

## 3. OPERATING SEGMENT INFORMATION

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

(a) Construction contracting – this segment engages in the provision of services relating to construction contracting in architecture;

(b) Others – provision of services on designing, surveying and mapping, monitoring and consulting services in the engineering of municipal management and construction, installation of lifting equipment, sale of construction materials and civil defense products and provision of services relating to construction contracting in architecture.

The Group's revenue from external customers from each operating segment is set out in note 4 to the interim condensed consolidated financial information.

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

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

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

| | For the six months ended 30 June 2019 | | | |
|---|---|---|---|---|
| | Construction contracting RMB'000 (Unaudited) | Others RMB'000 (Unaudited) | Eliminations RMB'000 (Unaudited) | Total RMB'000 (Unaudited) |
| **Segment revenue:** | | | | |
| Sales to external customers | 3,357,689 | 44,204 | – | 3,401,893 |
| Intersegment sales | 736 | 5,639 | (6,375) | – |
| **Total revenue** | 3,358,425 | 49,843 | (6,375) | 3,401,893 |
| Segment results | 85,486 | 8,396 | (2,655) | 91,227 |
| Income tax expense | (21,151) | (1,756) | – | (22,907) |
| **Profit for the period** | 64,335 | 6,640 | (2,655) | 68,320 |
| **Other segment information:** | | | | |
| Interest income | 232 | 18 | – | 250 |
| Finance costs | 36,618 | 1,563 | – | 38,181 |
| Depreciation | 5,269 | 334 | – | 5,603 |
| Amortisation | 315 | 57 | – | 372 |
| Impairment losses recognised in the statement of profit or loss | 8,655 | 89 | – | 8,744 |
| Capital expenditure* | 6,702 | 285 | – | 6,987 |

| | As at 30 June 2019 | | | |
|---|---|---|---|---|
| | Construction contracting RMB'000 (Unaudited) | Others RMB'000 (Unaudited) | Eliminations RMB'000 (Unaudited) | Total RMB'000 (Unaudited) |
| **Segment assets** | 5,160,805 | 391,048 | (261,139) | 5,290,714 |
| **Segment liabilities** | 3,764,770 | 281,456 | (117,773) | 3,928,453 |

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

| | For the six months ended 30 June 2018 | | | |
|---|---|---|---|---|
| | Construction contracting RMB'000 (Unaudited) | Others RMB'000 (Unaudited) | Eliminations RMB'000 (Unaudited) | Total RMB'000 (Unaudited) |
| **Segment revenue:** | | | | |
| Sales to external customers | 3,187,333 | 27,427 | – | 3,214,760 |
| Intersegment sales | – | 3,240 | (3,240) | – |
| **Total revenue** | 3,187,333 | 30,667 | (3,240) | 3,214,760 |
| Segment results | 104,661 | 1,395 | (1,400) | 104,656 |
| Income tax expense | (26,343) | (890) | – | (27,233) |
| **Profit for the period** | 78,318 | 505 | (1,400) | 77,423 |
| **Other segment information:** | | | | |
| Interest income | 80 | 10 | – | 90 |
| Finance costs | 30,190 | 1,800 | – | 31,990 |
| Depreciation | 3,782 | 209 | – | 3,991 |
| Amortisation | 356 | 41 | – | 397 |
| Impairment losses recognised in the statement of profit or loss | 4,243 | 82 | – | 4,325 |
| Capital expenditure[1] | 1,926 | 262 | – | 2,188 |

| | As at 30 June 2018 | | | |
|---|---|---|---|---|
| | Construction contracting RMB'000 (Unaudited) | Others RMB'000 (Unaudited) | Eliminations RMB'000 (Unaudited) | Total RMB'000 (Unaudited) |
| **Segment assets** | 5,057,915 | 113,987 | (195,551) | 4,976,351 |
| **Segment liabilities** | 3,801,037 | 68,133 | (99,701) | 3,769,469 |

Note:

[1] Capital expenditure mainly consists of additions of property, plant and equipment and intangible assets.

## 4. REVENUE

An analysis of revenue is as follows:

| | For the six months ended 30 June 2019 RMB'000 (Unaudited) | 2018 RMB'000 (Unaudited) |
|---|---|---|
| *Revenue from contracts with customers* | | |
| Construction contracting | **3,357,689** | 3,187,333 |
| Design, survey and consultancy | **12,505** | 10,347 |
| Sale of construction materials and civil defence products | **31,699** | 17,080 |
| | **3,401,893** | 3,214,760 |

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

**For the six months ended 30 June 2019**

| Segments | Construction contracting RMB'000 (Unaudited) | Others RMB'000 (Unaudited) | Total RMB'000 (Unaudited) |
|---|---|---|---|
| **Type of goods or service** | | | |
| Residential | 1,736,784 | – | 1,736,784 |
| Commercial | 472,319 | – | 472,319 |
| Industrial | 888,141 | – | 888,141 |
| Public works | 260,445 | – | 260,445 |
| Others | – | 44,204 | 44,204 |
| **Total revenue from contracts with customers** | 3,357,689 | 44,204 | 3,401,893 |
| **Geographical markets** | | | |
| Mainland China | 3,357,689 | 44,204 | 3,401,893 |
| **Total revenue from contracts with customers** | 3,357,689 | 44,204 | 3,401,893 |
| **Timing of revenue recognition** | | | |
| Services transferred over time | 3,357,689 | 12,505 | 3,370,194 |
| Goods transferred at a point in time | – | 31,699 | 31,699 |
| **Total revenue from contracts with customers** | 3,357,689 | 44,204 | 3,401,893 |

## 4. REVENUE *(Continued)*

**For the six months ended 30 June 2018**

| Segments | Construction contracting RMB'000 (Unaudited) | Others RMB'000 (Unaudited) | Total RMB'000 (Unaudited) |
|---|---|---|---|
| **Type of goods or service** | | | |
| Residential | 1,472,876 | – | 1,472,876 |
| Commercial | 553,799 | – | 553,799 |
| Industrial | 911,566 | – | 911,566 |
| Public works | 249,092 | – | 249,092 |
| Others | – | 27,427 | 27,427 |
| **Total revenue from contracts with customers** | 3,187,333 | 27,427 | 3,214,760 |
| **Geographical markets** | | | |
| Mainland China | 3,187,333 | 27,427 | 3,214,760 |
| **Total revenue from contracts with customers** | 3,187,333 | 27,427 | 3,214,760 |
| **Time of revenue recognition** | | | |
| Service transferred over time | 3,187,333 | 10,347 | 3,197,680 |
| Goods transferred at a point in time | – | 17,080 | 17,080 |
| Total revenue from contracts with customers | 3,187,333 | 27,427 | 3,214,760 |

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 30 June 2019**

| **Segments** | **Construction contracting RMB'000 (Unaudited)** | **Others RMB'000 (Unaudited)** | **Total RMB'000 (Unaudited)** |
|---|---|---|---|
| **Revenue** | | | |
| External customers | **3,357,689** | **44,204** | **3,401,893** |
| Intersegment sales | **–** | **6,375** | **6,375** |
| | **3,357,689** | **50,579** | **3,408,268** |
| Intersegment adjustments and eliminations | **–** | **(6,375)** | **(6,375)** |
| **Total revenue from contracts with customers** | **3,357,689** | **44,204** | **3,401,893** |

## 4. REVENUE *(Continued)*

**For the six months ended 30 June 2018**

| Segments | Construction contracting RMB'000 (Unaudited) | Others RMB'000 (Unaudited) | Total RMB'000 (Unaudited) |
|---|---|---|---|
| **Revenue** | | | |
| External customers | 3,187,333 | 27,427 | 3,214,760 |
| Intersegment sales | – | 3,240 | 3,240 |
| | 3,187,333 | 30,667 | 3,218,000 |
| Intersegment adjustments and eliminations | – | (3,240) | (3,240) |
| **Total revenue from contracts with customers** | 3,187,333 | 27,427 | 3,214,760 |

## 5. OTHER INCOME AND GAINS

An analysis of the Group's other income and gains is as follows:

| | For the six months ended 30 June | |
|---|---|---|
| | **2019 RMB'000 (Unaudited)** | 2018 RMB'000 (Unaudited) |
| Interest income | **250** | 90 |
| Government grant | **99** | 673 |
| Others | **197** | 332 |
| | **546** | 1,095 |

## 6. FINANCE COSTS

| | For the six months ended 30 June | |
|---|---|---|
| | **2019 RMB'000 (Unaudited)** | 2018 RMB'000 (Unaudited) |
| Interest on bank loans | **36,667** | 26,871 |
| Interest on discounted bills receivable | **1,404** | 3,384 |
| Letter of Guarantee | **110** | 1,735 |
| | **38,181** | 31,990 |

## 7. PROFIT BEFORE TAX

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

| | For the six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Cost of construction contracting (including depreciation) | **3,188,473** | 3,015,404 |
| Cost of others | **30,069** | 21,318 |
| Total cost of sales | **3,218,542** | 3,036,722 |
| Depreciation of items of property, plant and equipment (note (a)) | **5,457** | 3,991 |
| Depreciation of right-use-assets | **146** | – |
| Amortisation of prepaid land lease payments | **–** | 146 |
| Amortisation of intangible assets | **372** | 251 |
| Total depreciation and amortisation | **5,975** | 4,388 |
| Impairment of trade receivables | **6,967** | 3,514 |
| Reversal of impairment of contract assets | **(177)** | – |
| Impairment of financial assets included in prepayments, other receivables and other assets | **1,954** | 811 |
| Total impairment losses, net | **8,744** | 4,325 |
| Auditors' remuneration | **880** | 700 |
| Employee benefit expenses (including Directors' and Supervisors' remuneration) (note (b)): | **28,555** | 20,136 |
| – Wages, salaries and allowances | **23,087** | 15,291 |
| – Social insurance | **4,659** | 4,081 |
| – Welfare and other expenses | **809** | 764 |
| Interest income | **(250)** | (90) |

Notes:

(a) Depreciation of approximately RMB2,546,000 (unaudited) and approximately RMB1,846,000 (unaudited) is included in administrative expenses in the consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2019 and 2018, respectively.

(b) Employee benefit expenses of approximately RMB28,555,000 (unaudited) and approximately RMB20,136,000 (unaudited) are included in administrative expenses in the consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2019 and 2018, respectively.

## 8. INCOME TAX EXPENSE

All of the Group's subsidiaries operating only in Mainland China are subject to PRC enterprise income tax on the taxable income as reported in their PRC statutory accounts adjusted in accordance with relevant PRC income tax laws. Except for those further explained below, PRC enterprise income tax has been provided at the rate of 25% (2018: 25%) on the taxable income.

Pursuant to relevant laws and regulations in the PRC and with approval from tax authorities in charge, one of the Group's subsidiaries, Jiaxing Jujiang Defence Equipment Co., Ltd., qualified as a High and New Technology Enterprise, is entitled to the preferential tax rate of 15% for the three years from November 2018 to November 2021, which will be renewable after November 2021 subject to fulfilment of certain conditions imposed by relevant laws and regulations.

There was no provision for India profits tax as there was no taxable profit earned or derived from India by the Group during the period.

The breakdown of income tax expense is as follow:

| | For the six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Current income tax – Mainland China | | |
| Charge for the period | **24,818** | 27,521 |
| Deferred income tax | **(1,911)** | (288) |
| Tax charge for the period | **22,907** | 27,233 |

## 8. INCOME TAX EXPENSE *(Continued)*

A reconciliation of the income tax expense applicable to profit before tax at the statutory income tax rate to the income tax expense at the Group's effective income tax rate for the reporting period is as follows:

| | For the six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Profit before tax | **91,227** | 104,656 |
| Income tax charge at the statutory income tax rate (25%) | **22,807** | 26,164 |
| Lower tax rate enacted by local authority | **(803)** | – |
| Rate change for deferred tax assets | **41** | – |
| Expenses not deductible for tax purposes | **335** | 614 |
| Tax losses not recognised | **527** | 455 |
| Tax charge for the period at the effective rate | **22,907** | 27,233 |

## 9. DIVIDENDS

| | For the six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Declared final dividend – RMB3.5 cents (2018: Nil) per ordinary share* | **18,743** | – |
| | **18,743** | – |

* The Company will distribute a final dividend of 4.0 Hong Kong cents in cash (before tax) per share for the year ended 31 December 2018 to the shareholders whose names appear on the register of members of the Company on Wednesday, 10 July 2019. The exchange rate for the dividend calculation in RMB is based on the average benchmark exchange rate of Hong Kong Dollar against RMB as published by the People's Bank of China one week preceding the date of the approval of such dividend, being HK$1.0000: RMB0.8785. Based on the above exchange rate, a final dividend of RMB3.5 cents (before tax) will be payable per domestic share.

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

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for six months ended 30 June 2019 and 2018 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those periods.

The following reflects the income and share data used in the basic earnings per share computation:

| | For the six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Earnings: | | |
| Profit for the period attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation | **65,333** | 77,316 |

| | For the six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **'000** | '000 |
| | **(Unaudited)** | (Unaudited) |
| Number of shares: | | |
| Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation | **533,360** | 533,360 |

## 11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired property, plant and equipment with an aggregate cost amounting to approximately RMB 6,398,000 (Unaudited) (six months ended 30 June 2018: RMB2,120,000 (Unaudited)).

In addition, during the same period, property, plant and equipment with an aggregate net carrying value of approximately RMB67,000 (Unaudited) (six months ended 30 June 2018: RMB40,000 (Unaudited)) were disposed of, which resulted in a net gain on disposal of approximately RMB8,000 (Unaudited) (six months ended 30 June 2018: RMB19,000 (Unaudited)).

## 12. CONTRACT ASSETS

| | **As at 30 June 2019 RMB'000 (Unaudited)** | As at 31 December 2018 RMB'000 (Audited) |
|---|---|---|
| Contract assets arising from: | | |
| Construction services | **3,000,925** | 3,066,983 |
| Design, survey and consultancy | **15,040** | 14,062 |
| | **3,015,965** | 3,081,045 |
| Impairment | **(3,551)** | (3,728) |
| | **3,012,414** | 3,077,317 |

## 13. TRADE AND BILLS RECEIVABLES

Trade receivables represented receivables for contract works. The payment terms of contract work receivables are stipulated in relevant contracts. The credit period offered by the Group is one to three months. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade and bills receivables are non-interest-bearing.

| | **As at 30 June 2019 RMB'000 (Unaudited)** | As at 31 December 2018 RMB'000 (Audited) |
|---|---|---|
| Trade receivables | **993,904** | 1,083,475 |
| Provision for impairment | **(42,548)** | (35,581) |
| Trade receivables, net | **951,356** | 1,047,894 |
| Bills receivable | **246,922** | 422,809 |
| | **1,198,278** | 1,470,703 |

## 13. TRADE AND BILLS RECEIVABLES *(Continued)*

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

| | **As at 30 June 2019 RMB'000 (Unaudited)** | As at 31 December 2018 RMB'000 (Audited) |
|---|---|---|
| Within 3 months | **425,453** | 533,645 |
| 3 months to 6 months | **183,313** | 96,859 |
| 6 months to 1 year | **107,218** | 240,397 |
| Over 1 year | **235,372** | 176,993 |
| | **951,356** | 1,047,894 |

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

| | **As at 30 June 2019 RMB'000 (Unaudited)** | As at 31 December 2018 RMB'000 (Audited) |
|---|---|---|
| At beginning of the period | **35,581** | 30,658 |
| Impairment losses recognised | **7,567** | 4,923 |
| Impairment losses reversed | **(600)** | – |
| At end of the period | **42,548** | 35,581 |

## 14. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

| | 30 June 2019<br>RMB'000<br>(Unaudited) | 31 December 2018<br>RMB'000<br>(Audited) |
|---|---|---|
| Deposits and other receivables | **286,949** | 260,012 |
| Provision for impairment of deposits and other receivables | **(36,298)** | (34,344) |
| | **250,651** | 225,668 |
| Prepayment to suppliers | **290,641** | 267,045 |
| | **541,292** | 492,713 |
| Portion classified as non-current assets[(1)] | **(11,633)** | (26,224) |
| Current portion | **529,659** | 466,489 |

[(1)] The non-current portion of deposits and other receivables mainly represents performance guarantee amounts held by customers at the end of the reporting period.

The movements in provision for impairment of deposits and other receivables are as follows:

| | 30 June 2019<br>RMB'000<br>(Unaudited) | 31 December 2018<br>RMB'000<br>(Audited) |
|---|---|---|
| At beginning of the period | **34,344** | 29,350 |
| Impairment losses recognised | **1,954** | 4,994 |
| At the end of the period/year | **36,298** | 34,344 |

## 15. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

| | **30 June 2019 RMB'000 (Unaudited)** | 31 December 2018 RMB'000 (Audited) |
|---|---|---|
| Cash and bank balances | **236,894** | 167,406 |
| Time deposits | **64,550** | 35,369 |
| | **301,444** | 202,775 |
| Less: Pledged time deposits: | | |
| Pledged for salaries of migrant workers | **(16,164)** | (8,945) |
| Pledged for bank loans and bank notes | **(48,386)** | (26,424) |
| Cash and cash equivalents | **236,894** | 167,406 |

The RMB is not freely convertible into other currencies. However, under Mainland China's prevailing rules and regulations over foreign exchange, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

## 16. TRADE AND BILLS PAYABLES

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

| | **As at 30 June 2019 RMB'000 (Unaudited)** | As at 31 December 2018 RMB'000 (Audited) |
|---|---|---|
| Within 6 months | **2,185,880** | 2,515,938 |
| 6 months to 1 year | **159,830** | 119,275 |
| Over 1 year | **410,140** | 524,304 |
| | **2,755,850** | 3,159,517 |

The trade and bills payables are non-interest-bearing and are normally settled within terms from three to six months.

## 17. OTHER PAYABLES AND ACCRUALS

| | **30 June 2019 RMB'000 (Unaudited)** | 31 December 2018 RMB'000 (Audited) |
|---|---|---|
| Other taxes payable | **206,408** | 208,152 |
| Contract liabilities | **128,834** | 169,013 |
| Other payables | **51,019** | 49,796 |
| Dividends payable | **18,749** | – |
| Accrued salaries, wages and benefits | **10,452** | 12,124 |
| | **415,462** | 439,085 |

The above amounts are unsecured, non-interest-bearing and have no fixed terms of settlement.

## 18. INTEREST-BEARING BANK AND OTHER BORROWINGS

| | **30 June 2019** | | | 31 December 2018 | | |
|---|---|---|---|---|---|---|
| | **Effective interest rate (%)** | **Maturity** | **RMB'000** | Effective interest rate (%) | Maturity | RMB'000 |
| **Current** | | | | | | |
| Bank loans – mortgaged | **4.79 – 6.48** | **2020** | **439,760** | 4.79 – 6.48 | 2019 | 409,550 |
| Bank loans – guaranteed | **4.71 – 6.07** | **2020** | **17,950** | 5.66 | 2019 | 10,000 |
| Bank loans – other | | | **–** | 3.93 – 3.98 | 2019 | 500 |
| | | | **457,710** | | | 420,050 |
| **Non-current** | | | | | | |
| Bank loans – guaranteed | **4.41** | **2021-2027** | **102,350** | | | – |

Notes:

(a) Certain of the Group's buildings with net carrying amounts of approximately RMB92,113,000 (unaudited) and approximately RMB93,248,000 as at 30 June 2019 and 31 December 2018, respectively, were pledged to secure general banking facilities granted to the Group.

(b) As set out in note 22(c), as at 30 June 2019 and 31 December 2018, the Group's interest-bearing bank and other borrowings of approximately RMB419,840,000 (unaudited) and approximately RMB347,930,000, respectively, were jointly guaranteed by the controlling shareholder and other related parties of the Group free of charge.

(c) The Group entered into the fixed asset loan contract with maximum loan amounts of RMB190,000,000. As at 30 June 2019, the Group obtained loan amounts of RMB102,350,000 and the interest rate is 10% lower than the base rate announced by the People's Bank of China.

## 19. SHARE CAPITAL

| | 30 June 2019<br>RMB'000<br>(Unaudited) | 31 December 2018<br>RMB'000<br>(Audited) |
|---|---|---|
| Share capital | **533,360** | 533,360 |

## 20. RESERVES

The amounts of the Group's reserves and the movements therein for the reporting period are presented in the consolidated statement of changes in equity.

## 21. COMMITMENTS

At the end of the reporting period, the Group did not have any significant commitments.

## 22. RELATED PARTY TRANSACTIONS

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

| | For the six months ended 30 June | |
|---|---|---|
| | 2019<br>RMB'000<br>(Unaudited) | 2018<br>RMB'000<br>(Unaudited) |
| **Construction contracting services provided to:** | | |
| Fellow subsidiaries | **4,247** | 1,788 |
| Associate of fellow subsidiaries | **1,568** | 500 |

The above related party transactions were conducted in accordance with the terms mutually agreed between the parties.

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

(b) The aggregate amounts of remuneration of the Directors and Supervisors of the Company during the Relevant Periods, disclosed pursuant to the Hong Kong Listing Rules, are as follows:

| | For the six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Fees | | |
| Other emoluments: | | |
| – Salaries, allowances and benefits in kind | **1,100** | 960 |
| – Pension schemes | **31** | 26 |
| | **1,131** | 986 |

(c) Other transactions with related parties:

The Group's interest-bearing bank and other borrowings of RMB419,840,000 (unaudited) and RMB347,930,000 as at 30 June 2019 and 31 December 2018, respectively, were jointly guaranteed by the controlling shareholder and other related parties of the Group, as set out in note 18(b).

(d) Outstanding balances with related parties:

| | **30 June 2019** | 31 December 2018 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Audited) |
| **Accounts receivable:** | | |
| Fellow subsidiaries | **20,396** | 36,438 |
| **Other receivables:** | | |
| Fellow subsidiaries | **352** | 352 |
| Key management person of the holding company | **950** | 950 |
| **Other payables:** | | |
| Fellow subsidiaries | **–** | 50 |
| **Contract assets:** | | |
| Fellow subsidiaries | **39,890** | 41,811 |
| Associate of fellow subsidiaries | **53,665** | 52,050 |
| **Contract liabilities:** | | |
| Fellow subsidiaries | **1,894** | 133 |

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

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

| | Carrying amounts | |
|---|---|---|
| | **30 June 2019** | 31 December 2018 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Audited) |
| **Financial assets** | | |
| Financial assets included in prepayments, other receivables and other assets – non-current | **11,633** | 26,224 |
| | **11,633** | 26,224 |

| | Fair value | |
|---|---|---|
| | **30 June 2019** | 31 December 2018 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Audited) |
| **Financial assets** | | |
| Financial assets included in prepayments, other receivables and other assets – non-current | **11,461** | 25,837 |
| | **11,461** | 25,837 |

Management has assessed that the fair values of cash and bank balances, pledged deposits, trade and bills receivables, trade and bills payables, interest-bearing bank and other borrowings, the current portion of financial assets included in prepayments, other receivables and other assets and other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief accountant. At each reporting date, the finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief accountant. The valuation process and results are discussed with the senior management twice a year for annual financial reporting.

The following methods and assumptions were used to estimate the fair values.

## 23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

The fair values of the non-current portion of trade and bills receivables, the non-current portion of financial assets included in prepayments, deposits and other receivables and the non-current portion of financial liabilities included in other payables and accruals have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

## 24. EVENTS AFTER THE REPORTING PERIOD

The Group has no significant events after the reporting period required to be disclosed.

## 25. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 August 2019.